

BANCORPSOUTH INC
Form 10-Q
August 06, 2013
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2013

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

64-0659571

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

One Mississippi Plaza, 201 South Spring Street

Tupelo, Mississippi 38804
(Address of principal executive offices) (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, 2013, the registrant had outstanding 95,194,627 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, 2013 (Unaudited)	December 31, 2012 (1)	June 30, 2012 (Unaudited)
(Dollars in thousands, except per share amounts)			
ASSETS			
Cash and due from banks	\$ 268,647	\$ 223,814	\$ 224,084
Interest bearing deposits with other banks	526,608	979,800	603,458
Available-for-sale securities, at fair value	2,644,939	2,434,032	2,462,831
Loans and leases	8,711,023	8,672,752	8,771,642
Less: Unearned income	32,309	35,763	39,247
Allowance for credit losses	161,047	164,466	175,847
Net loans and leases	8,517,667	8,472,523	8,556,548
Loans held for sale	111,574	129,138	108,134
Premises and equipment, net	313,079	319,456	320,419
Accrued interest receivable	41,425	44,356	47,358
Goodwill	275,173	275,173	271,297
Bank-owned life insurance	235,015	231,120	202,620
Other real estate owned	88,438	103,248	143,615
Other assets	195,140	184,538	207,454
TOTAL ASSETS	\$ 13,217,705	\$ 13,397,198	\$ 13,147,818
LIABILITIES			
Deposits:			
Demand: Noninterest bearing	\$ 2,610,768	\$ 2,545,169	\$ 2,312,044
Interest bearing	4,667,041	4,799,496	4,782,243
Savings	1,210,497	1,145,785	1,083,255
Other time	2,473,312	2,597,696	2,778,795
Total deposits	10,961,618	11,088,146	10,956,337
Federal funds purchased and securities sold under agreement to repurchase	382,871	414,611	361,990
Short-term Federal Home Loan Bank and other short-term borrowings	-	-	1,500
Accrued interest payable	5,230	6,140	7,161
Junior subordinated debt securities	160,312	160,312	160,312
Long-term Federal Home Loan Bank borrowings	33,500	33,500	33,500
Other liabilities	214,381	245,437	208,707
TOTAL LIABILITIES	11,757,912	11,948,146	11,729,507

SHAREHOLDERS' EQUITY

Common stock, \$2.50 par value per share

Authorized - 500,000,000 shares; Issued - 95,190,797,

94,549,867 and 94,436,377 shares, respectively

Capital surplus

Accumulated other comprehensive (loss) income

Retained earnings

TOTAL SHAREHOLDERS' EQUITY

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

(1) Derived from audited financial statements.

237,976	236,375	236,091
312,074	311,909	310,388
(39,333)	(8,646)	1,334
949,076	909,414	870,498
1,459,793	1,449,052	1,418,311
\$ 13,217,705	\$ 13,397,198	\$ 13,147,818

See accompanying notes to consolidated financial statements.

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BANCORPSOUTH, INC. AND SUBSIDIARIES

Consolidated Statements of Income

(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2013	2012	2013	2012
(In thousands, except for per share amounts)				
INTEREST REVENUE:				
Loans and leases	\$ 98,524	\$ 107,737	\$ 197,616	\$ 216,749
Deposits with other banks	483	382	1,085	783
Federal funds sold and securities purchased under agreement to resell	-	1	-	1
Available-for-sale securities:				
Taxable	8,405	10,188	17,105	21,350
Tax-exempt	3,911	4,210	7,871	8,466
Loans held for sale	686	686	1,359	1,230
Total interest revenue	112,009	123,204	225,036	248,579
INTEREST EXPENSE:				
Deposits:				
Interest bearing demand	2,423	4,185	5,548	8,634
Savings	422	691	935	1,405
Other time	7,671	10,275	15,712	21,566
Federal funds purchased and securities sold under agreement to repurchase	70	66	133	129
Federal Home Loan Bank borrowings	349	366	697	733
Junior subordinated debt	2,860	2,879	5,717	5,758
Other	1	1	3	3
Total interest expense	13,796	18,463	28,745	38,228
Net interest revenue	98,213	104,741	196,291	210,351
Provision for credit losses	3,000	6,000	7,000	16,000
Net interest revenue, after provision for credit losses	95,213	98,741	189,291	194,351
NONINTEREST REVENUE:				
Mortgage lending	17,892	11,040	30,238	26,182
Credit card, debit card and merchant fees	8,324	7,787	15,847	15,310
Deposit service charges	12,824	13,697	25,656	28,813
Trust income	3,192	3,139	6,402	5,421
Security gains, net	3	177	22	251
Insurance commissions	25,862	22,964	52,503	46,117
Other	8,012	7,664	16,759	16,734
Total noninterest revenue	76,109	66,468	147,427	138,828
NONINTEREST EXPENSE:				

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Salaries and employee benefits	78,284	77,661	157,698	152,592
Occupancy, net of rental income	10,577	10,487	20,814	20,553
Equipment	4,585	5,124	9,533	10,457
Deposit insurance assessments	2,939	3,994	5,743	9,377
Voluntary early retirement expense	10,850	-	10,850	-
Other	35,016	39,240	72,984	79,207
Total noninterest expense	142,251	136,506	277,622	272,186
Income before income taxes	29,071	28,703	59,096	60,993
Income tax expense	8,316	8,079	17,536	17,503
Net income	\$ 20,755	\$ 20,624	\$ 41,560	\$ 43,490
Earnings per share: Basic	\$ 0.22	\$ 0.22	\$ 0.44	\$ 0.47
Diluted	\$ 0.22	\$ 0.22	\$ 0.44	\$ 0.47
Dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.02

See accompanying notes to consolidated financial statements.

BANCORPSOUTH, INC. AND SUBSIDIARIES

BANCORPSOUTH, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Net income	\$ 20,755	\$ 20,624	\$ 41,560	\$ 43,490
Other comprehensive (loss) income, net of tax				
Unrealized (losses) gains on securities	(27,039)	5,076	(32,339)	2,123
Pension and other postretirement benefits	826	394	1,652	1,472
Other comprehensive (loss) income, net of tax	(26,213)	5,470	(30,687)	3,595
Comprehensive (loss) income	\$ (5,458)	\$ 26,094	\$ 10,873	\$ 47,085

See accompanying notes to consolidated financial statements.

BANCORPSOUTH, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)

	Six months ended	
	June 30,	
	2013	2012
	(In thousands)	
Operating Activities:		
Net income	\$ 41,560	\$ 43,490
Adjustment to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	7,000	16,000
Depreciation and amortization	13,316	13,540
Deferred taxes	(3,002)	-
Amortization of intangibles	1,465	1,504
Amortization of debt securities premium and discount, net	7,736	6,562
Share-based compensation expense	1,522	1,524
Security gains, net	(22)	(251)
Net deferred loan origination expense	(3,843)	(4,085)
Excess tax benefit from exercise of stock options	19	-
Decrease in interest receivable	2,931	3,908
Decrease in interest payable	(910)	(1,483)
Realized gain on mortgages sold	(29,260)	(27,693)
Proceeds from mortgages sold	911,537	837,079
Origination of mortgages held for sale	(860,847)	(839,200)
Loss on other real estate owned, net	3,185	13,402
Increase in bank-owned life insurance	(3,895)	(2,535)
Decrease in prepaid pension asset	13,733	2,587
Decrease in prepaid deposit insurance assessments	-	8,985
Other, net	(32,664)	(1,809)
Net cash provided by operating activities	69,561	71,525
Investing activities:		
Proceeds from calls and maturities of available-for-sale securities	247,705	266,829
Proceeds from sales of available-for-sale securities	-	3,360
Purchases of available-for-sale securities	(521,600)	(223,716)
Net (increase) decrease in loans and leases	(60,162)	89,060
Purchases of premises and equipment	(10,253)	(11,362)
Proceeds from sale of premises and equipment	3,181	968
Proceeds from sale of other real estate owned	23,174	35,563
Other, net	(6)	(16)
Net cash (used in) provided by investing activities	(317,961)	160,686
Financing activities:		
Net (decrease) increase in deposits	(126,528)	1,147
Net decrease in short-term debt and other liabilities	(31,747)	(11,950)
Issuance of common stock	225	108,678
Excess tax benefit from exercise of stock options	(19)	-
Payment of cash dividends	(1,890)	(1,888)
Net cash (used in) provided by financing activities	(159,959)	95,987

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(Decrease) increase in cash and cash equivalents	(408,359)	328,198
Cash and cash equivalents at beginning of period	1,203,614	499,344
Cash and cash equivalents at end of period	\$ 795,255	\$ 827,542

See accompanying notes to consolidated financial statements, specifically Note 17.

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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, 2012. 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, 2013 are not necessarily indicative of the results to be expected for the full year. Certain 2012 amounts have been reclassified to conform with the 2013 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, Personal Finance Corporation of Tennessee, 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, 2013	2012	December 31, 2012
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(In thousands)

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Commercial and industrial	\$ 1,559,597	\$ 1,507,382	\$ 1,484,788
Real estate			
Consumer mortgages	1,880,338	1,904,420	1,873,875
Home equity	482,068	496,245	486,074
Agricultural	237,914	251,975	256,196
Commercial and industrial-owner occupied	1,375,711	1,288,887	1,333,103
Construction, acquisition and development	709,499	835,022	735,808
Commercial real estate	1,754,841	1,748,748	1,748,881
Credit cards	103,251	101,085	104,884
All other	607,804	637,878	649,143
Total	\$ 8,711,023	\$ 8,771,642	\$ 8,672,752

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The following table shows the Company's loans and leases, net of unearned income, as of June 30, 2013 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	\$ 74,206	\$ 162,329	\$ 299,752	\$ 39,482	\$ 22,287	\$ 80,889	\$ 24,000
Real estate							
Consumer mortgages	109,591	252,400	697,450	45,578	98,699	154,150	465,992
Home equity	61,802	37,920	161,195	21,196	68,133	67,750	61,292
Agricultural	7,906	74,970	55,706	3,226	15,558	12,291	62,785
Commercial and industrial-owner occupied	140,843	171,035	462,805	63,546	95,645	86,590	272,879
Construction, acquisition and development	97,522	67,579	175,817	32,995	76,679	101,142	147,135
Commercial real estate	237,154	301,709	285,156	186,444	104,652	91,941	401,372
Credit cards	-	-	-	-	-	-	-
All other	30,494	75,129	156,745	2,708	52,646	40,683	94,513
Total	\$ 759,518	\$ 1,143,071	\$ 2,294,626	\$ 395,175	\$ 534,299	\$ 635,436	\$ 1,750,000

* 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, 2013 and December 31, 2012:

June 30, 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	\$ 1,482	\$ 144	\$ 1,994	\$ 3,620	\$ 1,549,142	\$ 1,552,762	\$ -
Real estate							
Consumer mortgages	12,808	3,750	13,210	29,768	1,850,570	1,880,338	1,107
Home equity	1,062	329	1,059	2,450	479,618	482,068	-
Agricultural	550	135	3,255	3,940	233,974	237,914	-
Commercial and industrial-owner occupied	2,337	299	1,753	4,389	1,371,322	1,375,711	-
Construction, acquisition and development	2,458	251	12,651	15,360	694,139	709,499	-
Commercial real estate	5,582	2,055	9,334	16,971	1,737,870	1,754,841	120
Credit cards	466	311	425	1,202	102,049	103,251	213
All other	1,534	310	613	2,457	579,873	582,330	-
Total	\$ 28,279	\$ 7,584	\$ 44,294	\$ 80,157	\$ 8,598,557	\$ 8,678,714	\$ 1,440

December 31, 2012							
	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	\$ 3,531	\$ 476	\$ 4,118	\$ 8,125	\$ 1,468,486	\$ 1,476,611	\$ 414
Real estate	11,308	3,643	13,821	28,772	1,845,103	1,873,875	512

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Consumer mortgages								
Home equity	1,337	371	350	2,058	484,016	486,074	-	
Agricultural	400	287	3,946	4,633	251,563	256,196	10	
Commercial and industrial-owner occupied	2,629	3,587	2,933	9,149	1,323,954	1,333,103	19	
Construction, acquisition and development	2,547	2,472	14,790	19,809	715,999	735,808	-	
Commercial real estate	4,673	56	10,469	15,198	1,733,683	1,748,881	-	
Credit cards	536	379	473	1,388	103,496	104,884	228	
All other	2,354	253	445	3,052	618,505	621,557	27	
Total	\$ 29,315	\$ 11,524	\$ 51,345	\$ 92,184	\$ 8,544,805	\$ 8,636,989	\$ 1,210	

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.

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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 June 30, 2013 and December 31, 2012:

	June 30, 2013						
	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired	Total
	(In thousands)						
Commercial and industrial	\$ 1,504,523	\$ 14,918	\$ 29,648	\$ 531	\$ -	\$ 3,142	\$ 1,552,762
Real estate							
Consumer mortgages	1,701,566	40,526	121,497	2,979	134	13,636	1,880,338
Home equity	458,379	5,391	15,752	698	68	1,780	482,068
Agricultural	210,989	9,568	13,599	-	-	3,758	237,914
Commercial and industrial-owner occupied	1,275,037	28,413	59,568	222	-	12,471	1,375,711
Construction, acquisition and development	594,175	28,727	51,041	1,025	-	34,531	709,499
Commercial real estate	1,537,671	63,791	117,579	245	30	35,525	1,754,841

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Credit cards	103,251	-	-	-	-	-	103,251
All other	566,554	5,613	8,991	523	-	649	582,330
Total	\$ 7,952,145	\$ 196,947	\$ 417,675	\$ 6,223	\$ 232	\$ 105,492	\$ 8,678,714

December 31, 2012

	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired	Total
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(In thousands)

Commercial and industrial Real estate	\$ 1,426,498	\$ 14,663	\$ 29,876	\$ 729	\$ -	\$ 4,845	\$ 1,476,611
Consumer mortgages	1,691,682	32,840	131,141	2,907	198	15,107	1,873,875
Home equity	461,151	4,791	17,619	1,057	76	1,380	486,074
Agricultural	227,138	5,729	17,947	-	-	5,382	256,196
Commercial and industrial-owner occupied	1,202,111	31,087	82,816	369	-	16,720	1,333,103
Construction, acquisition and development	567,881	30,846	75,031	715	-	61,335	735,808
Commercial real estate	1,524,262	53,455	120,591	160	-	50,413	1,748,881
Credit cards	104,884	-	-	-	-	-	104,884
All other	600,807	8,397	10,196	601	10	1,546	621,557
Total	\$ 7,806,414	\$ 181,808	\$ 485,217	\$ 6,538	\$ 284	\$ 156,728	\$ 8,636,989

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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 and six months ended June 30, 2013 and as of and for the year ended December 31, 2012:

	June 30, 2013			Average Recorded Investment		Interest Income Recognized	
	Recorded Investment in Impaired Loans	Unpaid Principal Balance of Impaired Loans	Related Allowance for Credit Losses	Three months ended June 30, 2013	Six months ended June 30, 2013	Three months ended June 30, 2013	Six months ended June 30, 2013
(In thousands)							
With no related allowance:							
Commercial and industrial	\$ 3,142	\$ 3,739	\$ -	\$ 3,331	\$ 2,988	\$ 3	\$ -
Real estate							
Consumer mortgages	11,361	15,142	-	9,884	11,101	16	32
Home equity	843	987	-	1,011	1,242	2	4
Agricultural	3,642	4,239	-	3,428	3,995	1	5
Commercial and industrial-owner occupied	7,758	9,929	-	6,993	9,503	16	50
Construction, acquisition and development	29,753	44,825	-	31,672	37,112	29	83
Commercial	19,389	25,682	-	26,971	33,354	49	120
All other	649	942	-	631	937	1	4
Total	\$ 76,537	\$ 105,485	\$ -	\$ 83,921	\$ 100,232	\$ 117	\$ -
With an allowance:							
Commercial and industrial	\$ -	\$ -	\$ 284	\$ 324	\$ 892	\$ -	\$ -
Real estate							
Consumer mortgages	2,275	2,691	525	4,103	3,606	7	9
Home equity	937	937	32	1,001	648	1	2
Agricultural	116	116	116	725	547	-	-
Commercial and industrial-owner occupied	4,713	5,339	1,268	5,715	5,156	19	22
Construction, acquisition and development	4,778	5,804	3,373	8,700	8,963	18	42
Commercial	16,136	24,036	2,367	13,132	12,091	18	34
All other	-	-	-	-	-	-	-
Total	\$ 28,954	\$ 38,923	\$ 7,965	\$ 33,700	\$ 31,903	\$ 63	\$ -

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Total:

Commercial and industrial	\$ 3,142	\$ 3,739	\$ 284	\$ 3,655	\$ 3,880	\$ 3	\$
Real estate							
Consumer mortgages	13,636	17,833	525	13,987	14,707	23	41
Home equity	1,780	1,924	32	2,012	1,890	3	6
Agricultural	3,758	4,355	116	4,153	4,542	1	5
Commercial and industrial-owner occupied	12,471	15,268	1,268	12,708	14,659	35	72
Construction, acquisition and development	34,531	50,629	3,373	40,372	46,075	47	125
Commercial	35,525	49,718	2,367	40,103	45,445	67	154
All other	649	942	-	631	937	1	4
Total	\$ 105,492	\$ 144,408	\$ 7,965	\$ 117,621	\$ 132,135	\$ 180	\$ 4

	December 31, 2012				
	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 Real estate	\$ 2,557	\$ 4,169	\$ -	\$ 2,779	\$ 12
Consumer mortgages	11,307	15,464	-	11,762	77
Home equity	934	1,078	-	858	6
Agricultural	4,435	6,292	-	3,527	8
Commercial and industrial-owner occupied	13,018	16,551	-	12,674	123
Construction, acquisition and development	47,982	69,331	-	54,085	324
Commercial real estate	33,952	45,722	-	19,824	199
All other	1,544	2,165	-	848	9
Total	\$ 115,729	\$ 160,772	\$ -	\$ 106,357	\$ 758
With an allowance:					
Commercial and industrial Real estate	\$ 2,288	\$ 2,288	\$ 1,241	\$ 5,368	\$ 38
Consumer mortgages	3,800	3,914	1,103	10,323	88
Home equity	446	446	111	569	5
Agricultural	947	947	92	1,468	12
Commercial and industrial-owner occupied	3,702	4,737	864	9,977	65
Construction, acquisition and development	13,353	16,257	4,350	45,582	377
Commercial real estate	16,461	16,709	2,720	16,953	204
All other	2	2	60	324	3
Total	\$ 40,999	\$ 45,300	\$ 10,541	\$ 90,564	\$ 792
Total:					
Commercial and industrial Real estate	\$ 4,845	\$ 6,457	\$ 1,241	\$ 8,147	\$ 50
Consumer mortgages	15,107	19,378	1,103	22,085	165
Home equity	1,380	1,524	111	1,427	11
Agricultural	5,382	7,239	92	4,995	20
Commercial and industrial-owner occupied	16,720	21,288	864	22,651	188
	61,335	85,588	4,350	99,667	701

Construction, acquisition and
development

Commercial real estate	50,413	62,431	2,720	36,777	403
All other	1,546	2,167	60	1,172	12
Total	\$ 156,728	\$ 206,072	\$ 10,541	\$ 196,921	\$ 1,550

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The following tables provide details regarding impaired real estate construction, acquisition and development loans and leases, net of unearned income, by collateral type as of and for the three months and six months ended June 30, 2013 and as of and for the year ended December 31, 2012:

	June 30, 2013			Average Recorded Investment		Interest Income Recognized	
	Recorded Investment in Impaired Loans	Unpaid Principal Balance of Impaired Loans	Related Allowance for Credit Losses	Three months ended June 30, 2013	Six months ended June 30, 2013	Three months ended June 30, 2013	Six months ended June 30, 2013
(In thousands)							
With no related allowance:							
Multi-family construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
One-to-four family construction	5,135	8,360	-	6,074	6,610	9	20
Recreation and all other loans	761	806	-	818	934	-	1
Commercial construction	2,737	3,075	-	2,877	3,042	-	1
Commercial acquisition and development	10,902	12,281	-	10,673	11,185	16	31
Residential acquisition and development	10,218	20,303	-	11,230	15,341	4	30
Total	\$ 29,753	\$ 44,825	\$ -	\$ 31,672	\$ 37,112	\$ 29	\$ 83
With an allowance:							
Multi-family construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
One-to-four family construction	328	328	93	660	581	3	3

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Recreation and all other loans	-	-	-	-	-	-	-	-	-
Commercial construction	-	-	-	-	-	772	-	-	9
Commercial acquisition and development	1,206	1,206	225	1,427	1,381	-	4	-	5
Residential acquisition and development	3,244	4,270	3,055	6,613	6,229	-	11	-	25
Total	\$ 4,778	\$ 5,804	\$ 3,373	\$ 8,700	\$ 8,963	-	\$ 18	-	\$ 42

Total:									
Multi-family construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
One-to-four family construction	5,463	8,688	93	6,734	7,191	-	12	-	23
Recreation and all other loans	761	806	-	818	934	-	-	-	1
Commercial construction	2,737	3,075	-	2,877	3,814	-	-	-	10
Commercial acquisition and development	12,108	13,487	225	12,100	12,566	-	20	-	36
Residential acquisition and development	13,462	24,573	3,055	17,843	21,570	-	15	-	55
Total	\$ 34,531	\$ 50,629	\$ 3,373	\$ 40,372	\$ 46,075	-	\$ 47	-	\$ 125

	December 31, 2012				
	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:					
Multi-family construction	\$ -	\$ -	\$ -	\$ -	\$ -
One-to-four family construction	8,475	13,586	-	8,070	53
Recreation and all other loans	1,117	1,335	-	623	5
Commercial construction	5,714	6,646	-	3,585	51
Commercial acquisition and development	13,753	15,786	-	12,145	63
Residential acquisition and development	18,923	31,978	-	29,662	152
Total	\$ 47,982	\$ 69,331	\$ -	\$ 54,085	\$ 324
With an allowance:					
Multi-family construction	\$ -	\$ -	\$ -	\$ -	\$ -
One-to-four family construction	1,130	1,475	290	4,094	29
Recreation and all other loans	-	-	-	69	-
Commercial construction	-	-	-	1,255	15
Commercial acquisition and development	1,711	1,960	563	9,206	74
Residential acquisition and development	10,512	12,822	3,497	30,958	259
Total	\$ 13,353	\$ 16,257	\$ 4,350	\$ 45,582	\$ 377
Total:					
Multi-family construction	\$ -	\$ -	\$ -	\$ -	\$ -
One-to-four family construction	9,605	15,061	290	12,164	82
Recreation and all other loans	1,117	1,335	-	692	5
Commercial construction	5,714	6,646	-	4,840	66
Commercial acquisition and development	15,464	17,746	563	21,351	137
Residential acquisition and development	29,435	44,800	3,497	60,620	411
Total	\$ 61,335	\$ 85,588	\$ 4,350	\$ 99,667	\$ 701

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 at June 30, 2013 and December 31, 2012 was \$105.5 million and \$156.7 million, respectively. At June 30, 2013 and December 31, 2012, \$29.0 million and \$41.0 million, respectively, of those impaired loans had a valuation allowance of \$8.0 million and \$10.5 million, respectively. The remaining balance of impaired loans of \$76.5 million and \$115.7 million at June 30, 2013 and December 31, 2012, 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 troubled debt restructurings ("TDRs") totaled \$27.7 million and \$47.3 million at June 30, 2013 and December 31, 2012, respectively. The average

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recorded investment in impaired loans was \$117.6 million and \$132.1 million for the three months and six months ended June 30, 2013, respectively, and \$196.9 million for the year ended December 31, 2012.

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, 2013	2012	December 31, 2012
	(In thousands)		
Non-accrual loans and leases	\$ 149,542	\$ 240,246	\$ 207,241
Loans and leases 90 days or more past due, still accruing	1,440	1,632	1,210
Restructured loans and leases still accruing	16,953	25,071	25,099
Total non-performing loans and leases	\$ 167,935	\$ 266,949	\$ 233,550

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, 2013, 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, 2013	2012	December 31, 2012
	(In thousands)		
Commercial and industrial	\$ 6,225	\$ 13,156	\$ 9,311
Real estate			
Consumer mortgages	34,226	35,660	36,133
Home equity	3,862	2,995	3,497
Agricultural	5,007	8,390	7,587
Commercial and industrial-owner occupied	17,084	26,957	20,910
Construction, acquisition and development	39,315	104,283	66,635
Commercial real estate	40,940	44,359	57,656
Credit cards	398	364	415
All other	2,485	4,082	5,097

Total	\$ 149,542	\$ 240,246	\$ 207,241
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In the normal course of business, management will sometimes grant concessions, which would not otherwise be considered, to borrowers that are experiencing financial difficulty. Loans identified as meeting the criteria set out in FASB ASC 310 are identified as TDRs. The concessions granted most frequently for TDRs involve reductions or delays in required payments of principal and interest for a specified period, the rescheduling of payments in accordance with a bankruptcy plan or the charge-off of a portion of the loan. In most cases, the conditions of the credit also warrant nonaccrual status, even after the restructure occurs. Other conditions that warrant a loan being considered a TDR include reductions in interest rates to below market rates due to bankruptcy plans or by the bank in an attempt to assist the borrower in working through liquidity problems. As part of the credit approval process, the restructured loans are evaluated for adequate collateral protection in determining the appropriate accrual status at the time of restructure. TDRs recorded as nonaccrual loans may 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 2013, the most common

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concessions that were granted involved rescheduling payments of principal and interest over a longer amortization period, granting a period of reduced principal payment or interest only payment for a limited time period, or the rescheduling of payments in accordance with a bankruptcy plan.

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

Three months ended June 30, 2013

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
(Dollars in thousands)			
Commercial and industrial Real estate	1	\$ 36	\$ 37
Consumer mortgages	6	781	780
Commercial and industrial-owner occupied	2	555	551
Construction, acquisition and development	12	2,568	2,546
Total	21	\$ 3,940	\$ 3,914

Six months ended June 30, 2013

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
(Dollars in thousands)			
Commercial and industrial Real estate	2	\$ 83	\$ 84
Consumer mortgages	6	781	780
Home equity	1	15	15
Commercial and industrial-owner occupied	5	1,128	1,127
Construction, acquisition and development	12	2,568	2,546
Commercial	1	168	167
Total	27	\$ 4,743	\$ 4,719

	Year ended December 31, 2012		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial and industrial Real estate	8	\$ 1,686	\$ 1,348
Consumer mortgages	38	9,875	9,109
Agricultural	2	853	861
Commercial and industrial-owner occupied	30	14,367	13,741
Construction, acquisition and development	37	21,583	21,159
Commercial	12	8,159	8,132
All other	9	1,855	1,692
Total	136	\$ 58,378	\$ 56,042

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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). No such payment defaults occurred during the three months ended June 30, 2013.

	Six months ended June 30, 2013	
	Number of Contracts	Recorded Investment
	(Dollars in thousands)	
Commercial and industrial	3	\$ 129
Real estate		
Consumer mortgages	5	451
Commercial and industrial-owner occupied	3	265
Construction, acquisition and development	2	1,523
Commercial	3	3,534
All other	1	1
Total	17	\$ 5,903

	Year ended December 31, 2012	
	Number of Contracts	Recorded Investment
	(Dollars in thousands)	
Commercial and industrial	2	\$ 179
Real estate		
Consumer mortgages	18	2,096
Agricultural	1	170
Commercial and industrial-owner occupied	11	2,659
Construction, acquisition and development	21	5,503
Commercial real estate	4	2,525
All other	1	7
Total	58	\$ 13,139

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:

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	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

	Year ended December 31, 2012	Balance, Beginning of	Balance,
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