

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

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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 June 30, 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 August 1, 2014, the registrant had outstanding 96,050,621 shares of common stock, par value \$2.50 per share.

BANCORPSOUTH, INC.

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PART I.

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

BANCORPSOUTH, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	June 30, 2014 (Unaudited)	December 31, 2013 (1)	June 30, 2013 (Unaudited)
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(Dollars in thousands, except per share amounts)

ASSETS

Cash and due from banks	\$ 201,196	\$ 208,961	\$ 268,647
Interest bearing deposits with other banks	44,949	319,462	526,608
Available-for-sale securities, at fair value	2,332,192	2,466,989	2,644,939
Loans and leases	9,347,429	8,993,888	8,711,023
Less: Unearned income	35,768	35,873	32,309
Allowance for credit losses	147,132	153,236	161,047
Net loans and leases	9,164,529	8,804,779	8,517,667
Loans held for sale (\$105,643 at fair value at June 30, 2014)	105,643	69,593	111,574
Premises and equipment, net	310,515	315,260	313,079
Accrued interest receivable	40,697	42,150	41,425
Goodwill	291,498	286,800	275,173
Other identifiable intangibles	26,745	26,079	15,865
Bank-owned life insurance	241,962	239,434	235,015
Other real estate owned	55,253	69,338	88,438
Other assets	170,708	180,888	179,275
TOTAL ASSETS	\$ 12,985,887	\$ 13,029,733	\$ 13,217,705

LIABILITIES

Deposits:

Demand: Noninterest bearing	\$ 2,718,242	\$ 2,644,592	\$ 2,610,768
Interest bearing	4,511,760	4,582,450	4,667,041
Savings	1,299,203	1,234,130	1,210,497
Other time	2,141,209	2,312,664	2,473,312
Total deposits	10,670,414	10,773,836	10,961,618
Federal funds purchased and securities sold under agreement to repurchase	394,446	421,028	382,871
Short-term Federal Home Loan Bank borrowings and other short-term borrowing	2,000	-	-
Accrued interest payable	3,926	4,836	5,230
Junior subordinated debt securities	23,198	31,446	160,312
Long-term debt	83,835	81,714	33,500
Other liabilities	219,218	203,743	214,381
TOTAL LIABILITIES	11,397,037	11,516,603	11,757,912

SHAREHOLDERS' EQUITY

Common stock, \$2.50 par value per share

Authorized - 500,000,000 shares; Issued - 96,046,057,
95,231,691 and 95,190,797 shares, respectively

	240,118	238,079	237,976
Capital surplus	321,952	312,900	312,074
Accumulated other comprehensive loss	(15,040)	(29,959)	(39,333)
Retained earnings	1,041,820	992,110	949,076
TOTAL SHAREHOLDERS' EQUITY	1,588,850	1,513,130	1,459,793
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 12,985,887	\$ 13,029,733	\$ 13,217,705

(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 June 30,		Six months ended June 30,	
	2014	2013	2014	2013
(In thousands, except for per share amounts)				
INTEREST REVENUE:				
Loans and leases	\$ 99,962	\$ 98,524	\$ 198,706	\$ 197,616
Deposits with other banks	87	483	363	1,085
Available-for-sale securities:				
Taxable	7,133	8,405	14,680	17,105
Tax-exempt	3,669	3,911	7,384	7,871
Loans held for sale	648	686	965	1,359
Total interest revenue	111,499	112,009	222,098	225,036
INTEREST EXPENSE:				
Deposits:				
Interest bearing demand	1,905	2,423	3,825	5,548
Savings	402	422	793	935
Other time	5,249	7,671	11,139	15,712
Federal funds purchased and securities sold under agreement to repurchase	80	70	158	133
Long-term debt	619	349	1,248	697
Junior subordinated debt	162	2,860	330	5,717
Other	1	1	1	3
Total interest expense	8,418	13,796	17,494	28,745
Net interest revenue	103,081	98,213	204,604	196,291
Provision for credit losses	-	3,000	-	7,000
Net interest revenue, after provision for credit losses	103,081	95,213	204,604	189,291
NONINTEREST REVENUE:				
Mortgage lending	9,089	17,892	12,483	30,238
Credit card, debit card and merchant fees	8,567	8,324	16,410	15,847
Deposit service charges	12,437	12,824	24,973	25,656
Security gains, net	5	3	1	22
Insurance commissions	28,621	25,862	60,220	52,503
Wealth management	5,828	5,802	11,744	11,589
Other	5,291	5,402	10,524	11,572
Total noninterest revenue	69,838	76,109	136,355	147,427
NONINTEREST EXPENSE:				
Salaries and employee benefits	74,741	78,284	153,624	157,698
Occupancy, net of rental income	10,245	10,577	20,532	20,814
Equipment	4,169	4,585	8,668	9,533
Deposit insurance assessments	2,035	2,939	3,635	5,743

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Voluntary early retirement expense	-	10,850	-	10,850
Write-off and amortization of bond issue cost	12	38	24	76
Other	36,752	34,978	68,178	72,908
Total noninterest expense	127,954	142,251	254,661	277,622
Income before income taxes	44,965	29,071	86,298	59,096
Income tax expense	14,097	8,316	26,986	17,536
Net income	\$ 30,868	\$ 20,755	\$ 59,312	\$ 41,560
Earnings per share: Basic	\$ 0.32	\$ 0.22	\$ 0.62	\$ 0.44
Diluted	\$ 0.32	\$ 0.22	\$ 0.62	\$ 0.44
Dividends declared per common share	\$ 0.05	\$ 0.01	\$ 0.10	\$ 0.02

See accompanying notes to consolidated financial statements.

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BANCORPSOUTH, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	(In thousands)			
Net income	\$ 30,868	20,755	\$ 59,312	\$ 41,560
Other comprehensive income (loss), net of tax				
Unrealized gains (losses) on securities	6,564	(27,039)	14,007	(32,339)
Pension and other postretirement benefits	456	826	912	1,652
Other comprehensive income (loss), net of tax	7,020	(26,213)	14,919	(30,687)
Comprehensive income (loss)	\$ 37,888	\$ (5,458)	\$ 74,231	\$ 10,873

See accompanying notes to consolidated financial statements.

BANCORPSOUTH, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)

	Six months ended	
	June 30,	
	2014	2013
	(In thousands)	
Operating Activities:		
Net income	\$ 59,312	\$ 41,560
Adjustment to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	-	7,000
Depreciation and amortization	13,569	13,316
Deferred taxes	(1,939)	(3,002)
Amortization of intangibles	2,206	1,465
Amortization of debt securities premium and discount, net	6,724	7,736
Share-based compensation expense	1,089	1,522
Security gains, net	(1)	(22)
Net deferred loan origination expense	(3,427)	(3,843)
Excess tax benefit from exercise of stock options	1,216	19
Decrease in interest receivable	1,453	2,931
Decrease in interest payable	(910)	(910)
Realized gain on mortgages sold	(15,477)	(29,260)
Proceeds from mortgages sold	496,915	911,537
Origination of mortgages held for sale	(488,120)	(860,847)
Loss on other real estate owned, net	5,587	3,185
Increase in bank-owned life insurance	(3,733)	(3,895)
Decrease in prepaid pension asset	2,829	13,733
Other, net	17,352	(32,664)
Net cash provided by operating activities	94,645	69,561
Investing activities:		
Proceeds from calls and maturities of available-for-sale securities	275,038	247,705
Purchases of available-for-sale securities	(125,055)	(521,600)
Net increase in loans and leases	(395,544)	(60,162)
Purchases of premises and equipment	(8,905)	(10,253)
Proceeds from sale of premises and equipment	219	3,181
Purchase of bank-owned life insurance, net of proceeds from death benefits	1,206	-
Acquisition of Insurance agency	(5,060)	-
Proceeds from sale of other real estate owned	17,348	23,174
Other, net	(12)	(6)
Net cash used in investing activities	(240,765)	(317,961)
Financing activities:		
Net decrease in deposits	(103,422)	(126,528)
Net decrease in short-term debt and other liabilities	(26,590)	(31,747)
Advances of long-term debt	8,000	-
Repayment of long-term debt	(3,879)	-
Redemption of junior subordinated debt	(8,248)	-
Issuance of common stock	9,461	225

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Repurchase of common stock	(675)	-
Excess tax benefit from exercise of stock options	(1,216)	(19)
Payment of cash dividends	(9,589)	(1,890)
Net cash used in financing activities	(136,158)	(159,959)
Decrease in cash and cash equivalents	(282,278)	(408,359)
Cash and cash equivalents at beginning of period	528,423	1,203,614
Cash and cash equivalents at end of period	\$ 246,145	\$ 795,255

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 and six-month periods ended June 30, 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:

	June 30, 2014	2013	December 31, 2013
	(In thousands)		
Commercial and industrial	\$ 1,707,368	\$ 1,559,597	\$ 1,538,302

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Real estate			
Consumer mortgages	2,071,503	1,880,338	1,976,073
Home equity	506,988	482,068	494,339
Agricultural	238,003	237,914	234,576
Commercial and industrial-owner occupied	1,505,679	1,375,711	1,473,320
Construction, acquisition and development	772,162	709,499	741,458
Commercial real estate	1,901,759	1,754,841	1,846,039
Credit cards	109,186	103,251	111,328
All other	534,781	607,804	578,453
Total	\$ 9,347,429	\$ 8,711,023	\$ 8,993,888

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The following table shows the Company's loans and leases, net of unearned income, as of June 30, 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	\$ 85,845	\$ 166,736	\$ 282,645	\$ 38,309	\$ 22,403	\$ 86,494	\$ 29,000
Real estate							
Consumer mortgages	162,767	268,149	698,709	64,881	110,498	162,614	511,039
Home equity	67,945	38,782	164,668	20,890	68,304	77,465	66,340
Agricultural	7,338	71,448	56,598	3,399	13,826	12,260	68,723
Commercial and industrial-owner occupied	175,413	168,289	479,599	64,571	90,239	90,953	301,538
Construction, acquisition and development	109,801	67,822	199,662	19,013	77,028	110,705	164,969
Commercial real estate	270,053	320,961	278,943	193,572	104,944	109,130	438,417
Credit cards	-	-	-	-	-	-	-
All other	29,996	43,696	133,041	3,428	37,399	35,431	75,109
Total	\$ 909,158	\$ 1,145,883	\$ 2,293,865	\$ 408,063	\$ 524,641	\$ 685,052	\$ 1,920,000

* 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 June 30, 2014 and December 31, 2013:

June 30, 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	\$ 3,201	\$ 501	\$ 835	\$ 4,537	\$ 1,695,266	\$ 1,699,803	\$ 302
Real estate							
Consumer mortgages	9,681	4,316	12,447	26,444	2,045,059	2,071,503	1,607
Home equity	950	236	395	1,581	505,407	506,988	116
Agricultural	1,085	37	562	1,684	236,319	238,003	100
Commercial and industrial-owner occupied	6,281	684	2,924	9,889	1,495,790	1,505,679	-
Construction, acquisition and development	1,532	140	2,173	3,845	768,317	772,162	-
Commercial real estate	1,436	1,945	1,588	4,969	1,896,790	1,901,759	-
Credit cards	330	274	308	912	108,274	109,186	281
All other	1,324	212	104	1,640	504,938	506,578	-
Total	\$ 25,820	\$ 8,345	\$ 21,336	\$ 55,501	\$ 9,256,160	\$ 9,311,661	\$ 2,406

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 June 30, 2014 and December 31, 2013:

	June 30, 2014						Total
	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired (1)	
	(In thousands)						
Commercial and industrial	\$ 1,650,893	\$ 16,307	\$ 31,157	\$ -	\$ -	\$ 1,446	\$ 1,699,803
Real estate							
Consumer mortgages	1,983,165	-	82,769	-	-	5,569	2,071,503
Home equity	496,451	-	9,903	-	-	634	506,988
Agricultural	224,337	509	12,724	-	-	433	238,003
Commercial and industrial-owner occupied	1,435,618	3,782	61,508	342	-	4,429	1,505,679
Construction, acquisition and development	721,572	255	43,238	576	-	6,521	772,162
Commercial real estate	1,814,209	-	76,286	350	-	10,914	1,901,759
Credit cards	109,186	-	-	-	-	-	109,186
All other	495,292	-	11,104	-	-	182	506,578
Total	\$ 8,930,723	\$ 20,853	\$ 328,689	\$ 1,268	\$ -	\$ 30,128	\$ 9,311,661

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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 and six months ended June 30, 2014 and as of and for the year ended December 31, 2013:

	June 30, 2014							
	Recorded Investment in Impaired Loans (In thousands)	Unpaid Principal Balance of Impaired Loans	Related Allowance for Credit Losses	Average Recorded Investment Three months ended June 30, 2014	Six months ended June 30, 2014	Interest Income Recognized Three months ended June 30, 2014	Six months ended June 30, 2014	
With no related allowance:								
Commercial and industrial	\$ 1,275	\$ 1,275	\$ -	\$ 1,281	\$ 1,291	\$ 16	\$	
Real estate:								
Consumer mortgages	4,979	5,854	-	4,253	4,743	15	37	
Home equity	215	216	-	217	218	1	3	
Agricultural	433	740	-	433	499	1	2	
Commercial and industrial-owner occupied	3,975	4,929	-	3,408	5,307	19	33	
Construction, acquisition and development	6,521	8,049	-	6,831	7,849	23	43	
Commercial real estate	6,378	10,006	-	7,237	10,849	47	81	
All other	182	325	-	184	200	3	4	
Total	\$ 23,958	\$ 31,394	\$ -	\$ 23,844	\$ 30,956	\$ 125	\$	2
With an allowance:								
Commercial and industrial	\$ 171	\$ 200	\$ 183	\$ 57	\$ 28	\$ -	\$	
Real estate:								
Consumer mortgages	590	590	179	1,482	1,318	14	19	
Home equity	419	419	71	-	-	-	-	
Agricultural	-	-	-	-	81	-	-	
Commercial and industrial-owner occupied	454	454	115	1,576	1,390	9	11	
Construction, acquisition and development	-	-	-	201	782	-	-	
Commercial real estate	4,536	4,617	823	8,485	6,668	44	65	

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All other	-	-	-	-	10	-	-
Total	\$ 6,170	\$ 6,280	\$ 1,371	\$ 11,801	\$ 10,277	\$ 67	\$
Total:							
Commercial and industrial	\$ 1,446	\$ 1,475	\$ 183	\$ 1,338	\$ 1,319	\$ 16	\$
Real estate:							
Consumer							
mortgages	5,569	6,444	179	5,735	6,061	29	56
Home equity	634	635	71	217	218	1	3
Agricultural	433	740	-	433	580	1	2
Commercial and industrial-owner							
occupied	4,429	5,383	115	4,984	6,697	28	44
Construction, acquisition and development							
	6,521	8,049	-	7,032	8,631	23	43
Commercial real estate							
	10,914	14,623	823	15,722	17,517	91	146
All other	182	325	-	184	210	3	4
Total	\$ 30,128	\$ 37,674	\$ 1,371	\$ 35,645	\$ 41,233	\$ 192	\$ 3

	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	\$ -	\$ 2,578	\$ 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	\$ -	\$ 74,607	\$ 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	1,807	739	4,735	54
Construction, acquisition and					
development	4,163	5,393	1,599	7,989	67
Commercial real estate	3,919	3,919	1,138	11,280	51
All other	-	-	4	-	-
Total	\$ 10,979	\$ 12,209	\$ 4,146	\$ 28,857	\$ 208
Total:					
Commercial and industrial	\$ 1,314	\$ 1,314	\$ 305	\$ 3,168	\$ 16
Real estate:					
Consumer mortgages	6,406	7,253	309	12,360	85
Home equity	1,140	1,140	37	1,377	8
Agricultural	882	1,472	15	3,688	6
Commercial and					
industrial-owner occupied	11,745	14,488	739	12,885	130
	15,712	18,890	1,599	33,866	170

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Construction, acquisition and
development

Commercial real estate	17,481	27,152	1,138	35,465	224
All other	263	405	4	655	6
Total	\$ 54,943	\$ 72,114	\$ 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 and six months ended June 30, 2014 and as of and for the year ended December 31, 2013:

	June 30, 2014							
	Recorded Investment in Impaired Loans (In thousands)	Unpaid Principal Balance of Impaired Loans	Related Allowance for Credit Losses	Average Recorded Investment Three months ended June 30, 2014	Recorded Investment Six months ended June 30, 2014	Interest Income Three months ended June 30, 2014	Recognized Six months ended June 30, 2014	
With no related allowance:								
Commercial and industrial	\$ 1,275	\$ 1,275	\$ -	\$ 1,281	\$ 1,291	\$ 16	\$	
Real estate:								
Consumer mortgages	4,979	5,854	-	4,253	4,743	15	37	
Home equity	216	216	-	217	218	1	3	
Agricultural	433	740	-	433	499	1	2	
Commercial and industrial-owner occupied	3,974	4,929	-	3,408	5,307	19	33	
Construction, acquisition and development	6,521	8,049	-	6,831	7,849	23	43	
Commercial real estate	6,378	10,006	-	7,237	10,849	47	81	
All other	182	325	-	184	200	3	4	
Total	\$ 23,958	\$ 31,394	\$ -	\$ 23,844	\$ 30,956	\$ 125	\$	
With an allowance:								
Commercial and industrial	\$ 656	\$ 1,076	\$ 302	\$ 1,236	\$ 1,323	\$ 15	\$	
Real estate:								
Consumer mortgages	2,350	2,576	437	4,567	4,244	38	67	
Home equity	429	723	71	23	21	-	-	
Agricultural	-	-	-	421	603	5	11	
Commercial and industrial-owner occupied	4,238	5,388	240	7,904	7,874	72	142	
Construction, acquisition and development	1,693	2,553	134	2,495	2,899	21	83	
Commercial real estate	6,387	6,682	1,242	10,577	9,237	92	185	

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Credit card	1,228	1,228	29	1,335	1,434	134	143
All other	146	182	14	107	104	1	2
Total	\$ 17,127	\$ 20,408	\$ 2,469	\$ 28,665	\$ 27,739	\$ 378	\$

Total:

Commercial and industrial	\$ 1,931	\$ 2,351	\$ 302	\$ 2,517	\$ 2,614	\$ 31	\$
Real estate:							
Consumer mortgages	7,329	8,430	437	8,820	8,987	53	104
Home equity	645	939	71	240	239	1	3
Agricultural	433	740	-	854	1,102	6	13
Commercial and industrial-owner occupied	8,212	10,317	240	11,312	13,181	91	175
Construction, acquisition and development	8,214	10,602	134	9,326	10,748	44	126
Commercial real estate	12,765	16,688	1,242	17,814	20,086	139	266
Credit card	1,228	1,228	29	1,335	1,434	134	143
All other	328	507	14	291	304	4	6
Total	\$ 41,085	\$ 51,802	\$ 2,469	\$ 52,509	\$ 58,695	\$ 503	\$

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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
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

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 June 30, 2014 and December 31, 2013 was \$30.1 million and \$54.9 million,

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respectively. At June 30, 2014 and December 31, 2013, \$6.2 million and \$11.0 million, respectively, of those impaired loans had a valuation allowance of \$1.4 million and \$4.1 million, respectively. The remaining balance of impaired loans of \$24.0 million and \$44.0 million at June 30, 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 \$7.4 million and \$19.1 million at June 30, 2014 and December 31, 2013, respectively. The average recorded investment in impaired loans was \$35.6 million and \$41.2 million for the three months and six months ended June 30, 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:

	June 30, 2014	2013	December 31, 2013
	(In thousands)		
Non-accrual loans and leases	\$ 64,533	\$ 149,542	\$ 92,173
Loans and leases 90 days or more past due, still accruing	2,406	1,440	1,226
Restructured loans and leases still accruing	6,712	16,953	27,007
Total non-performing loans and leases	\$ 73,651	\$ 167,935	\$ 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 June 30, 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:

	June 30, 2014	2013	December 31, 2013
	(In thousands)		
Commercial and industrial	\$ 2,917	\$ 6,225	\$ 3,079
Real estate			
Consumer mortgages	24,355	34,226	25,645
Home equity	2,116	3,862	3,695

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Agricultural	595	5,007	1,260
Commercial and industrial-owner occupied	11,094	17,084	18,568
Construction, acquisition and development	9,202	39,315	17,567
Commercial real estate	13,406	40,940	20,972
Credit cards	132	398	119
All other	716	2,485	1,268
Total	\$ 64,533	\$ 149,542	\$ 92,173

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 second 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 recorded during the periods indicated:

Three months ended June 30, 2014		
	Pre-Modification	Post-Modification
Number	Outstanding	Outstanding
of	Recorded	Recorded
Contracts	Investment	Investment

(Dollars in thousands)

Real estate				
Consumer mortgages	9	\$ 573	\$	567
Agricultural	1	10		10
All other	5	109		108
Total	15	\$ 692	\$	685

Six months ended June 30, 2014

	Pre-Modification	Post-Modification
Number	Outstanding	Outstanding
of	Recorded	Recorded
Contracts	Investment	Investment

(Dollars in thousands)

Commercial and industrial	5	\$ 613	\$	613
Real estate				
Consumer mortgages	19	3,196		2,665
Home equity	2	31		30
Agricultural	1	10		10
Commercial and industrial-owner occupied	7	1,997		1,704
Construction, acquisition and development	1	878		878
Commercial real estate	4	875		876

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All other	11	160	159	
Total	50	\$	7,760	\$ 6,935

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	Year ended December 31, 2013		
	Number of Contracts (Dollars in thousands)	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial and industrial Real estate	3	\$ 919	\$ 919
Consumer mortgages	23	1,843	1,840
Home equity	2	25	10
Commercial and industrial-owner occupied Construction, acquisition and development	8	3,821	3,815
Commercial real estate	15	3,071	2,826
All other	4	1,574	1,570
Total	5	1,160	1,160
	60	\$ 12,413	\$ 12,140

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 June 30, 2014			
	Number of Contracts	Recorded Investment	
	(Dollars in thousands)		
All other	1	\$	4
Total	1	\$	4

Six months ended June 30, 2014			
	Number of Contracts	Recorded Investment	
	(Dollars in thousands)		
Real estate			
Consumer mortgages	2	\$	81
Construction, acquisition and development	2	279	

All other	1	4	
Total	5	\$	364

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	Year ended December 31, 2013	
	Number of Contracts	Recorded Investment
	(Dollars in thousands)	
Commercial and industrial Real estate	3	\$ 129
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:

	Six months ended June 30, 2014				Balance, End of Period
	Balance, Beginning of Period (In thousands)	Charge-offs	Recoveries	Provision	
Commercial and industrial Real estate	\$ 18,376	\$ (1,061)	\$ 1,435	\$ 848	\$ 19,598
Consumer mortgages	39,525	(3,627)	1,494	(922)	36,470
Home equity	5,663	(756)	366	147	5,420
Agricultural	2,800	(714)	35	355	2,476
Commercial and industrial-owner occupied	17,059	(2,142)	436	2,274	17,627
Construction, acquisition and development	11,828	(1,707)	2,445	(2,157)	10,409
Commercial real estate	43,853	(1,262)	549	158	43,298
Credit cards	3,782	(1,167)	266	(331)	2,550
All other	10,350	(1,254)	560	(372)	9,284
Total	\$ 153,236	\$ (13,690)	\$ 7,586	\$ -	\$ 147,132

	Year ended December 31, 2013				Balance, End of Period
	Balance, Beginning of Period	Charge-offs	Recoveries	Provision	
	(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

	Six months ended June 30, 2013				Balance, End of Period
	Balance, Beginning of Period	Charge-offs	Recoveries	Provision	
	(In thousands)				
Commercial and industrial Real estate	\$ 23,286	\$ (2,946)	\$ 1,336	\$ 2,316	\$ 23,992
Consumer mortgages	35,966	(4,728)	1,816	2,179	35,233
Home equity	6,005	(803)	444	549	6,195
Agricultural	3,301	(329)	133	119	3,224
Commercial and industrial-owner occupied	20,178	(1,130)	1,693	(4)	20,737
Construction, acquisition and development	21,905	(3,234)	1,246	(298)	19,619
Commercial real estate	40,081	(6,861)	3,973	(701)	36,492
Credit cards	3,611	(1,007)	332	692	3,628
All other	10,133	(954)	600	2,148	11,927
Total	\$ 164,466	\$ (21,992)	\$ 11,573	\$ 7,000	\$ 161,047

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

	June 30, 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	\$ 1,446	\$ 183	\$ 19,415	\$ 19,598
Real estate				
Consumer mortgages	5,569	179	36,291	36,470
Home equity	634	71	5,349	5,420
Agricultural	433	-	2,476	2,476
Commercial and industrial-owner occupied	4,429	115	17,512	17,627
Construction, acquisition and development	6,521	-	10,409	10,409
Commercial real estate	10,914	823	42,475	43,298
Credit cards	-	-	2,550	2,550
All other	182	-	9,284	9,284
Total	\$ 30,128	\$ 1,371	\$ 145,761	\$ 147,132

	December 31, 2013			
	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	\$ 1,314	\$ 305	\$ 18,071	\$ 18,376
Real estate				
Consumer mortgages	6,406	309	39,216	39,525
Home equity	1,140	37	5,626	5,663
Agricultural	882	15	2,785	2,800
Commercial and industrial-owner occupied	11,745	739	16,320	17,059
Construction, acquisition and development	15,712	1,599	10,229	11,828
Commercial real estate	17,481	1,138	42,715	43,853
Credit cards	-	-	3,782	3,782
All other	263	4	10,346	10,350
Total	\$ 54,943	\$ 4,146	\$ 149,090	\$ 153,236

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 OREO for the periods indicated:

	Six months ended June 30, 2014		2013	Year ended December 31, 2013
	(In thousands)			
Balance at beginning of period	\$ 69,338	\$ 103,248		\$ 103,248
Additions to foreclosed properties				
New foreclosed properties	8,999	11,861		29,265
Reductions in foreclosed properties				
Sales	(19,036)	(23,452)		(57,057)
Writedowns	(4,048)	(3,219)		(6,118)
Balance at end of period	\$ 55,253	\$ 88,438		\$ 69,338

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

	June 30, 2014									
	Alabama and Florida Panhandle		Arkansas*	Mississippi*	Missouri	Greater Memphis Area	Tennessee*	Texas and Louisiana	Other	Total
	(In thousands)									
Commercial and industrial Real estate	\$ 84	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer mortgages	979	223	1,999	29	34	83	5	-	-	3,352
Home equity	-	-	370	-	-	-	-	-	-	370
Agricultural	-	-	216	-	462	-	-	-	-	678
Commercial and industrial-owner occupied	-	33	2,543	-	824	-	60	-	-	3,460

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Construction, acquisition and development	11,084	91	10,286	794	17,739	3,283	239	-	43,516
Commercial real estate	352	288	1,893	-	980	-	-	-	3,513
All other	-	-	148	-	-	38	94	-	280
					\$				
Total	\$ 12,499	\$ 635	\$ 17,455	\$ 823	20,039	\$ 3,404	\$ 398	\$ -	\$ 55,

* Excludes the Greater Memphis Area.

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	December 31, 2013									
	Alabama and Florida Panhandle (In thousands)	Arkansas*	Mississippi*	Missouri	Greater Memphis Area	Tennessee*	Texas and Louisiana	Other	Total	
Commercial and industrial	\$ 223	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real estate										
Consumer mortgages	1,613	309	1,532	33	132	210	-	108	3,937	
Home equity	442	-	-	-	-	-	-	-	442	
Agricultural	907	-	216	-	1,084	930	-	-	3,137	
Commercial and industrial-owner occupied	33	32	1,002	-	449	25	105	-	1,646	
Construction, acquisition and development	15,667	631	11,631	1,059	22,696	5,174	257	158	57,277	
Commercial real estate	353	316	569	-	980	-	140	-	2,358	
All other	84	1	82	-	28	-	94	33	322	
					\$					
Total	\$ 19,322	\$ 1,289	\$ 15,032	\$ 1,092	25,369	\$ 6,339	\$ 596	\$ 299	\$ 69,327	

* Excludes the Greater Memphis Area.

	June 30, 2013									
	Alabama and Florida Panhandle (In thousands)	Arkansas*	Mississippi*	Missouri	Greater Memphis Area	Tennessee*	Texas and Louisiana	Other	Total	
Commercial and industrial	\$ 242	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real estate										
Consumer mortgages	1,072	799	2,205	-	776	185	461	103	5,491	
Home equity	-	-	166	-	-	169	-	-	335	
Agricultural	875	-	-	-	1,112	2,215	-	-	4,202	
Commercial and industrial-owner occupied	238	110	826	-	1,845	-	242	-	3,261	
Construction, acquisition and development	13,147	1,238	12,773	157	33,456	7,839	78	234	68,884	
Commercial real estate	358	314	128	2,475	1,648	145	135	-	7,093	
All other	-	10	307	94	125	13	91	32	560	

Total \$ 15,932 \$ 2,471 \$ 16,405 \$ 2,726 \$ 38,962 \$ 10,566 \$ 1,007 \$ 369

* Excludes the Greater Memphis Area.

The Company incurred total foreclosed property expenses of \$4.2 million and \$3.2 million for the three months ended June 30, 2014 and 2013, respectively. Realized net losses on dispositions and holding losses on valuations of these properties, a component of total foreclosed property expenses, were \$3.2 million and \$2.0 million for the three months ended June 30, 2014 and 2013, respectively. The Company incurred total foreclosed property expenses of \$6.8 million and \$5.6 million for the six months ended June 30, 2014 and 2013, respectively. Realized net losses on dispositions and holding losses on valuations of these properties, a component of total foreclosed property expenses, were \$5.6 million and \$3.2 million for the six months ended June 30, 2014 and 2013, respectively.

NOTE 5 – SECURITIES

A comparison of amortized cost and estimated fair values of available-for-sale securities as of June 30, 2014 and 2013, respectively and December 31, 2013 follows:

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	June 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
U.S. Government agencies	\$ 1,328,852	\$ 6,995	\$ 2,479	\$ 1,333,368
Government agency issued residential mortgage-backed securities	225,960	4,157	703	229,414
Government agency issued commercial mortgage-backed securities	240,693	2,225	5,597	237,321
Obligations of states and political subdivisions	497,547	23,656	306	520,897
Other	10,056	1,136	-	11,192
Total	\$ 2,303,108	\$ 38,169	\$ 9,085	\$ 2,332,192

	December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
U.S. Government agencies	\$ 1,455,417	\$ 9,065	\$ 6,133	\$ 1,458,349
Government agency issued residential mortgage-backed securities	249,682	3,118	2,566	250,234
Government agency issued commercial mortgage-backed securities	239,313	1,773	10,174	230,912
Obligations of states and political subdivisions	509,255	12,883	2,733	519,405
Other	6,941	1,148	-	8,089
Total	\$ 2,460,608	\$ 27,987	\$ 21,606	\$ 2,466,989

	June 30, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
U.S. Government agencies	\$ 1,575,837	\$ 13,082	\$ 7,349	\$ 1,581,570
Government agency issued residential mortgage-backed securities	288,345	5,584	1,342	292,586
Government agency issued commercial mortgage-backed securities	237,961	2,153	12,733	227,381
Obligations of states and political subdivisions	520,067	17,245	1,975	535,337
Other	7,064	1,001	-	8,065
Total	\$ 2,629,274	\$ 39,065	\$ 23,399	\$ 2,644,939

Gross gains of approximately \$9,000 and gross losses of approximately \$8,000 were recognized on available-for-sale securities during the first six months of 2014, while gross gains of approximately \$36,000 and gross losses of approximately \$14,000 were recognized during the first six months of 2013.

The amortized cost and estimated fair value of available-for-sale securities at June 30, 2014 by contractual maturity are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Equity securities are considered as maturing after ten years.

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	June 30, 2014		
	Amortized Cost	Estimated Fair Value	Weighted Average Yield
	(Dollars in thousands)		
Maturing in one year or less	\$ 366,237	\$ 368,148	1.43 %
Maturing after one year through five years	1,101,734	1,107,122	1.26
Maturing after five years through ten years	183,070	191,868	5.67
Maturing after ten years	185,414	198,319	5.89
Mortgage-backed securities	466,653	466,735	2.10
Total	\$ 2,303,108	\$ 2,332,192	

The following tables summarize information pertaining to temporarily impaired available-for-sale securities with continuous unrealized loss positions at June 30, 2014 and December 31, 2013:

	June 30, 2014					
	Continuous Unrealized Loss Position					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. Government agencies	\$ 79,262	\$ 88	\$ 360,808	\$ 2,391	\$ 440,070	\$ 2,479
Government agency issued residential mortgage-backed securities	23,574	89	28,750	614	52,324	703
Government agency issued commercial mortgage-backed securities	978	1	203,253	5,596	204,231	5,597
Obligations of states and political subdivisions	10,671	42	18,523	264	29,194	306
Total	\$ 114,485	\$ 220	\$ 611,334	\$ 8,865	\$ 725,819	\$ 9,085

	December 31, 2013					
	Continuous Unrealized Loss Position					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
	\$ 533,326	\$ 6,133	\$ -	\$ -	\$ 533,326	\$ 6,133

U.S. Government agencies									
Government agency issued residential mortgage-backed securities	106,179	2,418	4,407	148		110,586	2,566		
Government agency issued commercial mortgage-backed securities	176,253	8,578	27,225	1,596		203,478	10,174		
Obligations of states and political subdivisions	97,543	2,555	3,663	178		101,206	2,733		
Total	\$ 913,301	\$ 19,684	\$ 35,295	\$ 1,922		\$ 948,596	\$ 21,606		

Based upon a review of the credit quality of these securities, and considering that the issuers were in compliance with the terms of the securities, management had no intent to sell these securities, and it was more likely than not that the Company would not be required to sell the securities prior to recovery of costs. Therefore, the

impairments related to these securities were determined to be temporary. No other-than-temporary impairment was recorded during the first six months of 2014.

NOTE 6 – PER SHARE DATA

Basic earnings per share (“EPS”) are calculated using the two-class method. The two-class method provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of basic EPS. Diluted EPS is computed using the weighted-average number of shares determined for the basic EPS computation plus the shares resulting from the assumed exercise of all outstanding share-based awards using the treasury stock method. Weighted-average antidilutive stock options to purchase approximately 414,000 and approximately 69,000 shares of Company common stock with a weighted average exercise price of \$24.32 and \$24.89 per share for the three months and six months ended June 30, 2014, respectively, were excluded from diluted shares. Antidilutive other equity awards of approximately 10,000 and 5,000 shares of Company common stock for both the three months and six months ended June 30, 2014, respectively, were also excluded from diluted shares. Weighted-average antidilutive stock options to purchase 1.7 million and 1.9 million shares of Company common stock with a weighted average exercise price of \$23.41 and \$23.39 per share for the three months and six months ended June 30, 2013, respectively, were excluded from diluted shares. Antidilutive other equity awards of approximately 4,000 and 2,000 shares of Company common stock for both the three months and six months ended June 30, 2013, respectively, were excluded from diluted shares. The following table provides a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the periods shown:

	Three months ended June 30, 2014			2013		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS	(In thousands, except per share amounts)					
Income available to common shareholders	\$ 30,868	96,034	\$ 0.32	\$ 20,755	95,177	\$ 0.22
Effect of dilutive share- based awards	-	339		-	229	
Diluted EPS						
Income available to common shareholders plus assumed exercise of all outstanding share-based awards	\$ 30,868	96,373	\$ 0.32	\$ 20,755	95,406	\$ 0.22

Six months
ended June 30,