

BANCORPSOUTH INC  
Form 10-Q  
May 04, 2015  
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, 2015

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 April 30, 2015, the registrant had outstanding 96,546,902 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, 2015 (Unaudited)	December 31, 2014 (1)	March 31, 2014 (Unaudited)
(Dollars in thousands, except per share amounts)			
<b>ASSETS</b>			
Cash and due from banks	\$ 199,337	\$ 204,231	\$ 199,214
Interest bearing deposits with other banks	360,469	153,019	390,896
Available-for-sale securities, at fair value	2,194,373	2,156,927	2,426,758
Loans and leases	9,761,555	9,749,540	9,103,850
Less: Unearned income	34,585	36,604	35,474
Allowance for credit losses	136,660	142,443	149,704
Net loans and leases	9,590,310	9,570,493	8,918,672
Loans held for sale (\$186,510 and \$141,015 at fair value at March 31, 2015 and December 31, 2014, respectively)	186,510	141,015	62,867
Premises and equipment, net	305,335	304,943	314,367
Accrued interest receivable	42,933	41,985	42,666
Goodwill	291,498	291,498	286,800
Other identifiable intangibles	23,476	24,508	25,021
Bank-owned life insurance	246,148	247,076	240,077
Other real estate owned	27,889	33,984	63,595
Other assets	162,044	156,690	172,622
<b>TOTAL ASSETS</b>	<b>\$ 13,630,322</b>	<b>\$ 13,326,369</b>	<b>\$ 13,143,555</b>
<b>LIABILITIES</b>			
Deposits:			
Demand: Noninterest bearing	\$ 2,914,949	\$ 2,778,686	\$ 2,725,042
Interest bearing	4,979,710	4,868,054	4,583,481
Savings	1,395,857	1,331,963	1,297,344
Other time	1,962,138	1,993,636	2,205,923
Total deposits	11,252,654	10,972,339	10,811,790
Federal funds purchased and securities sold under agreement to repurchase	384,829	388,166	456,303
Short-term Federal Home Loan Bank borrowings and other short-term borrowing	1,500	3,500	-
Accrued interest payable	3,371	3,400	4,050
Junior subordinated debt securities	23,198	23,198	23,198
Long-term debt	76,055	78,148	85,835
Other liabilities	243,507	251,559	207,703

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TOTAL LIABILITIES	11,985,114	11,720,310	11,588,879
SHAREHOLDERS' EQUITY			
Common stock, \$2.50 par value per share			
Authorized - 500,000,000 shares; Issued - 96,544,502			
96,254,903 and 96,004,679 shares, respectively	241,361	240,637	240,012
Capital surplus	331,016	324,271	320,969
Accumulated other comprehensive loss	(37,033)	(43,686)	(22,060)
Retained earnings	1,109,864	1,084,837	1,015,755
TOTAL SHAREHOLDERS' EQUITY	1,645,208	1,606,059	1,554,676
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 13,630,322	\$ 13,326,369	\$ 13,143,555

(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,	
	2015	2014
	(In thousands, except for per share amounts)	
<b>INTEREST REVENUE:</b>		
Loans and leases	\$ 102,135	\$ 98,744
Deposits with other banks	236	276
Available-for-sale securities:		
Taxable	6,844	7,547
Tax-exempt	3,377	3,715
Loans held for sale	905	317
Total interest revenue	113,497	110,599
<b>INTEREST EXPENSE:</b>		
Deposits:		
Interest bearing demand	2,183	1,920
Savings	412	391
Other time	4,007	5,890
Federal funds purchased and securities sold under agreement to repurchase	82	78
Long-term debt	577	629
Junior subordinated debt	163	168
Total interest expense	7,424	9,076
Net interest revenue	106,073	101,523
Provision for credit losses	(5,000)	-
Net interest revenue, after provision for credit losses	111,073	101,523
<b>NONINTEREST REVENUE:</b>		
Mortgage lending	8,567	3,394
Credit card, debit card and merchant fees	8,539	7,843
Deposit service charges	11,252	12,536
Security gains (losses), net	14	(4)
Insurance commissions	33,493	31,599
Wealth management	6,210	5,916
Other	5,240	5,233
Total noninterest revenue	73,315	66,517
<b>NONINTEREST EXPENSE:</b>		
Salaries and employee benefits	81,179	78,883
Occupancy, net of rental income	10,194	10,287
Equipment	3,974	4,499
Deposit insurance assessments	2,311	1,600

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Other	39,275	31,438
Total noninterest expense	136,933	126,707
Income before income taxes	47,455	41,333
Income tax expense	15,189	12,889
Net income	\$ 32,266	\$ 28,444
Earnings per share: Basic	\$ 0.33	\$ 0.30
Diluted	\$ 0.33	\$ 0.30
Dividends declared per common share	\$ 0.075	\$ 0.05

See accompanying notes to consolidated financial statements.

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

	Three months ended	
	March 31,	
	2015	2014
	(In thousands)	
Net income	\$ 32,266	\$ 28,444
Other comprehensive income, net of tax		
Unrealized gains on securities	5,543	7,443
Pension and other postretirement benefits	1,110	456
Other comprehensive income, net of tax	6,653	7,899
Comprehensive income	\$ 38,919	\$ 36,343

See accompanying notes to consolidated financial statements.

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

	Three months ended March 31,	
	2015	2014
	(In thousands)	
Operating Activities:		
Net income	\$ 32,266	\$ 28,444
Adjustment to reconcile net income to net cash (used in) provided by operating activities:		
Provision for credit losses	(5,000)	-
Depreciation and amortization	6,721	6,573
Deferred taxes	-	(1,939)
Amortization of intangibles	1,032	1,058
Amortization of debt securities premium and discount, net	3,332	3,399
Share-based compensation expense	1,645	487
Security (gains) losses, net	(14)	4
Net deferred loan origination expense	(1,523)	(1,610)
Excess tax benefit from exercise of stock options	521	1,154
(Increase) in interest receivable	(948)	(516)
Decrease in interest payable	(29)	(786)
Realized gain on mortgages sold	(9,124)	(6,444)
Proceeds from mortgages sold	269,213	157,303
Origination of mortgages held for sale	(311,115)	(146,494)
Loss on other real estate owned, net	1,394	2,297
Increase in bank-owned life insurance	(1,813)	(1,848)
Decrease in prepaid pension asset	-	1,415
Other, net	7,153	11,356
Net cash (used in) provided by operating activities	(6,289)	53,853
Investing activities:		
Proceeds from calls and maturities of available-for-sale securities	75,917	145,202
Proceeds from sales of available-for-sale securities	1,110	-
Purchases of available-for-sale securities	(118,760)	(95,552)
Net increase in loans and leases	(16,098)	(117,138)
Purchases of premises and equipment	(7,384)	(5,698)
Proceeds from sale of premises and equipment	271	110
Purchase of bank-owned life insurance, net of proceeds from death benefits	2,742	1,206
Proceeds from sale of other real estate owned	7,391	8,157
Other, net	(6)	(6)
Net cash used in investing activities	(54,817)	(63,719)
Financing activities:		
Net increase in deposits	280,315	37,954
Net increase (decrease) in short-term debt and other liabilities	(5,341)	35,271
Advances of long-term debt	-	8,000
Repayment of long-term debt	(2,093)	(3,879)

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Redemption of junior subordinated debt	-	(8,248)
Issuance of common stock	825	8,944
Repurchase of common stock	(2,288)	(584)
Excess tax benefit from exercise of stock options	(521)	(1,154)
Payment of cash dividends	(7,235)	(4,751)
Net cash provided by financing activities	263,662	71,553
Increase in cash and cash equivalents	202,556	61,687
Cash and cash equivalents at beginning of period	357,250	528,423
Cash and cash equivalents at end of period	\$ 559,806	\$ 590,110

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, 2014. 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, 2015 are not necessarily indicative of the results to be expected for the full year. Certain 2014 amounts have been reclassified to conform with the 2015 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 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 mortgages; 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, 2015	2014	December 31, 2014
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(In thousands)

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Commercial and industrial Real estate	\$ 1,682,215	\$ 1,589,234	\$ 1,753,041
Consumer mortgages	2,301,112	2,047,001	2,257,726
Home equity	538,042	498,283	531,374
Agricultural	236,898	229,602	239,616
Commercial and industrial-owner occupied	1,518,153	1,488,380	1,522,536
Construction, acquisition and development	892,730	748,027	853,623
Commercial real estate	1,993,473	1,847,983	1,961,977
Credit cards	106,287	105,988	113,426
All other	492,645	549,352	516,221
Total	\$ 9,761,555	\$ 9,103,850	\$ 9,749,540

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The following table shows the Company's loans and leases, net of unearned income, as of March 31, 2015 by segment, class and geographical location:

	Alabama and Florida Panhandle (In thousands)	Arkansas	Louisiana	Mississippi	Missouri	Tennessee	Texas
Commercial and industrial	\$ 189,823	\$ 208,990	\$ 217,749	\$ 555,594	\$ 77,274	\$ 135,672	\$
Real estate							
Consumer mortgages	195,923	286,833	193,390	774,883	68,048	239,586	374,000
Home equity	74,805	37,890	56,275	212,510	21,507	125,541	8,000
Agricultural	6,515	71,542	29,253	70,036	2,725	12,567	44,000
Commercial and industrial-owner occupied	176,298	175,152	177,340	572,800	58,596	158,062	199,000
Construction, acquisition and development	128,479	91,070	87,238	287,700	22,758	141,940	113,000
Commercial real estate	288,445	336,170	247,765	486,219	201,241	179,111	204,000
Credit cards	-	-	-	-	-	-	-
All other	29,303	36,893	27,073	200,233	2,603	38,034	37,000
Total	\$ 1,089,591	\$ 1,244,540	\$ 1,036,083	\$ 3,159,975	\$ 454,752	\$ 1,030,513	\$

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. Future economic distress could negatively impact borrowers' and guarantors' ability to repay their debt which would make more of the Company's loans collateral dependent.

The following tables provide details regarding the aging of the Company's loan and lease portfolio, net of unearned income, by segment and class at March 31, 2015 and December 31, 2014:



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March 31, 2015

	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	\$ 2,112	\$ 1,389	\$ 834	\$ 4,335	\$ 1,672,031	\$ 1,676,366	\$ 30
Real estate							
Consumer mortgages	10,123	2,558	9,415	22,096	2,279,016	2,301,112	1,256
Home equity	2,453	212	677	3,342	534,700	538,042	-
Agricultural	186	18	1	205	236,693	236,898	-
Commercial and industrial-owner occupied	2,639	1,080	1,475	5,194	1,512,959	1,518,153	-
Construction, acquisition and development	5,052	751	2,905	8,708	884,022	892,730	-
Commercial real estate	2,716	483	3,697	6,896	1,986,577	1,993,473	-
Credit cards	376	240	352	968	105,319	106,287	329
All other	940	179	78	1,197	462,712	463,909	-
Total	\$ 26,597	\$ 6,910	\$ 19,434	\$ 52,941	\$ 9,674,029	\$ 9,726,970	\$ 1,615

December 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	\$ 2,322	\$ 544	\$ 601	\$ 3,467	\$ 1,743,019	\$ 1,746,486	\$ 41
Real estate							
Consumer mortgages	10,725	3,797	11,167	25,689	2,232,037	2,257,726	1,828
Home equity	1,834	397	658	2,889	528,485	531,374	-
Agricultural	365	1	130	496	239,120	239,616	-
Commercial and industrial-owner occupied	1,005	463	3,337	4,805	1,517,731	1,522,536	39
Construction, acquisition and development	4,547	278	1,568	6,393	847,230	853,623	387
Commercial real estate	4,722	1	1,545	6,268	1,955,709	1,961,977	137



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Credit cards	447	312	379	1,138	112,288	113,426	327
All other	1,562	203	102	1,867	484,305	486,172	4
Total	\$ 27,529	\$ 5,996	\$ 19,487	\$ 53,012	\$ 9,659,924	\$ 9,712,936	\$ 2,763

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.

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, 2015 and December 31, 2014:

	March 31, 2015						
	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired (1)	Total
	(In thousands)						
Commercial and industrial Real estate	\$ 1,642,264	\$ 961	\$ 31,202	\$ 99	\$ -	\$ 1,840	\$ 1,676,366
Consumer mortgages	2,218,792	-	78,928	227	-	3,165	2,301,112
Home equity	527,726	-	9,706	-	-	610	538,042
Agricultural	225,990	-	10,908	-	-	-	236,898
Commercial and industrial-owner occupied	1,457,229	-	54,801	242	-	5,881	1,518,153
Construction, acquisition and development	851,938	-	37,303	329	-	3,160	892,730
Commercial real estate	1,923,659	-	59,497	300	-	10,017	1,993,473
Credit cards	106,287	-	-	-	-	-	106,287
All other	451,174	-	12,571	-	-	164	463,909
Total	\$ 9,405,059	\$ 961	\$ 294,916	\$ 1,197	\$ -	\$ 24,837	\$ 9,726,970

December 31, 2014

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	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired (1)	Total
(In thousands)							
Commercial and industrial	\$ 1,709,475	\$ 978	\$ 33,879	\$ -	\$ -	\$ 2,154	\$ 1,746,486
Real estate							
Consumer mortgages	2,167,965	-	84,975	-	-	4,786	2,257,726
Home equity	521,011	-	9,744	-	-	619	531,374
Agricultural	227,688	-	11,928	-	-	-	239,616
Commercial and industrial-owner occupied	1,450,158	-	64,420	491	-	7,467	1,522,536
Construction, acquisition and development	811,227	-	39,675	334	-	2,387	853,623
Commercial real estate	1,893,514	-	57,761	184	-	10,518	1,961,977
Credit cards	113,426	-	-	-	-	-	113,426
All other	471,662	-	14,340	-	-	170	486,172
Total	\$ 9,366,126	\$ 978	\$ 316,722	\$ 1,009	\$ -	\$ 28,101	\$ 9,712,936

(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, 2015 and as of and for the year ended December 31, 2014:

	March 31, 2015					
	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	\$ 1,214	\$ 1,562	\$ -	\$ 1,221	\$ 5	
Real estate:						
Consumer mortgages	2,613	3,316	-	3,410	18	
Home equity	205	205	-	206	2	
Agricultural	-	-	-	-	-	
Commercial and industrial-owner occupied	5,456	6,337	-	4,027	30	
Construction, acquisition and development	3,160	3,280	-	3,178	6	
Commercial real estate	10,017	12,256	-	8,244	64	
All other	164	306	-	166	1	
Total	\$ 22,829	\$ 27,262	\$ -	\$ 20,452	\$ 126	
With an allowance:						
Commercial and industrial	\$ 626	\$ 626	\$ 79	\$ 767	\$ 7	
Real estate:						
Consumer mortgages	552	552	123	963	9	
Home equity	405	405	74	-	-	
Agricultural	-	-	-	-	-	
Commercial and industrial-owner occupied	425	425	112	2,561	19	
Construction, acquisition and development	-	-	-	221	-	
Commercial real estate	-	-	-	6,100	9	
All other	-	-	-	-	-	
Total	\$ 2,008	\$ 2,008	\$ 388	\$ 10,612	\$ 44	
Total:						

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Commercial and industrial	\$	1,840	\$	2,188	\$	79	\$	1,988	\$	12
Real estate:										
Consumer mortgages		3,165		3,868		123		4,373		27
Home equity		610		610		74		206		2
Agricultural		-		-		-		-		-
Commercial and industrial-owner occupied		5,881		6,762		112		6,588		49
Construction, acquisition and development		3,160		3,280		-		3,399		6
Commercial real estate		10,017		12,256		-		14,344		73
All other		164		306		-		166		1
Total	\$	24,837	\$	29,270	\$	388	\$	31,064	\$	170

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	December 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 Real estate:	\$ 1,235	\$ 1,583	\$ -	\$ 1,271	\$ 43
Consumer mortgages	3,503	4,356	-	4,282	72
Home equity	209	209	-	215	6
Agricultural	-	-	-	370	2
Commercial and industrial-owner occupied	6,503	7,634	-	4,687	70
Construction, acquisition and development	2,387	3,654	-	5,796	66
Commercial real estate	7,975	9,275	-	7,935	128
All other	170	314	-	187	8
Total	\$ 21,982	\$ 27,025	\$ -	\$ 24,743	\$ 395
With an allowance:					
Commercial and industrial Real estate:	\$ 919	\$ 919	\$ 215	\$ 328	\$ 19
Consumer mortgages	1,283	1,658	123	1,376	30
Home equity	410	410	70	-	-

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Agricultural	-	-	-	43	-	
Commercial and industrial-owner occupied	964	1,094	89	1,203	21	
Construction, acquisition and development	-	-	-	542	-	
Commercial real estate	2,543	2,543	1,022	5,706	87	
All other	-	-	-	6	-	
Total	\$ 6,119	\$ 6,624	\$ 1,519	\$ 9,204	\$ 157	
Total:						
Commercial and industrial Real estate:	\$ 2,154	\$ 2,502	\$ 215	\$ 1,599	\$ 62	
Consumer mortgages	4,786	6,014	123	5,658	102	
Home equity	619	619	70	215	6	
Agricultural	-	-	-	413	2	
Commercial and industrial-owner occupied	7,467	8,728	89	5,890	91	
Construction, acquisition and development	2,387	3,654	-	6,338	66	
Commercial real estate	10,518	11,818	1,022	13,641	215	
All other	170	314	-	193	8	
Total	\$ 28,101	\$ 33,649	\$ 1,519	\$ 33,947	\$ 552	

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The following tables provide details regarding impaired loans and leases, net of unearned income, which include accruing troubled debt restructurings (TDRs), by segment and class as of and for the three months ended March 31, 2015 and as of and for the year ended December 31, 2014:

	March 31, 2015					
	Recorded Investment in Impaired Loans and Accruing TDRs (In thousands)	Unpaid Principal Balance of Impaired Loans and Accruing TDRs	Related Allowance for Credit Losses	Average Recorded Investment Three months ended March 31, 2015	Interest Income Recognized Three months ended March 31, 2015	
With no related allowance:						
Commercial and industrial	\$ 1,214	\$ 1,562	\$ -	\$ 1,221	\$ 5	
Real estate:						
Consumer mortgages	2,613	3,316	-	3,410	18	
Home equity	205	205	-	206	2	
Agricultural	-	-	-	-	-	
Commercial and industrial-owner occupied	5,456	6,337	-	4,027	30	
Construction, acquisition and development	3,160	3,280	-	3,178	6	
Commercial real estate	10,017	12,256	-	8,244	64	
All other	164	306	-	166	1	
Total	\$ 22,829	\$ 27,262	\$ -	\$ 20,452	\$ 126	
With an allowance:						
Commercial and industrial	\$ 789	\$ 790	\$ 94	\$ 1,093	\$ 11	
Real estate:						
Consumer mortgages	1,728	1,783	612	3,562	34	
Home equity	405	415	74	11	-	
Agricultural	-	-	-	5	-	
Commercial and industrial-owner occupied	3,786	4,046	389	7,045	62	
Construction, acquisition and development	524	525	214	1,252	7	
Commercial real estate	805	1,018	66	6,957	19	
Credit card	1,027	1,027	51	1,068	107	
All other	141	173	38	159	1	
Total	\$ 9,205	\$ 9,777	\$ 1,538	\$ 21,152	\$ 241	
Total:						
Commercial and industrial	\$ 2,003	\$ 2,352	\$ 94	\$ 2,314	\$ 16	
Real estate:						
Consumer mortgages	4,341	5,099	612	6,972	52	



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Home equity	610	620	74	217	2
Agricultural	-	-	-	5	-
Commercial and industrial-owner occupied	9,242	10,383	389	11,072	92
Construction, acquisition and development	3,684	3,805	214	4,430	13
Commercial real estate	10,822	13,274	66	15,201	83
Credit card	1,027	1,027	51	1,068	107
All other	305	479	38	325	2
Total	\$ 32,034	\$ 37,039	\$ 1,538	\$ 41,604	\$ 367

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	December 31, 2014				
	Recorded Investment in Impaired Loans and Accruing TDRs	Unpaid Principal Balance of Impaired Loans and Accruing TDRs	Related Allowance for Credit Losses	Average Recorded Investment	Interest Income Recognized
(In thousands)					
With no related allowance:					
Commercial and industrial	\$ 1,235	\$ 1,583	\$ -	\$ 1,271	\$ 43
Real estate:					
Consumer mortgages	3,503	4,356	-	4,282	72
Home equity	209	209	-	215	6
Agricultural	-	-	-	370	2
Commercial and industrial-owner occupied	6,503	7,634	-	4,687	70
Construction, acquisition and development	2,387	3,654	-	5,796	66
Commercial real estate	7,975	9,275	-	7,935	128
All other	170	314	-	187	8
Total	\$ 21,982	\$ 27,025	\$ -	\$ 24,743	\$ 395
With an allowance:					
Commercial and industrial	\$ 1,275	\$ 1,276	\$ 239	\$ 1,208	\$ 63
Real estate:					
Consumer mortgages	4,832	5,549	875	4,278	140
Home equity	427	438	70	18	1
Agricultural	8	8	1	305	11
Commercial and industrial-owner occupied	5,520	5,856	404	6,571	243
Construction, acquisition and development	1,488	1,752	241	2,410	70
Commercial real estate	3,957	4,200	1,290	8,135	195
Credit cards	1,109	1,109	64	1,374	137
All other	154	195	46	143	5
Total	\$ 18,770	\$ 20,383	\$ 3,230	\$ 24,442	\$ 865
Total:					
Commercial and industrial	\$ 2,510	\$ 2,859	\$ 239	\$ 2,479	\$ 106
Real estate:					
Consumer mortgages	8,335	9,905	875	8,560	212
Home equity	636	647	70	233	7
Agricultural	8	8	1	675	13
Commercial and industrial-owner occupied	12,023	13,490	404	11,258	313
Construction, acquisition and development	3,875	5,406	241	8,206	136
Commercial real estate	11,932	13,475	1,290	16,070	323

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Credit cards	1,109	1,109	64	1,374	137
All other	324	509	46	330	13
Total	\$ 40,752	\$ 47,408	\$ 3,230	\$ 49,185	\$ 1,260

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

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exclusive of accruing TDRs at March 31, 2015 and December 31, 2014 was \$24.8 million and \$28.1 million, respectively. At March 31, 2015 and December 31, 2014, \$2.0 million and \$6.1 million, respectively, of those impaired loans had a valuation allowance of approximately \$388,000 and \$1.5 million, respectively. The remaining balance of impaired loans of \$22.8 million and \$22.0 million at March 31, 2015 and December 31, 2014, 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 \$4.8 million and \$4.6 million at March 31, 2015 and December 31, 2014, respectively. The average recorded investment in impaired loans was \$31.1 million for the three months ended March 31, 2015 and \$33.9 million for the year ended December 31, 2014.

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, 2015	2014	December 31, 2014
	(In thousands)		
Non-accrual loans and leases	\$ 54,418	\$ 77,531	\$ 58,052
Loans and leases 90 days or more past due, still accruing	1,615	1,949	2,763
Restructured loans and leases still accruing	5,433	13,776	10,920
Total non-performing loans and leases	\$ 61,466	\$ 93,256	\$ 71,735

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, 2015, the Company’s geographic NPL distribution was concentrated primarily in its Louisiana, Mississippi and Tennessee markets. The following table presents the Company’s nonaccrual loans and leases by segment and class as of the dates indicated:

	March 31, 2015	2014	December 31, 2014
	(In thousands)		
Commercial and industrial	\$ 3,923	\$ 3,023	\$ 3,934
Real estate			
Consumer mortgages	21,435	24,353	23,668
Home equity	2,269	2,740	2,253

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Agricultural	259	651	291
Commercial and industrial-owner occupied	9,687	14,122	11,190
Construction, acquisition and development	5,111	9,968	4,162
Commercial real estate	11,107	21,496	11,915
Credit cards	118	168	133
All other	509	1,010	506
Total	\$ 54,418	\$ 77,531	\$ 58,052

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

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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 2015, 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 recorded during the periods indicated:

	Three months ended March 31, 2015			
	Number	Pre-Modification	Post-Modification	
	of	Outstanding	Outstanding	
	Contracts	Recorded	Recorded	
		Investment	Investment	
		(Dollars in thousands)		
Commercial and industrial Real estate	1	\$ 127	\$ 125	
Consumer mortgages	1	\$ 70	\$ 70	
Commercial and industrial-owner occupied	5	2,999	2,988	
Commercial real estate	5	1,847	1,826	
All other	1	21	20	
Total	13	\$ 5,064	\$ 5,029	

	Year ended December 31, 2014			
	Number	Pre-Modification	Post-Modification	
	of	Outstanding	Outstanding	
	Contracts	Recorded	Recorded	
		Investment	Investment	
		(Dollars in thousands)		
Commercial and industrial Real estate	5	\$ 613	\$ 613	
Consumer mortgages	33	4,823	4,263	
Home equity	2	31	30	
Agricultural	1	10	10	

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Commercial and industrial-owner occupied	8	2,103	1,810	
Construction, acquisition and development	3	924	924	
Commercial real estate	7	1,426	1,519	
All other	14	290	286	
Total	73	\$	10,220	\$ 9,455

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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,  
2015

Number of    Recorded  
Contracts    Investment

(Dollars in thousands)

Real estate			
Consumer mortgages	3	\$	207
Total	3	\$	207

Year ended December 31, 2014

Number of    Recorded  
Contracts    Investment

(Dollars in thousands)

Real estate			
Consumer mortgages	8	\$	540
Commercial and industrial-owner occupied	2		784
Construction, acquisition and development	2		279
Commercial real estate	5		901
All other	6		65
Total	23	\$	2,569

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, 2015				Balance, End of Period
	Balance, Beginning of Period	Charge-offs	Recoveries	Provision	
	(In thousands)				
Commercial and industrial Real estate	\$ 21,419	\$ (383)	\$ 502	\$ (517)	\$ 21,021
Consumer mortgages	40,015	(892)	612	(664)	39,071
Home equity	9,542	(498)	241	261	9,546
Agricultural	3,420	(8)	269	(535)	3,146
Commercial and industrial-owner occupied	16,325	(394)	550	(817)	15,664
Construction, acquisition and development	9,885	(343)	604	(233)	9,913
Commercial real estate	23,562	(1,007)	720	(1,773)	21,502
Credit cards	6,514	(676)	153	(672)	5,319
All other	11,761	(579)	346	(50)	11,478
Total	\$ 142,443	\$ (4,780)	\$ 3,997	\$ (5,000)	\$ 136,660

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	Year ended December 31, 2014				Balance, End of Period
	Balance, Beginning of Period	Charge-offs	Recoveries	Provision	Balance, End of Period
	(In thousands)				
Commercial and industrial	\$ 18,376	\$ (2,546)	\$ 2,298	\$ 3,291	\$ 21,419
Real estate					
Consumer mortgages	39,525	(6,037)	3,267	3,260	40,015
Home equity	5,663	(1,359)	625	4,613	9,542
Agricultural	2,800	(765)	96	1,289	3,420
Commercial and industrial-owner occupied	17,059	(3,591)	1,112	1,745	16,325
Construction, acquisition and development	11,828	(3,731)	3,734	(1,946)	9,885
Commercial real estate	43,853	(1,795)	1,458	(19,954)	23,562
Credit cards	3,782	(2,359)	542	4,549	6,514
All other	10,350	(2,844)	1,102	3,153	11,761
Total	\$ 153,236	\$ (25,027)	\$ 14,234	\$ -	\$ 142,443

	Three months ended March 31, 2014				Balance, End of Period
	Balance, Beginning of Period	Charge-offs	Recoveries	Provision	Balance, End of Period
	(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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The following tables provide the allowance for credit losses by segment, class and impairment status as of the dates indicated::

	March 31, 2015			
	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 Real estate	\$ 1,840	\$ 79	\$ 20,942	\$ 21,021
Consumer mortgages	3,165	123	38,948	39,071
Home equity	610	74	9,472	9,546
Agricultural	-	-	3,146	3,146
Commercial and industrial-owner occupied	5,881	112	15,552	15,664
Construction, acquisition and development	3,160	-	9,913	9,913
Commercial real estate	10,017	-	21,502	21,502
Credit cards	-	-	5,319	5,319
All other	164	-	11,478	11,478
Total	\$ 24,837	\$ 388	\$ 136,272	\$ 136,660

	December 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 Real estate	\$ 2,154	\$ 215	\$ 21,204	\$ 21,419
Consumer mortgages	4,786	123	39,892	40,015
Home equity	619	70	9,472	9,542
Agricultural	-	-	3,420	3,420
Commercial and industrial-owner occupied	7,467	89	16,236	16,325
Construction, acquisition and development	2,387	-	9,885	9,885
Commercial real estate	10,518	1,022	22,540	23,562
Credit cards	-	-	6,514	6,514
All other	170	-	11,761	11,761
Total	\$ 28,101	\$ 1,519	\$ 140,924	\$ 142,443

Management evaluates impaired loans individually in determining the adequacy of the allowance for impaired loans. As a result of the Company individually evaluating loans of \$500,000 or more that are 60 or more days past due for impairment, further review of remaining loans collectively, as well as the corresponding potential allowance, would be immaterial in the opinion of management.

NOTE 4 – OTHER REAL ESTATE OWNED

The following table presents the activity in other real estate owned (“OREO”) for the periods indicated:

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	Three months ended		Year ended
	March 31,	2014	December 31,
	2015		2014
	(In thousands)		
Balance at beginning of period	\$ 33,984	\$ 69,338	\$ 69,338
Additions to foreclosed properties			
New foreclosed properties	2,804	4,855	14,732
Reductions in foreclosed properties			
Sales	(6,726)	(8,767)	(42,013)
Writedowns	(2,173)	(1,831)	(8,073)
Balance at end of period	\$ 27,889	\$ 63,595	\$ 33,984

The following tables present the OREO by geographical location, segment and class as of the dates indicated:

	March 31, 2015								
	Alabama and Florida								
	Panhandle	Arkansas	Louisiana	Mississippi	Missouri	Tennessee	Texas	Other	Total
	(In thousands)								
Commercial and industrial Real estate	\$ 84	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84
Consumer mortgages	264	79	25	1,289	-	38	4	-	1,699
Home equity	-	-	-	101	-	-	-	-	101
Agricultural	-	-	-	25	-	-	-	-	25
Commercial and industrial-owner occupied	199	-	-	1,424	-	307	60	-	1,990
Construction, acquisition and development	3,886	84	139	16,069	-	-	-	-	-