MIDSOUTH BANCORP INC
Form 10-Q
May 08, 2015

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

FORM 10-Q

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 1-11826
MIDSOUTH BANCORP, INC.
(Exact name of registrant as specified in its charter)

Louisiana	72 –1020809
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

102 Versailles Boulevard, Lafayette, Louisiana 70501
(Address of principal executive offices, including zip code)
(337) 237-8343
(Registrant's telephone number, including area code)

Indicate by checkmark 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 (Section 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 small reporting company.

Large accelerated filer Accelerated filer Non-accelerated filer Small 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 8, 2015, there were 11,354,497 shares of the registrant's Common Stock, par value $0.10 per share, outstanding.

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Part I – Financial Information

Item 1. Financial Statements.
MidSouth Bancorp, Inc. and Subsidiaries
Consolidated Balance Sheets
(dollars in thousands, except share data)

	March 31, 2015 (unaudited)	December 31, 2014* (audited)
Assets		
Cash and due from banks, including required reserves of $9,814 and $10,019, respectively	$40,816	$45,142
Interest-bearing deposits in banks	60,665	39,031
Federal funds sold	2,921	2,699
Securities available-for-sale, at fair value (cost of $293,709 at March 31, 2015 and $272,588 at December 31, 2014)	299,690	276,984
Securities held-to-maturity (fair value of $139,462 at March 31, 2015 and $141,593 at December 31, 2014)	137,592	141,201
Other investments	9,644	9,990
Loans	1,310,929	1,284,431
Allowance for loan losses	(16,060)	(11,226)
Loans, net	1,294,869	1,273,205
Bank premises and equipment, net	69,762	69,958
Accrued interest receivable	6,741	6,635
Goodwill	42,171	42,171
Intangibles	6,558	6,834
Cash surrender value of life insurance	13,735	13,659
Other real estate	4,589	4,234
Other assets	5,505	4,997
Total assets	$1,995,258	$1,936,740
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits:		
Non-interest-bearing	$421,897	$390,863
Interest-bearing	1,194,201	1,194,371
Total deposits	1,616,098	1,585,234
Securities sold under agreements to repurchase	87,346	62,098
Short-term Federal Home Loan Bank advances	25,000	25,000
Long-term Federal Home Loan Bank advances	26,171	26,277
Junior subordinated debentures	22,167	22,167
Other liabilities	7,820	6,952
Total liabilities	1,784,602	1,727,728
Commitments and contingencies		
Shareholders' equity:		
Series B Preferred stock, no par value; 5,000,000 shares authorized, 32,000 shares issued and outstanding at March 31, 2015 and December 31, 2014	32,000	32,000
Series C Preferred stock, no par value; 100,000 shares authorized, 93,248 and 93,680 issued and 93,248 and 93,680 outstanding at March 31, 2015 and December 31, 2014, respectively	9,325	9,368
	1,150	1,149

Common stock, $0.10 par value; 30,000,000 shares authorized, 11,500,252 and 11,491,703 issued and 11,349,285 and 11,340,736 outstanding at March 31, 2015 and December 31, 2014, respectively		
Additional paid-in capital	113,371	112,744
Unearned ESOP shares	(518)	(250)
Accumulated other comprehensive income	3,888	2,857
Treasury stock – 150,967 shares at March 31, 2015 and December 31, 2014, at cost	(3,295)	(3,295)
Retained earnings	54,735	54,439
Total shareholders' equity	210,656	209,012
Total liabilities and shareholders' equity	$1,995,258	$1,936,740

See notes to unaudited consolidated financial statements.

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MidSouth Bancorp, Inc. and Subsidiaries
Consolidated Statements of Earnings (unaudited)
(in thousands, except per share data)

	Three Months Ended March 31, 2015	2014
Interest income:		
Loans, including fees	$18,054	$17,483
Securities and other investments:		
Taxable	1,925	2,136
Nontaxable	584	693
Federal funds sold	2	1
Time and interest bearing deposits in other banks	37	16
Other investments	79	70
Total interest income	20,681	20,399
Interest expense:		
Deposits	947	871
Securities sold under agreements to repurchase	230	180
Other borrowings and payables	97	106
Junior subordinated debentures	150	347
Total interest expense	1,424	1,504
Net interest income	19,257	18,895
Provision for loan losses	6,000	550
Net interest income after provision for loan losses	13,257	18,345
Non-interest income:		
Service charges on deposits	2,120	2,380
Gain on sale of securities, net	115	-
ATM and debit card income	1,841	1,714
Executive officer life insurance proceeds	-	3,000
Other charges and fees	891	823
Total non-interest income	4,967	7,917
Non-interest expenses:		
Salaries and employee benefits	7,942	8,813
Occupancy expense	3,685	3,791
FDIC insurance	281	262
Other	4,379	4,836
Total non-interest expenses	16,287	17,702
Income before income taxes	1,937	8,560
Income tax expense	446	1,702
Net earnings	1,491	6,858
Dividends on preferred stock	173	180
Net earnings available to common shareholders	$1,318	$6,678
Earnings per share:		

Basic	$0.12	$0.59
Diluted	$0.12	$0.57
Weighted average number of shares outstanding:		
Basic	11,318	11,258
Diluted	11,351	11,879
Dividends declared per common share	$0.09	$0.08

See notes to unaudited consolidated financial statements.

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MidSouth Bancorp, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (unaudited)
(in thousands)

	Three Months Ended March 31,	
	2015	2014
Net earnings	$1,491	$6,858
Other comprehensive income, net of tax:		
Unrealized gains on securities available-for-sale:		
Unrealized holding gains arising during the year	1,701	2,946
Less: reclassification adjustment for gains on sales of securities available-for-sale	(115)	-
Total other comprehensive income, before tax	1,586	2,946
Income tax effect related to items of other comprehensive income	(555)	(1,031)
Total other comprehensive income, net of tax	1,031	1,915
Total comprehensive income	$2,522	$8,773

See notes to unaudited consolidated financial statements.

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MidSouth Bancorp, Inc. and Subsidiaries
Consolidated Statement of Shareholders' Equity (unaudited)
For the Three Months Ended March 31, 2015
(in thousands, except share and per share data)

	Preferred Stock Shares	Amount	Common Stock Shares	Amount	Additional Paid-in Capital	Unearned ESOP Shares	Accumulated Other Comprehensive Income	Treasury Stock	Retained Earnings	Total
Balance - December 31, 2014	125,680	$41,368	11,491,703	$1,149	$112,744	$(250)	$2,857	$(3,295)	$54,439	$209,012
Net earnings	-	-	-	-	-	-	-	-	1,491	1,491
Dividends on Series B and Series C preferred stock	-	-	-	-	-	-	-	-	(173)	(173)
Dividends on common stock, $0.09 per share	-	-	-	-	-	-	-	-	(1,022)	(1,022)
Conversion of Series C preferred stock to common stock	(432)	(43)	2,394	-	43	-	-	-	-	-
Increase in ESOP obligation, net of repayments	-	-	-	-	-	(268)	-	-	-	(268)
Exercise of stock options	-	-	6,155	1	79	-	-	-	-	80
Tax benefit resulting from distribution from Directors Deferred Compensation Plan	-	-	-	-	420	-	-	-	-	420
Stock option expense	-	-	-	-	85	-	-	-	-	85
Change in accumulated other comprehensive income	-	-	-	-	-	-	1,031	-	-	1,031
Balance – March 31, 2015	125,248	$41,325	11,500,252	$1,150	$113,371	$(518)	$3,888	$(3,295)	$54,735	$210,656

See notes to unaudited consolidated financial statements.

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MidSouth Bancorp, Inc. and Subsidiaries
Consolidated Statements of Cash Flows (unaudited)
(in thousands)

	For the Three Months Ended March 31, 2015	2014
Cash flows from operating activities:		
Net earnings	$1,491	$6,858
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	1,555	1,473
Accretion of purchase accounting adjustments	(189)	(981)
Provision for loan losses	6,000	550
Provision for deferred tax expense	(1,951)	277
Amortization of premiums on securities, net	633	930
Amortization of other investments	-	1
Stock option expense	85	195
Net gain on sale of investment securities	(115)	-
Net (gain) loss on sale of other real estate owned	(50)	26
Net write down of other real estate owned	29	31
Net gain on sale/disposal of premises and equipment	(1)	(28)
Change in accrued interest receivable	(106)	197
Change in accrued interest payable	(4)	(204)
Change in other assets & other liabilities, net	1,684	1,565
Net cash provided by operating activities	9,061	10,890
Cash flows from investing activities:		
Proceeds from maturities and calls of securities available-for-sale	17,988	12,316
Proceeds from maturities and calls of securities held-to-maturity	3,326	4,191
Proceeds from sale of securities available-for-sale	34,509	-
Purchases of securities available-for-sale	(73,853)	-
Purchases of securities held-to-maturity	-	(1,104)
Proceeds from redemptions of other investments	-	150
Proceeds from sale of other investments	349	-
Purchases of other investments	(3)	(3)
Net change in loans	(28,461)	(46,021)
Purchases of premises and equipment	(1,362)	(1,634)
Proceeds from sale of premises and equipment	4	32
Proceeds from sale of other real estate owned	532	15
Net cash used in investing activities	(46,971)	(32,058)
Cash flows from financing activities:		
Change in deposits	30,901	29,206
Change in securities sold under agreements to repurchase	25,248	(1,921)
Borrowings on Federal Home Loan Bank advances	25,000	25,000
Repayments of Federal Home Loan Bank advances	(25,000)	(25,015)
Repayments of notes payable	(15)	(250)
Proceeds and tax benefit from exercise of stock options	80	-
Tax benefit resulting from distribution from Directors Deferred Compensation Plan	420	-
Payment of dividends on preferred stock	(174)	(180)

Payment of dividends on common stock	(1,020)	(900)
Net cash provided by financing activities	55,440	25,940
Net increase in cash and cash equivalents	17,530	4,772
Cash and cash equivalents, beginning of period	86,872	59,731
Cash and cash equivalents, end of period	$104,402	$64,503
Supplemental cash flow information:		
Interest paid	$1,427	$1,708
Noncash investing and financing activities:		
Change in accrued common stock dividends	1	-
Financed sales of other real estate	-	84
Net change in loan to ESOP	(268)	-

See notes to unaudited consolidated financial statements.

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MidSouth Bancorp, Inc. and Subsidiaries
Notes to Interim Consolidated Financial Statements
March 31, 2015
(Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements and notes thereto contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly, in accordance with accounting principles generally accepted in the United States of America ("GAAP"), the financial position of MidSouth Bancorp, Inc. (the "Company") and its subsidiaries as of March 31, 2015 and the results of their operations and their cash flows for the periods presented. The interim financial information should be read in conjunction with the annual consolidated financial statements and the notes thereto included in the Company's 2014 Annual Report on Form 10-K.

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 entire year.

Use of Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Summary of Significant Accounting Policies — The accounting and reporting policies of the Company conform with GAAP and general practices within the banking industry. There have been no material changes or developments in the application of accounting principles or in our evaluation of the accounting estimates and the underlying assumptions or methodologies that we believe to be Critical Accounting Policies and Estimates as disclosed in our 2014 Annual Report on Form 10-K.

2. Investment Securities

The portfolio of investment securities consisted of the following (in thousands):

	March 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Obligations of state and political subdivisions	$41,336	$ 1,476	$ 35	$42,777
GSE mortgage-backed securities	101,185	3,669	66	104,788
Collateralized mortgage obligations: residential	131,373	614	820	131,167
Collateralized mortgage obligations: commercial	17,459	93	69	17,483
Collateralized debt obligation	256	1,096	-	1,352
Mutual funds	2,100	23	-	2,123
	$293,709	$ 6,971	$ 990	$299,690

	December 31, 2014			
	Amortized	Gross	Gross	Fair

	Cost	Unrealized Gains	Unrealized Losses	Value
Available-for-sale:				
U.S. Government sponsored enterprises	$10,339	$ -	$ 112	$10,227
Obligations of state and political subdivisions	43,079	1,555	29	44,605
GSE mortgage-backed securities	106,208	3,183	288	109,103
Collateralized mortgage obligations: residential	62,093	266	1,520	60,839
Collateralized mortgage obligations: commercial	24,462	190	107	24,545
Other asset-backed securities	24,041	321	19	24,343
Collateralized debt obligation	266	952	-	1,218
Mutual funds	2,100	4	-	2,104
	$272,588	$ 6,471	$ 2,075	$276,984

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	March 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-maturity:				
Obligations of state and political subdivisions	$45,343	$ 621	$ 56	$45,908
GSE mortgage-backed securities	64,710	1,552	85	66,177
Collateralized mortgage obligations: residential	12,339	-	270	12,069
Collateralized mortgage obligations: commercial	15,200	108	-	15,308
	$137,592	$ 2,281	$ 411	$139,462

	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-maturity:				
Obligations of state and political subdivisions	$45,914	$ 267	$ 192	$45,989
GSE mortgage-backed securities	67,268	1,080	164	68,184
Collateralized mortgage obligations: residential	12,709	-	479	12,230
Collateralized mortgage obligations: commercial	15,310	53	173	15,190
	$141,201	$ 1,400	$ 1,008	$141,593

With the exception of three private-label collateralized mortgage obligations (“CMOs”) with a combined balance remaining of $41,000 at March 31, 2015, all of the Company’s CMOs are government-sponsored enterprise (“GSE”) securities.

The amortized cost and fair value of debt securities at March 31, 2015 by contractual maturity are shown in the following table (in thousands) with the exception of other asset-backed securities, mortgage-backed securities, CMOs, and the collateralized debt obligation. Expected maturities may differ from contractual maturities for mortgage-backed securities and CMOs because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Available-for-sale:		
Due in one year or less	$6,916	$6,998
Due after one year through five years	18,900	19,694
Due after five years through ten years	12,422	12,972
Due after ten years	3,098	3,113
Mortgage-backed securities and collateralized mortgage obligations:		
Residential	232,558	235,955
Commercial	17,459	17,483
Collateralized debt obligation	256	1,352
Mutual funds	2,100	2,123
	$293,709	$299,690

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	Amortized Cost	Fair Value
Held-to-maturity:		
Due in one year or less	$ 595	$ 600
Due after one year through five years	2,819	2,857
Due after five years through ten years	12,205	12,346
Due after ten years	29,724	30,105
Mortgage-backed securities and collateralized mortgage obligations:		
Residential	77,049	78,246
Commercial	15,200	15,308
	$ 137,592	$ 139,462

Details concerning investment securities with unrealized losses are as follows (in thousands):

	March 31, 2015					
	Securities with losses under 12 months		Securities with losses over 12 months		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Available-for-sale:						
Obligations of state and political subdivisions	$ 3,241	$ 35	$ -	$ -	$ 3,241	$ 35
GSE mortgage-backed securities	12,876	33	8,249	33	21,125	66
Collateralized mortgage obligations: residential	24,659	103	35,097	717	59,756	820
Collateralized mortgage obligations: commercial	-	-	3,617	69	3,617	69
	$ 40,776	$ 171	$ 46,963	$ 819	$ 87,739	$ 990

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	December 31, 2014					
	Securities with losses under 12 months		Securities with losses over 12 months		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Available-for-sale:						
U.S. Government sponsored enterprises	$4,973	$ 32	$5,254	$ 80	$10,227	$ 112
Obligations of state and political subdivisions	2,029	29	-	-	2,029	29
GSE mortgage-backed securities	6,668	25	21,538	263	28,206	288
Collateralized mortgage obligations: residential	9,366	53	37,997	1,467	47,363	1,520
Collateralized mortgage obligations: commercial	-	-	3,747	107	3,747	107
Other asset-backed securities	6,401	19	-	-	6,401	19
	$29,437	$ 158	$68,536	$ 1,917	$97,973	$ 2,075

	March 31, 2015					
	Securities with losses under 12 months		Securities with losses over 12 months		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Held-to-maturity:						
Obligations of state and political subdivisions	$4,271	$ 19	$2,740	$ 37	$7,011	$ 56
GSE mortgage-backed securities	-	-	7,957	85	7,957	85
Collateralized mortgage obligations: residential	-	-	12,068	270	12,068	270
	$4,271	$ 19	$22,765	$ 392	$27,036	$ 411

	December 31, 2014					
	Securities with losses under 12 months		Securities with losses over 12 months		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Held-to-maturity:						
Obligations of state and political subdivisions	$11,761	$ 35	$13,263	$ 157	$25,024	$ 192
GSE mortgage-backed securities	-	-	8,142	164	8,142	164
Collateralized mortgage obligations: residential	-	-	12,230	479	12,230	479
Collateralized mortgage obligations: commercial	7,599	173	-	-	7,599	173
	$19,360	$ 208	$33,635	$ 800	$52,995	$ 1,008

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Management evaluates each quarter whether unrealized losses on securities represent impairment that is other than temporary. For debt securities, the Company considers its intent to sell the securities or if it is more likely than not the Company will be required to sell the securities. If such impairment is identified, based upon the intent to sell or the more likely than not threshold, the carrying amount of the security is reduced to fair value with a charge to earnings. Upon the result of the aforementioned review, management then reviews for potential other than temporary impairment based upon other qualitative factors. In making this evaluation, management considers changes in market rates relative to those available when the security was acquired, changes in market expectations about the timing of cash flows from securities that can be prepaid, performance of the debt security, and changes in the market's perception of the issuer's financial health and the security's credit quality. If determined that a debt security has incurred other than temporary impairment, then the amount of the credit related impairment is determined. If a credit loss is evident, the amount of the credit loss is charged to earnings and the non-credit related impairment is recognized through other comprehensive income.

As of March 31, 2015, 37 securities had unrealized losses totaling 1.21% of the individual securities' amortized cost basis and 0.33% of the Company's total amortized cost basis. Of the 37 securities, 20 had been in an unrealized loss position for over twelve months at March 31, 2015. These 20 securities had an amortized cost basis and unrealized loss of $70.9 million and $1.2 million, respectively. The unrealized losses on debt securities at March 31, 2015 resulted from changing market interest rates over the yields available at the time the underlying securities were purchased. Management identified no impairment related to credit quality. At March 31, 2015, management had the intent and ability to hold impaired securities and no impairment was evaluated as other than temporary. As a result, no other than temporary impairment losses were recognized during the three months ended March 31, 2015.

During the three months ended March 31, 2015, the Company sold 18 securities classified as available-for-sale at a net gain of $115,000. Of the 18 securities sold, 8 were sold with gains totaling $250,000 and 10 securities were sold at a loss of $135,000. During the three months ended March 31, 2014, the Company did not sell any securities.

Securities with an aggregate carrying value of approximately $294.4 million and $279.8 million at March 31, 2015 and December 31, 2014, respectively, were pledged to secure public funds on deposit and for other purposes required or permitted by law.

3. Credit Quality of Loans and Allowance for Loan Losses

The loan portfolio consisted of the following (in thousands):

	March 31, 2015	December 31, 2014
Commercial, financial and agricultural	$484,508	$467,147
Real estate - construction	76,964	68,577
Real estate – commercial	471,737	467,172
Real estate – residential	153,647	154,602
Installment loans to individuals	115,284	119,328
Lease financing receivable	6,350	4,857
Other	2,439	2,748
	1,310,929	1,284,431
Less allowance for loan losses	(16,060)	(11,226)
	$1,294,869	$1,273,205

The Company monitors loan concentrations and evaluates individual customer and aggregate industry leverage, profitability, risk rating distributions, and liquidity for each major standard industry classification segment. At March 31, 2015, one industry segment concentration, the oil and gas industry, constituted more than 10% of the loan portfolio. The Company's exposure in the oil and gas industry, including related service and manufacturing industries, totaled approximately $287.6 million, or 21.9% of total loans. Additionally, the Company's exposure to loans secured by commercial real estate is monitored. At March 31, 2015, loans secured by commercial real estate (including commercial construction, farmland and multifamily loans) totaled approximately $521.9 million. Of the $521.9 million, $471.7 million represent CRE loans, 55% of which are secured by owner-occupied commercial properties. Of the $521.9 million in loans secured by commercial real estate, $8.1 million, or 1.6%, were on nonaccrual status at March 31, 2015.

Allowance for Loan Losses

The allowance for loan losses is a valuation account available to absorb probable losses on loans. All losses are charged to the allowance for loan losses when the loss actually occurs or when a determination is made that a loss is likely to occur. Recoveries are credited to the allowance for loan losses at the time of recovery. Quarterly, the probable level of losses in the existing portfolio is estimated through consideration of various factors. Based on these estimates, the allowance for loan losses is increased by charges to earnings and decreased by charge offs (net of recoveries).

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The allowance is composed of general reserves and specific reserves. General reserves are determined by applying loss percentages to segments of the portfolio. The loss percentages are based on each segment's historical loss experience, generally over the past twelve to eighteen months, and adjustment factors derived from conditions in the Company's internal and external environment. All loans considered to be impaired are evaluated on an individual basis to determine specific reserve allocations in accordance with GAAP. Loans for which specific reserves are provided are excluded from the calculation of general reserves.

Loans acquired in business combinations are initially recorded at fair value, which includes an estimate of credit losses expected to be realized over the remaining lives of the loans, and therefore no corresponding allowance for loan losses is recorded for these loans at acquisition. Methods utilized to estimate any subsequently required allowance for loan losses for acquired loans not deemed credit-impaired at acquisition are similar to originated loans; however, the estimate of loss is based on the unpaid principal balance and then compared to any remaining unaccreted purchase discount. To the extent that the calculated loss is greater than the remaining unaccreted purchase discount, an allowance is recorded for such difference.

The Company has an internal loan review department that is independent of the lending function to challenge and corroborate the loan grade assigned by the lender and to provide additional analysis in determining the adequacy of the allowance for loan losses.

A rollforward of the activity within the allowance for loan losses by loan type and recorded investment in loans for the three months ended March 31, 2015 and 2014 is as follows (in thousands):

	March 31, 2015							
		Real Estate						
	Coml, Fin, and Agric	Construction	Commercial	Residential	Installment loans to individuals	Lease financing receivable	Other	Total
Allowance for loan losses:								
Beginning balance	$5,729	$954	$2,402	$810	$1,311	$16	$4	$11,226
Charge-offs	(1,001)	(6)	-	(2)	(323)	-	-	(1,332)
Recoveries	132	-	6	2	26	-	-	166
Provision	5,523	3	202	7	260	4	1	6,000
Ending balance	$10,383	$951	$2,610	$817	$1,274	$20	$5	$16,060
Ending balance: individually evaluated for impairment	$737	$-	$645	$57	$206	$-	$-	$1,645
Ending balance: collectively evaluated for impairment	$9,646	$951	$1,965	$760	$1,068	$20	$5	$14,415
Loans:								
Ending balance	$484,508	$76,964	$471,737	$153,647	$115,284	$6,350	$2,439	$1,310,929
Ending balance: individually evaluated for impairment	$2,427	$477	$7,977	$1,471	$405	$-	$-	$12,757
Ending balance: collectively evaluated for impairment	$482,081	$76,487	$463,106	$152,087	$114,879	$6,350	$2,439	$1,297,429

Ending balance: loans acquired with deteriorated credit quality	$ -	$ -	$ 654	$ 89	$ -	$ -	$ -	$ 743

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	March 31, 2014							
		Real Estate						
	Coml, Fin, and Agric	Construction	Commercial	Residential	Installment loans to individuals	Lease financing receivable	Other	Total
Allowance for loan losses:								
Beginning balance	$3,906	$1,046	$1,389	$1,141	$1,273	$21	$3	$8,779
Charge-offs	(431)	(1)	(13)	(84)	(159)	-	-	(688)
Recoveries	14	-	37	8	65	-	-	124
Provision	749	36	8	(172)	(69)	(2)	-	550
Ending balance	$4,238	$1,081	$1,421	$893	$1,110	$19	$3	$8,765
Ending balance: individually evaluated for impairment	$86	$3	$57	$71	$131	$ -	$-	$348
Ending balance: collectively evaluated for impairment	$4,152	$1,078	$1,364	$822	$979	$19	$3	$8,417
Loans:								
Ending balance	$435,523	$78,988	$408,546	$150,551	$101,869	$5,102	$3,610	$1,184,189
Ending balance: individually evaluated for impairment	$2,273	$154	$3,195	$951	$292	$ -	$-	$6,865
Ending balance: collectively evaluated for impairment	$433,250	$78,834	$404,652	$149,442	$101,577	$5,102	$3,610	$1,176,467
Ending balance: loans acquired with deteriorated credit quality	$-	$-	$699	$158	$-	$ -	$-	$857

Non-Accrual and Past Due Loans

Loans are considered past due if the required principal and interest payment have not been received as of the date such payments were due. Loans are placed on non-accrual status when, in management's opinion, the probability of collection of interest is deemed insufficient to warrant further accrual. For loans placed on non-accrual status, the accrual of interest is discontinued and subsequent payments received are applied to the principal balance. Interest income is recorded after principal has been satisfied and as payments are received. Non-accrual loans may be returned to accrual status if all principal and interest amounts contractually owed are reasonably assured of repayment within a reasonable period and there is a period of at least six months to one year of repayment performance by the borrower depending on the contractual payment terms.

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An age analysis of past due loans (including both accruing and non-accruing loans) is as follows (in thousands):

March 31, 2015

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total Loans	Recorded Investment > 90 days and Accruing
Commercial, financial, and agricultural	$2,767	$761	$2,306	$5,834	$478,674	$484,508	$ 3
Commercial real estate - construction	17	-	13	30	50,164	50,194	-
Commercial real estate - other	12,643	639	4,372	17,654	454,083	471,737	-
Residential - construction	-	-	433	433	26,337	26,770	-
Residential - prime	2,226	225	1,010	3,461	150,186	153,647	-
Consumer - credit card	9	13	-	22	5,664	5,686	-
Consumer - other	603	106	321	1,030	108,568	109,598	37
Lease financing receivable	-	-	-	-	6,350	6,350	-
Other loans	62	-	-	62	2,377	2,439	-
	$18,327	$1,744	$8,455	$28,526	$1,282,403	$1,310,929	$ 40

December 31, 2014

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total Loans	Recorded Investment > 90 days and Accruing
Commercial, financial, and agricultural	$2,179	$654	$2,556	$5,389	$461,758	$467,147	$ 26
Commercial real estate - construction	15	-	105	120	43,390	43,510	97
Commercial real estate - other	4,989	270	2,464	7,723	459,449	467,172	-
Residential - construction	431	-	-	431	24,636	25,067	-
Residential - prime	1,843	523	704	3,070	151,532	154,602	-
Consumer - credit card	5	19	18	42	5,970	6,012	18
Consumer - other	671	392	107	1,170	112,146	113,316	46
Lease financing receivable	-	-	-	-	4,857	4,857	-
Other loans	134	-	-	134	2,614	2,748	-
	$10,267	$1,858	$5,954	$18,079	$1,266,352	$1,284,431	$ 187

Non-accrual loans are as follows (in thousands):

	March 31, 2015	December 31, 2014
Commercial, financial, and agricultural	$2,413	$ 2,642
Commercial real estate – construction	43	54
Commercial real estate - other	8,012	6,429
Residential - construction	433	-
Residential - prime	1,585	1,194
Consumer - credit card	-	-
Consumer - other	408	382
Lease financing receivable	-	-