

BANCORPSOUTH INC  
Form 10-Q  
May 06, 2014  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2014

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-12991

BANCORPSOUTH, INC.

(Exact name of registrant as specified in its charter)

Mississippi

(State or other jurisdiction of incorporation or organization)

64-0659571

(I.R.S. Employer Identification No.)

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One Mississippi Plaza, 201 South Spring Street

Tupelo, Mississippi  
(Address of principal executive offices)

38804  
(Zip Code)

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

NOT APPLICABLE

(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

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

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

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

As of May 1, 2014, the registrant had outstanding 96,033,079 shares of common stock, par value \$2.50 per share.

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BANCORPSOUTH, INC.

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## PART I.

## FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS.

## BANCORPSOUTH, INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

	March 31, 2014 (Unaudited)	December 31, 2013 (1)	March 31, 2013 (Unaudited)
	(Dollars in thousands, except per share amounts)		
<b>ASSETS</b>			
Cash and due from banks	\$ 199,214	\$ 208,961	\$ 147,947
Interest bearing deposits with other banks	390,896	319,462	969,506
Available-for-sale securities, at fair value	2,426,758	2,466,989	2,607,176
Loans and leases	9,103,850	8,993,888	8,614,791
Less: Unearned income	35,474	35,873	33,253
Allowance for credit losses	149,704	153,236	162,601
Net loans and leases	8,918,672	8,804,779	8,418,937
Loans held for sale	62,867	69,593	105,523
Premises and equipment, net	314,367	315,260	313,980
Accrued interest receivable	42,666	42,150	44,696
Goodwill	286,800	286,800	275,173
Other identifiable intangibles	25,021	26,079	16,586
Bank-owned life insurance	240,077	239,434	233,007
Other real estate owned	63,595	69,338	96,314
Other assets	172,622	180,888	164,290
<b>TOTAL ASSETS</b>	<b>\$ 13,143,555</b>	<b>\$ 13,029,733</b>	<b>\$ 13,393,135</b>
<b>LIABILITIES</b>			
Deposits:			
Demand: Noninterest bearing	\$ 2,725,042	\$ 2,644,592	\$ 2,582,859
Interest bearing	4,583,481	4,582,450	4,840,330
Savings	1,297,344	1,234,130	1,212,736
Other time	2,205,923	2,312,664	2,529,001
Total deposits	10,811,790	10,773,836	11,164,926
Federal funds purchased and securities sold under agreement to repurchase	456,303	421,028	353,742
Accrued interest payable	4,050	4,836	5,519
Junior subordinated debt securities	23,198	31,446	160,312
Long-term debt	85,835	81,714	33,500
Other liabilities	207,703	203,743	209,956
<b>TOTAL LIABILITIES</b>	<b>11,588,879</b>	<b>11,516,603</b>	<b>11,927,955</b>
<b>SHAREHOLDERS' EQUITY</b>			

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Common stock, \$2.50 par value per share			
Authorized - 500,000,000 shares; Issued - 96,004,679, 95,231,691 and 95,174,441 shares, respectively	240,012	238,079	237,936
Capital surplus	320,969	312,900	311,091
Accumulated other comprehensive loss	(22,060)	(29,959)	(13,120)
Retained earnings	1,015,755	992,110	929,273
TOTAL SHAREHOLDERS' EQUITY	1,554,676	1,513,130	1,465,180
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 13,143,555	\$ 13,029,733	\$ 13,393,135

(1) Derived from audited financial statements.

See accompanying notes to consolidated financial statements.

## BANCORPSOUTH, INC. AND SUBSIDIARIES

## Consolidated Statements of Income

(Unaudited)

	Three months ended	
	March 31,	
	2014	2013
	(In thousands, except for per share amounts)	
<b>INTEREST REVENUE:</b>		
Loans and leases	\$ 98,744	\$ 99,092
Deposits with other banks	276	602
Available-for-sale securities:		
Taxable	7,547	8,700
Tax-exempt	3,715	3,960
Loans held for sale	317	673
Total interest revenue	110,599	113,027
<b>INTEREST EXPENSE:</b>		
Deposits:		
Interest bearing demand	1,920	3,125
Savings	391	513
Other time	5,890	8,041
Federal funds purchased and securities sold under agreement to repurchase	78	63
Long-term debt	629	348
Junior subordinated debt	168	2,857
Other	-	2
Total interest expense	9,076	14,949
Net interest revenue	101,523	98,078
Provision for credit losses	-	4,000
Net interest revenue, after provision for credit losses	101,523	94,078
<b>NONINTEREST REVENUE:</b>		
Mortgage lending	3,394	12,346
Credit card, debit card and merchant fees	7,843	7,523
Deposit service charges	12,536	12,832
Trust income	3,568	3,210
Security (losses) gains, net	(4)	19
Insurance commissions	31,599	26,641
Other	7,581	8,747
Total noninterest revenue	66,517	71,318
<b>NONINTEREST EXPENSE:</b>		
Salaries and employee benefits	78,883	79,414
Occupancy, net of rental income	10,287	10,237
Equipment	4,499	4,948

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Deposit insurance assessments	1,600	2,804		
Write-off and amortization of bond issue cost	12	38		
Other	31,426	37,930		
Total noninterest expense	126,707	135,371		
Income before income taxes	41,333	30,025		
Income tax expense	12,889	9,220		
Net income	\$ 28,444	\$ 20,805		
Earnings per share: Basic	\$ 0.30	\$ 0.22		
Diluted	\$ 0.30	\$ 0.22		
Dividends declared per common share	\$ 0.05	\$ 0.01		

See accompanying notes to consolidated financial statements.

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

	Three months ended March 31,	
	2014	2013
	(In thousands)	
Net income	\$ 28,444	20,805
Other comprehensive income (loss), net of tax		
Unrealized gains (losses) on securities	7,443	(5,300)
Pension and other postretirement benefits	456	826
Other comprehensive income (loss), net of tax	7,899	(4,474)
Comprehensive income	\$ 36,343	\$ 16,331

See accompanying notes to consolidated financial statements.

## BANCORPSOUTH, INC. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

(Unaudited)

	Three months ended March 31,	
	2014	2013
	(In thousands)	
Operating Activities:		
Net income	\$ 28,444	\$ 20,805
Adjustment to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	-	4,000
Depreciation and amortization	6,573	6,713
Deferred taxes	(1,939)	(3,002)
Amortization of intangibles	1,058	743
Amortization of debt securities premium and discount, net	3,399	3,771
Share-based compensation expense	487	530
Security losses (gains), net	4	(19)
Net deferred loan origination expense	(1,610)	(1,831)
Excess tax benefit from exercise of stock options	1,154	12
Increase in interest receivable	(516)	(340)
Decrease in interest payable	(786)	(621)
Realized gain on mortgages sold	(6,444)	(16,354)
Proceeds from mortgages sold	157,303	469,489
Origination of mortgages held for sale	(146,494)	(425,882)
Loss on other real estate owned, net	2,297	1,145
Increase in bank-owned life insurance	(1,848)	(1,887)
Decrease in prepaid pension asset	1,415	1,441
Other, net	11,356	(18,781)
Net cash provided by operating activities	53,853	39,932
Investing activities:		
Proceeds from calls and maturities of available-for-sale securities	145,202	144,157
Purchases of available-for-sale securities	(95,552)	(337,126)
Net (increase) decrease in loans and leases	(117,138)	45,313
Purchases of premises and equipment	(5,698)	(4,406)
Proceeds from sale of premises and equipment	110	2,965
Purchase of bank-owned life insurance, net of proceeds from death benefits	1,206	-
Proceeds from sale of other real estate owned	8,157	7,853
Other, net	(6)	-
Net cash used in investing activities	(63,719)	(141,244)
Financing activities:		
Net increase in deposits	37,954	76,780
Net increase (decrease) in short-term debt and other liabilities	35,271	(60,872)
Advances of long-term debt	8,000	-
Repayment of advances of long-term debt	(3,879)	-
Redemption of junior subordinated debt	(8,248)	-
Issuance of common stock	8,944	201
Repurchase of common stock	(584)	-

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Excess tax benefit from exercise of stock options	(1,154)	(12)
Payment of cash dividends	(4,751)	(946)
Net cash provided by financing activities	71,553	15,151
Increase (decrease) in cash and cash equivalents	61,687	(86,161)
Cash and cash equivalents at beginning of period	528,423	1,203,614
Cash and cash equivalents at end of period	\$ 590,110	\$ 1,117,453

See accompanying notes to consolidated financial statements.

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## Notes to Consolidated Financial Statements

(Unaudited)

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

The accompanying unaudited interim consolidated financial statements of BancorpSouth, Inc. (the “Company”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and follow general practices within the industries in which the Company operates. For further information, refer to the audited consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013. In the opinion of management, all adjustments necessary for a fair presentation of the consolidated financial statements have been included and all such adjustments were of a normal, recurring nature. The results of operations for the three-month period ended March 31, 2014 are not necessarily indicative of the results to be expected for the full year. Certain 2013 amounts have been reclassified to conform with the 2014 presentation.

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, BancorpSouth Bank (the “Bank”) and Gumtree Wholesale Insurance Brokers, Inc., and the Bank’s wholly-owned subsidiaries, BancorpSouth Insurance Services, Inc., BancorpSouth Investment Services, Inc., BancorpSouth Municipal Development Corporation and BancorpSouth Bank Securities Corporation.

## NOTE 2 – LOANS AND LEASES

The Company’s loan and lease portfolio is disaggregated into the following segments: commercial and industrial; real estate; credit card; and all other loans and leases. The real estate segment is further disaggregated into the following classes: consumer mortgage; home equity; agricultural; commercial and industrial-owner occupied; construction, acquisition and development; and commercial real estate. A summary of gross loans and leases by segment and class as of the dates indicated follows:

	March 31, 2014	2013	December 31, 2013
	(In thousands)		
Commercial and industrial	\$ 1,589,234	\$ 1,488,374	\$ 1,538,302

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Real estate			
Consumer mortgages	2,047,001	1,871,312	1,976,073
Home equity	498,283	482,398	494,339
Agricultural	229,602	249,467	234,576
Commercial and industrial-owner occupied	1,488,380	1,334,974	1,473,320
Construction, acquisition and development	748,027	728,092	741,458
Commercial real estate	1,847,983	1,739,533	1,846,039
Credit cards	105,988	98,803	111,328
All other	549,352	621,838	578,453
Total	\$ 9,103,850	\$ 8,614,791	\$ 8,993,888

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The following table shows the Company's loans and leases, net of unearned income, as of March 31, 2014 by segment, class and geographical location:

	Alabama and Florida Panhandle (In thousands)	Arkansas*	Mississippi*	Missouri	Greater Memphis Area	Tennessee*	Texas and Louisiana
Commercial and industrial	\$ 80,620	\$ 188,455	\$ 282,829	\$ 34,165	\$ 23,138	\$ 80,065	\$ 27,000
Real estate							
Consumer mortgages	149,108	264,744	689,847	64,206	105,566	162,701	501,316
Home equity	64,648	40,076	163,896	21,039	67,421	72,663	66,554
Agricultural	7,797	68,685	57,168	3,471	14,492	11,611	61,959
Commercial and industrial-owner occupied	173,560	167,136	479,186	65,786	92,641	89,244	293,217
Construction, acquisition and development	100,165	66,985	193,818	22,190	77,559	103,894	149,859
Commercial real estate	262,639	304,695	280,466	198,179	98,039	107,520	425,729
Credit cards	-	-	-	-	-	-	-
All other	30,706	54,338	136,963	2,368	38,539	37,585	78,648
Total	\$ 869,243	\$ 1,155,114	\$ 2,284,173	\$ 411,404	\$ 517,395	\$ 665,283	\$ 1,850,000

\* Excludes the Greater Memphis Area.

The Company's loan concentrations which exceed 10% of total loans are reflected in the preceding tables. A substantial portion of construction, acquisition and development loans are secured by real estate in markets in which the Company is located. The Company's loan policy generally prohibits the use of interest reserves on loans originated after March 2010. Certain of the construction, acquisition and development loans were structured with interest-only terms. A portion of the consumer mortgage and commercial real estate portfolios originated through the permanent financing of construction, acquisition and development loans. The prolonged economic downturn has negatively impacted many borrowers' and guarantors' ability to make payments under the terms of the loans as their liquidity has been depleted. Accordingly, the ultimate collectability of a substantial portion of these loans and the recovery of a substantial portion of the carrying amount of other real estate owned ("OREO") are susceptible to changes in real estate values in the corresponding market areas. Continued economic distress could negatively impact additional borrowers' and guarantors' ability to repay their debt which would make more of the Company's loans collateral dependent.



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The following tables provide details regarding the aging of the Company's loan and lease portfolio, net of unearned income, by segment and class at March 31, 2014 and December 31, 2013:

March 31, 2014

	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Outstanding	90+ Days Past Due still Accruing
(In thousands)							
Commercial and industrial	\$ 2,233	\$ 479	\$ 894	\$ 3,606	\$ 1,577,645	\$ 1,581,251	\$ 287
Real estate							
Consumer mortgages	10,727	3,575	12,308	26,610	2,020,391	2,047,001	1,307
Home equity	1,514	607	614	2,735	495,548	498,283	12
Agricultural	280	301	269	850	228,752	229,602	-
Commercial and industrial-owner occupied	3,298	893	3,070	7,261	1,481,119	1,488,380	-
Construction, acquisition and development	2,062	944	2,146	5,152	742,875	748,027	-
Commercial real estate	5,021	1,075	2,669	8,765	1,839,218	1,847,983	-
Credit cards	412	222	325	959	105,029	105,988	297
All other	931	152	175	1,258	520,603	521,861	46
Total	\$ 26,478	\$ 8,248	\$ 22,470	\$ 57,196	\$ 9,011,180	\$ 9,068,376	\$ 1,949

December 31, 2013

	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Outstanding	90+ Days Past Due still Accruing
(In thousands)							
Commercial and industrial	\$ 3,122	\$ 310	\$ 601	\$ 4,033	\$ 1,525,216	\$ 1,529,249	\$ 27
Real estate							
Consumer mortgages	12,244	4,703	12,579	29,526	1,946,547	1,976,073	888
Home equity	1,860	869	740	3,469	490,870	494,339	-
Agricultural	319	206	883	1,408	233,168	234,576	-
Total	4,256	1,230	4,585	10,071	1,463,249	1,473,320	-

Commercial and industrial-owner occupied								
Construction, acquisition and development	2,557	2,658	7,005	12,220	729,238	741,458	-	
Commercial real estate	5,597	321	2,539	8,457	1,837,582	1,846,039	311	
Credit cards	455	235	350	1,040	110,288	111,328	-	
All other	1,985	296	264	2,545	549,088	551,633	-	
Total	\$ 32,395	\$ 10,828	\$ 29,546	\$ 72,769	\$ 8,885,246	\$ 8,958,015	\$ 1,226	

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 Company's internal loan classification system is compatible with classifications used by the Federal Deposit Insurance Corporation, as well as other regulatory agencies. Loans may be classified as follows:

**Pass:** Loans which are performing as agreed with few or no signs of weakness. These loans show sufficient cash flow, capital and collateral to repay the loan as agreed.

**Special Mention:** Loans where potential weaknesses have developed which could cause a more serious problem if not corrected.

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Substandard: Loans where well-defined weaknesses exist that require corrective action to prevent further deterioration.

Doubtful: Loans having all the characteristics of Substandard and which have deteriorated to a point where collection and liquidation in full is highly questionable.

Loss: Loans that are considered uncollectible or with limited possible recovery.

Impaired: Loans for which it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement and for which a specific impairment reserve has been considered.

The following tables provide details of the Company's loan and lease portfolio, net of unearned income, by segment, class and internally assigned grade at March 31, 2014 and December 31, 2013:

	March 31, 2014						
	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired (1)	Total
	(In thousands)						
Commercial and industrial	\$ 1,535,172	\$ 13,043	\$ 31,741	\$ -	\$ -	\$ 1,295	\$ 1,581,251
Real estate							
Consumer mortgages	1,936,837	243	104,486	310	-	5,125	2,047,001
Home equity	483,746	343	13,456	96	-	642	498,283
Agricultural	210,346	563	18,257	-	-	436	229,602
Commercial and industrial-owner occupied	1,420,813	3,887	56,124	510	-	7,046	1,488,380
Construction, acquisition and development	697,094	1,556	40,713	768	-	7,896	748,027
Commercial real estate	1,757,573	-	71,374	198	-	18,838	1,847,983
Credit cards	105,988	-	-	-	-	-	105,988
All other	509,729	68	11,876	-	-	188	521,861
Total	\$ 8,657,298	\$ 19,703	\$ 348,027	\$ 1,882	\$ -	\$ 41,466	\$ 9,068,376

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December 31, 2013

	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired (1)	Total
(In thousands)							
Commercial and industrial	\$ 1,495,972	\$ 978	\$ 30,886	\$ 99	\$ -	\$ 1,314	\$ 1,529,249
Real estate							
Consumer mortgages	1,859,094	1,531	108,615	427	-	6,406	1,976,073
Home equity	478,283	250	14,570	96	-	1,140	494,339
Agricultural	214,728	779	18,187	-	-	882	234,576
Commercial and industrial-owner occupied	1,409,757	116	50,853	849	-	11,745	1,473,320
Construction, acquisition and development	674,299	1,459	49,401	587	-	15,712	741,458
Commercial real estate	1,751,553	386	76,199	420	-	17,481	1,846,039
Credit cards	111,328	-	-	-	-	-	111,328
All other	538,467	71	12,832	-	-	263	551,633
Total	\$ 8,533,481	\$ 5,570	\$ 361,543	\$ 2,478	\$ -	\$ 54,943	\$ 8,958,015

(1) Impaired loans are shown exclusive of accruing troubled debt restructurings ("TDRs").

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The following tables provide details regarding impaired loans and leases, net of unearned income, by segment and class as of and for the three months ended March 31, 2014 and as of and for the year ended December 31, 2013:

	March 31, 2014					
	Unpaid	Related	Allowance	Average	Recorded	Recognized
	Principal	Allowance	for Credit	Investment	Loans	Investment
	Balance of	for Credit	Losses	at	at	at
	Impaired	Losses		March 31,	December 31,	December 31,
	Loans			2014	2013	2013
	(In thousands)					
With no related allowance:						
Commercial and industrial	\$ 1,292,295	\$ -	\$ -	\$ 1,301,111		
Real estate:						
Consumer mortgage	4,527,057	-	-	5,239		
Home equity	212,191	-	-	222		
Agricultural	437,431	-	-	566		
Commercial and industrial-owner occupied	6,582,441	-	-	7,227		
Construction, acquisition and development	7,896,040	-	-	8,878		
Commercial real estate	15,032,240	-	-	14,301		
All other	188,321	-	-	212		
Total	\$ 36,307,367	\$ -	\$ -	\$ 38,146,066		
With an allowance:						
Commercial and industrial	\$ -	\$ -	\$ -	\$ -		
Real estate:						
Consumer mortgage	595,598	231	231	1,152		
Home equity	423,231	25	25	-		
Agricultural	-	-	-	162		
Commercial and industrial-owner occupied	464,464	214	214	1,202		
Construction, acquisition and development	-	-	-	1,370		

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Commercial real estate	3,804	1,118	4,820
All other	-	-	21
Total	\$ 5,289	\$ 1,588	\$ 8,737

Total:

Commercial and industrial	\$ 1,295	\$ -	\$ 1,301
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Real estate:

Consumer mortgage	5,155	231	6,397
Home equity	642	25	220
Agricultural	437	-	728

Commercial and industrial-owner

occupied	7,005	214	8,420
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Construction, acquisition and development

	7,800	-	10,208
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Commercial real estate

	18,804	1,118	19,531
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All other

	183	-	232
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Total	\$ 41,456	\$ 1,588	\$ 46,883
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December 31, 2013

	Unpaid Principal Receivable Invested in Impaired Loans	Related Allowance for Credit Losses	Average Recorded Investment	Interest Income Recognized
(In thousands)				
With no related allowance:				
Commercial and industrial	\$ 1,314,314	\$ -	\$ 2,578	\$ 16
Real estate:				
Consumer mortgages	5,744,591	-	8,943	54
Home equity	712,712	-	933	5
Agricultural	882,147	-	3,286	4
Commercial and industrial-owner occupied	9,938,681	-	8,150	76
Construction, acquisition and development	11,549,497	-	25,877	103
Commercial real estate	13,562,233	-	24,185	173
All other	263,405	-	655	6
Total	\$ 43,959,905	\$ -	\$ 74,607	\$ 437
With an allowance:				
Commercial and industrial	\$ -	\$ 305	\$ 590	\$ -
Real estate:				
Consumer mortgages	662,662	309	3,417	31
Home equity	428,428	37	444	3
Agricultural	-	15	402	2
Commercial and industrial-owner occupied	1,807,807	739	4,735	54
Construction, acquisition and development	4,165,393	1,599	7,989	67
Commercial real estate	3,919,919	1,138	11,280	51
All other	-	4	-	-
Total	\$ 10,972,209	\$ 4,146	\$ 28,857	\$ 208
Total:				
Commercial and industrial	\$ 1,314,314	\$ 305	\$ 3,168	\$ 16
Real estate:				
Consumer mortgages	6,407,253	309	12,360	85
Home equity	1,140,140	37	1,377	8
Agricultural	882,147	15	3,688	6
Commercial and industrial-owner occupied	11,745,488	739	12,885	130
Construction, acquisition and development	15,718,890	1,599	33,866	170
Commercial real estate	17,487,152	1,138	35,465	224
All other	263,405	4	655	6
Total	\$ 54,973,114	\$ 4,146	\$ 103,464	\$ 645



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The following tables provide details regarding impaired loans and leases, net of unearned income, which include accruing TDRs, by segment and class as of and for the three months ended March 31, 2014 and as of and for the year ended December 31, 2013:

	March 31, 2014					
	Recorded Investment in Impaired Loans	Unpaid Principal Balance of Impaired Loans	Related Allowance for Credit Losses	Average Recorded Investment	Interest Income Recognized	
	(In thousands)					
With no related allowance:						
Commercial and industrial	\$ 1,295	\$ 1,295	\$ -	\$ 1,301	\$ 11	
Real estate:						
Consumer mortgage	4,527	5,057	-	5,239	22	
Home equity	219	219	-	220	2	
Agricultural	436	743	-	566	1	
Commercial and industrial-owner occupied	6,582	8,441	-	7,227	14	
Construction, acquisition and development	7,896	10,040	-	8,878	20	
Commercial real estate	15,034	24,240	-	14,501	34	
All other	188	332	-	214	2	
Total	\$ 36,177	\$ 50,367	\$ -	\$ 38,146	\$ 106	
With an allowance:						
Commercial and industrial	\$ 1,528	\$ 1,529	\$ 31	\$ 1,411	\$ 16	
Real estate:						
Consumer mortgage	4,426	4,724	803	3,919	28	
Home equity	453	453	25	19	-	
Agricultural	625	638	36	787	6	
Commercial and industrial-owner occupied	7,620	7,622	613	7,844	70	
Construction, acquisition and development	1,887	2,386	294	3,309	20	
Commercial real estate	6,139	6,353	1,582	7,881	56	
Credit card	1,411	1,411	33	1,525	153	
All other	93	103	11	101	2	
Total	\$ 24,182	\$ 25,219	\$ 3,428	\$ 26,796	\$ 351	

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Total:										
Commercial and industrial	\$	2,823	\$	2,824	\$	31	\$	2,712	\$	27
Real estate:										
Consumer mortgage		8,953		9,781		803		9,158		50
Home equity		672		672		25		239		2
Agricultural		1,061		1,381		36		1,353		7
Commercial and industrial-owner occupied		14,202		16,063		613		15,071		84
Construction, acquisition and development		9,783		12,426		294		12,187		40
Commercial real estate		21,173		30,593		1,582		22,382		90
Credit card		1,411		1,411		33		1,525		153
All other		281		435		11		315		4
Total	\$	60,359	\$	75,586	\$	3,428	\$	64,942	\$	457

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	December 31, 2013				
	Recorded	Unpaid	Related	Average	Interest
	Investment	Principal	Allowance	Recorded	Income
	in Impaired	Balance of	for Credit	Investment	Recognized
	Loans	Impaired	Losses		
	Loans	Loans			
(In thousands)					
With no related allowance:					
Commercial and industrial	\$ 1,314	\$ 1,314	\$ -	\$ 2,579	\$ 16
Real estate:					
Consumer mortgages	5,744	6,591	-	8,943	54
Home equity	712	712	-	933	5
Agricultural	882	1,472	-	3,286	4
Commercial and					
industrial-owner occupied	9,938	12,681	-	8,150	76
Construction, acquisition and					
development	11,549	13,497	-	25,877	103
Commercial real estate	13,562	23,233	-	24,185	173
All other	263	405	-	655	6
Total	\$ 43,964	\$ 59,905	\$ -	\$ 74,608	\$ 437
With an allowance:					
Commercial and industrial	\$ 937	\$ 937	\$ 415	\$ 975	\$ 14
Real estate:					
Consumer mortgages	4,151	4,378	771	6,921	164
Home equity	438	438	-	444	2
Agricultural	625	639	43	871	21
Commercial and					
industrial-owner occupied	9,590	9,997	1,371	11,895	350
Construction, acquisition and					
development	10,897	13,933	1,554	15,181	320
Commercial real estate	12,619	12,887	1,604	15,140	224
Credit cards	1,639	1,639	51	2,018	202
All other	1,307	1,310	198	646	24
Total	\$ 42,203	\$ 46,158	\$ 6,007	\$ 54,091	\$ 1,321
Total:					
Commercial and industrial	\$ 2,251	\$ 2,251	\$ 415	\$ 3,554	\$ 30
Real estate:					
Consumer mortgages	9,895	\$ 10,969	\$ 771	\$ 15,864	\$ 218
Home equity	1,150	\$ 1,150	\$ -	\$ 1,377	\$ 7
Agricultural	1,507	\$ 2,111	\$ 43	\$ 4,157	\$ 25
Commercial and					
industrial-owner occupied	19,528	\$ 22,678	\$ 1,371	\$ 20,045	\$ 426
Construction, acquisition and					
development	22,446	\$ 27,430	\$ 1,554	\$ 41,058	\$ 423
Commercial real estate	26,181	\$ 36,120	\$ 1,604	\$ 39,325	\$ 397

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Credit cards	1,639	1,639	51	2,018	202
All other	1,570	1,715	198	1,301	30
Total	\$ 86,167	\$ 106,063	\$ 6,007	\$ 128,699	\$ 1,758

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Loans considered impaired under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 310, Receivables (“FASB ASC 310”), are loans for which, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. The Company’s recorded investment in loans considered impaired exclusive of accruing TDRs at March 31, 2014 and December 31, 2013 was \$41.5 million and \$54.9 million, respectively. At March 31, 2014 and December 31, 2013, \$5.3 million and \$11.0 million, respectively, of those impaired loans had a valuation allowance of \$1.6 million and \$4.1 million, respectively. The remaining balance of impaired loans of \$36.2 million and \$44.0 million at March 31, 2014 and December 31, 2013, respectively, were charged down to fair value, less estimated selling costs which approximated net realizable value. Therefore, such loans did not have an associated valuation allowance. Impaired loans that were characterized as TDRs totaled \$14.0 million and \$19.1 million at March 31, 2014 and December 31, 2013, respectively. The average recorded investment in impaired loans was \$46.9 million for the three months ended March 31, 2014, respectively, and \$103.5 million for the year ended December 31, 2013.

Non-performing loans and leases (“NPLs”) consist of non-accrual loans and leases, loans and leases 90 days or more past due and still accruing, and loans and leases that have been restructured (primarily in the form of reduced interest rates and modified payment terms) because of the borrower’s weakened financial condition or bankruptcy proceedings. The following table presents information concerning NPLs as of the dates indicated:

	March 31, 2014	2013	December 31, 2013
	(In thousands)		
Non-accrual loans and leases	\$ 77,531	\$ 188,190	\$ 92,173
Loans and leases 90 days or more past due, still accruing	1,949	1,125	1,226
Restructured loans and leases still accruing	13,776	17,702	27,007
Total non-performing loans and leases	\$ 93,256	\$ 207,017	\$ 120,406

The Bank’s policy for all loan classifications provides that loans and leases are generally placed in non-accrual status if, in management’s opinion, payment in full of principal or interest is not expected or payment of principal or interest is more than 90 days past due, unless such loan or lease is both well-secured and in the process of collection. At March 31, 2014, the Company’s geographic NPL distribution was concentrated primarily in its Alabama, Mississippi and Tennessee markets, including the greater Memphis, Tennessee area, a portion of which is in northwest Mississippi and Arkansas. The following table presents the Company’s nonaccrual loans and leases by segment and class as of the dates indicated:

March 31, 2014	2013	December 31, 2013
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	(In thousands)		
Commercial and industrial	\$ 3,023	\$ 7,009	\$ 3,079
Real estate			
Consumer mortgages	24,353	39,012	25,645
Home equity	2,740	4,272	3,695
Agricultural	651	6,667	1,260
Commercial and industrial-owner occupied	14,122	20,719	18,568
Construction, acquisition and development	9,968	51,728	17,567
Commercial real estate	21,496	55,318	20,972
Credit cards	168	418	119
All other	1,010	3,047	1,268
Total	\$ 77,531	\$ 188,190	\$ 92,173

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In the normal course of business, management will sometimes grant concessions, which would not otherwise be considered, to borrowers that are experiencing financial difficulty. Loans identified as meeting the criteria set out in FASB ASC 310 are identified as TDRs. The concessions granted most frequently for TDRs involve reductions or delays in required payments of principal and interest for a specified period, the rescheduling of payments in accordance with a bankruptcy plan or the charge-off of a portion of the loan. In most cases, the conditions of the credit also warrant nonaccrual status, even after the restructure occurs. Other conditions that warrant a loan being considered a TDR include reductions in interest rates to below market rates due to bankruptcy plans or by the bank in an attempt to assist the borrower in working through liquidity problems. As part of the credit approval process, the restructured loans are evaluated for adequate collateral protection in determining the appropriate accrual status at the time of restructure. TDRs recorded as nonaccrual loans may generally be returned to accrual status in periods after the restructure if there has been at least a six-month period of sustained repayment performance by the borrower in accordance with the terms of the restructured loan and the interest rate at the time of restructure was at or above market for a comparable loan. During the first quarter of 2014, the most common concessions that were granted involved rescheduling payments of principal and interest over a longer amortization period, granting a period of reduced principal payment or interest only payment for a limited time period, or the rescheduling of payments in accordance with a bankruptcy plan.

The following tables summarize the financial effect of TDRs for the periods indicated:

	Three months ended March 31, 2014		
	Number	Pre-Modification	Post-Modification
	of	Outstanding	Outstanding
	Contracts	Recorded	Recorded
		Investment	Investment
		(Dollars in thousands)	
Commercial and industrial	5	\$ 613	\$ 613
Real estate			
Consumer mortgages	10	2,623	2,098
Home equity	2	31	30
Commercial and industrial-owner occupied	7	1,997	1,704
Construction, acquisition and development	1	878	878
Commercial real estate	4	875	876
All other	6	52	51
Total	35	\$ 7,069	\$ 6,250

	Year ended December 31, 2013		
	Number	Pre-Modification	Post-Modification
	of	Outstanding	Outstanding
	Contracts	Recorded	Recorded
		Investment	Investment
		(Dollars in thousands)	
Commercial and industrial	3	\$ 919	\$ 919
Real estate			

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Consumer mortgages	23	1,843		1,840	
Home equity	2	25		10	
Commercial and industrial-owner occupied	8	3,821		3,815	
Construction, acquisition and development	15	3,071		2,826	
Commercial real estate	4	1,574		1,570	
All other	5	1,160		1,160	
Total	60	\$	12,413	\$	12,140

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The tables below summarize TDRs within the previous 12 months for which there was a payment default during the period indicated (i.e., 30 days or more past due at any given time during the period indicated).

	Three months ended March 31, 2014		
	Number of Contracts	Recorded Investment	
	(Dollars in thousands)		
Real estate			
Consumer mortgages	2	\$	81
Construction, acquisition and development	2	280	
Total	4	\$	361
	Year ended December 31, 2013		
	Number of Contracts	Recorded Investment	
	(Dollars in thousands)		
Commercial and industrial	3	\$	129
Real estate			
Consumer mortgages	9	823	
Commercial and industrial-owner occupied	6	877	
Construction, acquisition and development	3	1,874	
Commercial real estate	4	3,625	
All other	1	1	
Total	26	\$	7,329

NOTE 3 – ALLOWANCE FOR CREDIT LOSSES

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

	Three months ended March 31, 2014				Balance, End of Period
Balance, Beginning of Period	Charge-offs	Recoveries	Provision		

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	(In thousands)				
Commercial and industrial	\$ 18,376	\$ (201)	\$ 1,076	\$ (337)	\$ 18,914
Real estate					
Consumer mortgages	39,525	(1,945)	538	210	38,328
Home equity	5,663	(318)	184	183	5,712
Agricultural	2,800	(696)	9	721	2,834
Commercial and industrial-owner occupied	17,059	(1,206)	358	350	16,561
Construction, acquisition and development	11,828	(1,666)	1,637	(1,479)	10,320
Commercial real estate	43,853	(901)	323	1,496	44,771
Credit cards	3,782	(559)	131	(868)	2,486
All other	10,350	(583)	287	(276)	9,778
Total	\$ 153,236	\$ (8,075)	\$ 4,543	\$ -	\$ 149,704

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	Year ended December 31, 2013				Balance, End of Period
	Balance, Beginning of Period	Charge-offs	Recoveries	Provision	Balance, End of Period
	(In thousands)				
Commercial and industrial Real estate	\$ 23,286	\$ (4,672)	\$ 3,517	\$ (3,755)	\$ 18,376
Consumer mortgages	35,966	(9,159)	5,067	7,651	39,525
Home equity	6,005	(1,469)	607	520	5,663
Agricultural	3,301	(736)	215	20	2,800
Commercial and industrial-owner occupied	20,178	(3,855)	2,724	(1,988)	17,059
Construction, acquisition and development	21,905	(6,745)	4,682	(8,014)	11,828
Commercial real estate	40,081	(10,341)	4,978	9,135	43,853
Credit cards	3,611	(2,316)	629	1,858	3,782
All other	10,133	(2,899)	1,043	2,073	10,350
Total	\$ 164,466	\$ (42,192)	\$ 23,462	\$ 7,500	\$ 153,236

	Three months ended March 31, 2013				Balance, End of Period
	Balance, Beginning of Period	Charge-offs	Recoveries	Provision	Balance, End of Period
	(In thousands)				
Commercial and industrial Real estate	\$ 23,286	\$ (1,938)	\$ 589	\$ 1,118	\$ 23,055
Consumer mortgage	35,966	(1,614)	1,108	198	35,658
Home equity	6,005	(602)	260	421	6,084
Agricultural	3,301	(2)	13	408	3,720
Commercial and industrial-owner occupied	20,178	(300)	254	251	20,383
Construction, acquisition and development	21,905	(1,198)	886	2,189	23,782
Commercial real estate	40,081	(3,141)	339	(1,304)	35,975
Credit cards	3,611	(450)	148	90	3,399
All other	10,133	(492)	275	629	10,545
Total	\$ 164,466	\$ (9,737)	\$ 3,872	\$ 4,000	\$ 162,601



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

	March 31, 2014			
	Recorded Balance of Impaired Loans	Allowance for Impaired Loans and Leases	Allowance for All Other Loans and Leases	Total Allowance
	(In thousands)			
Commercial and industrial	\$ 1,295	\$ -	\$ 18,914	\$ 18,914
Real estate				
Consumer mortgages	5,125	231	38,097	38,328
Home equity	642	25	5,687	5,712
Agricultural	436	-	2,834	2,834
Commercial and industrial-owner occupied	7,046	214	16,347	16,561
Construction, acquisition and development	7,896	-	10,320	10,320
Commercial real estate	18,838	1,118	43,653	44,771
Credit cards	-	-	2,486	2,486
All other	188	-	9,778	9,778
Total	\$ 41,466	\$ 1,588		