BANCORPSOUTH INC
Form 10-K
February 24, 2015
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2014

OR

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

For the transition period from ________________ to ________________

Commission File Number: 001-12991

BANCORPSOUTH, INC.

(Exact name of registrant as specified in its charter)

Mississippi	64-0659571
(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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, $2.50 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

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(Continued from Cover Page)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

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 [X] 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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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 definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check One): Large Accelerated Filer [X] 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 [X]

The aggregate market value of the registrant’s common stock held by non-affiliates of the registrant on June 30, 2014 was approximately $2,263,000,000, based on the last reported sale price per share of the registrant’s common stock as reported on the New York Stock Exchange on June 30, 2014.

As of February 19, 2015, the registrant had outstanding 96,281,355 shares of common stock, par value $2.50 per share.

DOCUMENTS INCORPORATED BY REFERENCE

To the extent stated herein, portions of the Definitive Proxy Statement on Schedule 14A to be used in connection with the registrant's 2015 Annual Meeting of Shareholders and to be filed prior to April 30, 2015 are incorporated by reference into Part III of this Report.

BANCORPSOUTH, INC.

FORM 10-K

For the Fiscal Year Ended December 31, 2014

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PART I

ITEM 1. BUSINESS.

GENERAL

BancorpSouth, Inc. (the “Company”) is a financial holding company incorporated in 1982. Through its principal bank subsidiary, BancorpSouth Bank (the “Bank”), the Company conducts commercial banking and financial services operations in Mississippi, Tennessee, Alabama, Arkansas, Texas, Louisiana, Florida, Missouri and Illinois. At December 31, 2014, the Company and its subsidiaries had total assets of $13.3 billion and total deposits of $11.0 billion. The Company’s principal office is located at One Mississippi Plaza, 201 South Spring Street, Tupelo, Mississippi 38804 and its telephone number is (662) 680-2000.

The Company’s Internet website address is www.bancorpsouth.com. The Company makes available its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports free of charge on its website on the Investor Relations webpage under the caption “SEC Filings” as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (the “SEC”). The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file or furnish information electronically with the SEC at www.sec.gov. The Company’s website and the information contained therein or linked thereto are not intended to be incorporated into this Annual Report on Form 10-K (this “Report”).

DESCRIPTION OF BUSINESS

The Bank has its principal office in Tupelo, Lee County, Mississippi, and conducts a general commercial banking, trust and insurance business through 305 offices in Mississippi, Tennessee, Alabama, Arkansas, Texas, Louisiana, Florida, Missouri and Illinois. The Bank has grown through the acquisition of other banks and insurance agencies and through the opening of new branches and offices.

The Bank and its subsidiaries provide a range of financial services to individuals and small-to-medium size businesses. The Bank operates an insurance agency subsidiary which engages in sales of insurance products. The Bank’s wealth management department offers a variety of services including investment brokerage services, personal trust and estate services, certain employee benefit accounts and plans, including individual retirement accounts, and limited corporate trust functions. All of the Company’s assets are located in the United States and all of its revenues generated from external customers originate within the United States.

The Company has registered the trademarks “BancorpSouth,” both typed form and design, and “Bank of Mississippi,” both typed form and design, with the U.S. Patent and Trademark Office. The trademark “BancorpSouth” will expire in 2024 and “Bank of Mississippi” will expire in 2020 unless the Company extends these trademarks for additional ten-year periods. Registrations of these trademarks with the U.S. Patent and Trademark Office generally may be renewed and continue indefinitely, provided that the Company continues to use these trademarks and files appropriate maintenance and renewal documentation with the U.S. Patent and Trademark Office at times required by the federal trademark laws and regulations.

COMPETITION

Vigorous competition exists in all major areas where the Bank is engaged in business. The Bank competes for available loans and depository accounts with state and national commercial banks, as well as savings and loan associations, insurance companies, credit unions, money market mutual funds, automobile finance companies and financial services companies. None of these competitors is dominant in the entire area served by the Bank.

The principal areas of competition in the banking industry center on a financial institution's ability and willingness to provide credit on a timely and competitively priced basis, to offer a sufficient range of deposit and investment opportunities at competitive prices and maturities, and to offer personal and other services of sufficient quality and at competitive prices. Management believes that the Company and its subsidiaries can compete effectively in all of these areas.

REGULATION AND SUPERVISION

The following discussion sets forth certain material elements of the regulatory framework applicable to the Company and the Bank. This discussion is a brief summary of the regulatory environment in which the Company and its subsidiaries operate and is not designed to be a complete discussion of all statutes and regulations affecting such operations. Regulation of financial institutions is intended primarily for the protection of depositors, the deposit insurance fund and the banking system, and generally is not intended for the protection of shareholders. Changes in applicable laws, and their application by regulatory agencies, cannot necessarily be predicted, but could have a material effect on the business and results of the Company and its subsidiaries.

General

The Company is subject to regulation and supervision by the Board of Governors of the Federal Reserve System (the “Federal Reserve”). The Company is required to file annual reports with the Federal Reserve and such other information as the Federal Reserve may require. The Federal Reserve also conducts examinations of the Company.

The Bank Holding Company Act of 1956, as amended (the “Bank Holding Company Act”), requires every bank holding company to obtain the prior approval of the Federal Reserve before:

- it may acquire direct or indirect ownership or control of any voting shares of any other bank holding company if, after the acquisition, the bank holding company will directly or indirectly own or control more than 5% of the voting shares of the other bank holding company;
- it may acquire direct or indirect ownership or control of any voting shares of any bank if, after the acquisition, the bank holding company will directly or indirectly own or control more than 5% of the voting shares of the bank;
- it or any of its subsidiaries, other than a bank, may acquire all or substantially all of the assets of any bank; or
- it may merge or consolidate with any other bank holding company.

The Bank Holding Company Act further provides that the Federal Reserve may not approve any transaction that would result in a monopoly or that would substantially lessen competition in the banking business, unless the public interest in meeting the needs of the communities to be served outweighs the anticompetitive effects. The Federal Reserve is also required to consider the financial and managerial resources and future prospects of the bank holding companies and banks involved and the convenience and needs of the communities to be served. Consideration of financial resources generally focuses on capital adequacy, and consideration of convenience and needs issues focuses, in part, on the performance under the Community Reinvestment Act of 1977 (“CRA”), both of which are discussed below in more detail.

Subject to various exceptions, the Bank Holding Company Act and the Change in Bank Control Act, together with related regulations, require Federal Reserve approval prior to any person or company acquiring “control” of a bank holding company. Control is conclusively presumed to exist if an individual or company acquires 25% or more of any class of voting securities of a bank holding company. Control is also presumed to exist, although rebuttable, if a person or company acquires 10% or more, but less than 25%, of any class of voting securities and either:

- the bank holding company has registered securities under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”); or
- no other person owns a greater percentage of that class of voting securities immediately after the transaction.

The Company’s common stock is registered under Section 12 of the Exchange Act. The regulations provide a procedure for challenging rebuttable presumptions of control.

The Bank Holding Company Act generally prohibits a bank holding company from engaging in activities other than banking, managing or controlling banks or other permissible subsidiaries and acquiring or retaining direct or indirect control of any company engaged in any activities other than activities closely related to banking or managing or controlling banks. In determining whether a particular activity is permissible, the Federal Reserve considers whether performing the activity can be expected to produce benefits to the public that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices. The Federal Reserve has the power to order a bank holding company or its subsidiaries to terminate any activity or control of any subsidiary when the continuation of the activity or control constitutes a serious risk to the financial safety, soundness or stability of any bank subsidiary of that bank holding company.

Federal Reserve policy historically has required bank holding companies to act as a source of strength to their bank subsidiaries and to commit capital and financial resources to support those subsidiaries. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) codifies this policy as a statutory requirement. This support may be required by the Federal Reserve at times when the Company might otherwise determine not to provide it. In addition, if a bank holding company commits to a federal bank regulator that it will maintain the capital of its bank subsidiary, whether in response to the Federal Reserve’s invoking its source-of-strength authority or in response to other regulatory measures, that commitment will be assumed by a bankruptcy trustee and the bank will be entitled to priority payment in respect of that commitment, ahead of other creditors of the bank holding company.

The Bank is incorporated under the laws of the State of Mississippi and is subject to the applicable provisions of Mississippi banking laws and the laws of the various states in which it operates, as well as federal law. The Bank is subject to the supervision of the Mississippi Department of Banking and Consumer Finance and to regular examinations by that department. Deposits in the Bank are insured by the Federal Deposit Insurance Corporation (the “FDIC”) and, therefore, the Bank is subject to the provisions of the Federal Deposit Insurance Act and to examination by the FDIC.

In addition, the Company is required to file certain reports with, and otherwise comply with the rules and regulations of, the SEC under federal securities laws. The common stock of the Company is listed on the New York Stock Exchange and such listing subjects the Company to compliance with the exchange’s requirements with respect to reporting and other rules and regulations.

Financial Holding Company Status

In 2004, pursuant to the Gramm-Leach-Bliley Act of 1999 (“GLBA”), the Company elected to be a financial holding company regulated as such under the Bank Holding Company Act. Financial holding company powers relate to financial activities that are determined by the Federal Reserve to be financial in nature, incidental to an activity that is financial in nature or complementary to a financial activity (provided that the complementary activity does not pose a safety and soundness risk). GLBA expressly characterizes certain activities as financial in nature, including lending activities, underwriting and selling insurance, providing financial or investment advice, securities underwriting, dealing and making markets in securities and merchant banking.

For a bank holding company to be eligible to elect financial holding company status, the holding company must be both “well capitalized” and “well managed” under applicable regulatory standards, and all of its subsidiary banks also must be “well-capitalized” and “well-managed” and must have received at least a satisfactory rating on such institution’s most recent examination under CRA. A financial holding company that continues to meet all of such requirements may engage directly or indirectly in activities considered financial in nature, either de novo or by acquisition, as long as it gives the Federal Reserve after-the-fact notice of the new activities.

If a financial holding company fails to continue to meet any of the prerequisites for financial holding company status, the company must enter into an agreement with the Federal Reserve that it will comply with all applicable capital and management requirements. If the financial holding company does not return to compliance within 180 days, or such longer period as agreed to by the Federal Reserve, the Federal Reserve may order the company to discontinue existing activities that are not generally permissible for bank holding companies or divest investments in companies engaged in such activities. In addition, if any banking subsidiary of a financial holding company receives a CRA rating of less than satisfactory, the financial holding company would be prohibited from engaging in any additional activities other than those permissible for bank holding companies that are not financial holding companies.

Generally, the Bank Holding Company Act provides for "umbrella" regulation of financial holding companies by the Federal Reserve and functional regulation of holding company subsidiaries by applicable regulatory agencies. The Bank Holding Company Act, however, requires the Federal Reserve to examine any subsidiary of a bank holding company, other than a depository institution, engaged in activities permissible for a depository institution. The Federal Reserve is also granted the authority, in certain circumstances, to require reports of, and to examine and adopt rules applicable to any holding company subsidiary.

The Dodd-Frank Act

The Dodd-Frank Act, enacted in 2010, significantly restructured financial regulation in the United States, including creating a new resolution authority, mandating higher capital and liquidity requirements, requiring banks to pay increased fees to regulatory agencies, and through numerous other provisions intended to strengthen the financial services sector.

The Dodd-Frank Act established the Consumer Financial Protection Bureau (the "CFPB"), which has extensive regulatory and enforcement powers over consumer financial products and services, and the Financial Stability Oversight Council, which has oversight authority for monitoring and regulating systemic risk. In addition, the Dodd-Frank Act altered the authority and duties of the federal banking and securities regulatory agencies, implemented certain corporate governance requirements for all public companies, including financial institutions, with regard to executive compensation, proxy access by shareholders, and certain whistleblower provisions, and restricted certain proprietary trading and hedge fund and private equity activities of banks and their affiliates. The Dodd-Frank Act also required the issuance of numerous implementing regulations, many of which have not yet been issued.

In January 2013, the CFPB issued final regulations governing primarily consumer mortgage lending. One rule imposes additional requirements on lenders, including rules designed to require lenders to ensure borrowers' ability to repay their mortgages. The CFPB also finalized a rule on escrow accounts for higher priced mortgage loans and a rule expanding the scope of the high-cost mortgage provision in the Truth in Lending Act. The CFPB also issued final rules implementing provisions of the Dodd-Frank Act that relate to mortgage servicing. In November 2013, the CFPB issued a final rule on integrated mortgage disclosures under the Truth in Lending Act and the Real Estate Settlement Procedures Act, compliance with which is required by August 1, 2015.

The CFPB has direct supervision and examination authority over banks with more than $10 billion in assets, including the Bank. The CFPB's responsibilities include implementing and enforcing federal consumer financial protection laws, reviewing the business practices of financial services providers for legal compliance, monitoring the marketplace for transparency on behalf of consumers and receiving complaints and questions from consumers about consumer financial products and services. The Dodd-Frank Act added prohibitions on unfair, deceptive or abusive acts and practices to the scope of consumer protection regulations overseen and enforced by the CFPB.

The Dodd-Frank Act also authorizes national and state banks to establish de novo branches in other states to the same extent as a bank chartered by that state would be so permitted. Previously, banks could only establish branches in other states if the host state expressly permitted out-of-state banks to establish branches in that state. Accordingly, banks are now able to enter new markets more freely.

Many aspects of the Dodd-Frank Act are subject to further rulemaking and will take effect over several years. The overall financial impact on the Company and its subsidiaries or the financial services industry generally cannot be anticipated at this time.

Dividends

The Company is a legal entity that is separate and distinct from its subsidiaries. The primary source of funds for dividends paid to the Company's shareholders has been dividends paid to the Company by the Bank. Various federal and state laws limit the amount of dividends that the Bank may pay to the Company without regulatory approval. Under Mississippi law, the Bank must obtain the non-objection of the Commissioner of the Mississippi Department of Banking and Consumer Finance prior to paying any dividend on the Bank's common stock. Further, the Bank may not pay any dividends if, after paying the dividend, it would be undercapitalized under applicable capital requirements. The FDIC also has the authority to prohibit the Bank from engaging in business practices that the FDIC considers to be unsafe or unsound, which, depending on the financial condition of the Bank, could include the payment of dividends.

In addition, the Federal Reserve has the authority to prohibit the payment of dividends by a bank holding company if its actions constitute unsafe or unsound practices. The Federal Reserve has issued a policy statement, Supervisory Release 09-04, on the payment of cash dividends by bank holding companies, which outlines the Federal Reserve's view that a bank holding company that is experiencing earnings weaknesses or other financial pressures should not pay cash dividends that exceed its net income, that are inconsistent with its capital position, or that could only be funded in ways that weaken its financial health, such as by borrowing or selling assets. The Federal Reserve has indicated that, in some instances, it may be appropriate for a bank holding company to eliminate its dividends. Further, in the current financial and economic environment, the Federal Reserve has indicated that bank and financial holding companies should carefully review their dividend policy and has discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital levels are very strong.

Capital

The Federal Reserve has issued risk-based capital ratio and leverage ratio guidelines for bank holding companies. The risk-based capital ratio guidelines establish a systematic analytical framework that:

- makes regulatory capital requirements sensitive to differences in risk profiles among banking organizations;
- takes off-balance sheet exposures into account in assessing capital adequacy; and

· minimizes disincentives to holding liquid, low-risk assets.

Under the guidelines and related policies, bank holding companies must maintain capital sufficient to meet both a risk-based asset ratio test and a leverage ratio test on a consolidated basis. The risk-based ratio is determined by allocating assets and specified off-balance sheet commitments into four weighted categories, with higher weighting assigned to categories perceived as representing greater risk. The risk-based asset ratio represents capital divided by total risk-weighted assets. The leverage ratio is core capital divided by total assets adjusted as specified in the guidelines. The Bank is subject to substantially similar capital requirements of the FDIC.

Generally, under the applicable guidelines, a financial institution's capital is divided into two tiers. "Total capital" is Tier 1 capital plus Tier 2 capital. These two tiers are:

· "Tier 1", or core capital, that includes total equity plus qualifying capital securities and minority interests, excluding unrealized gains and losses accumulated in other comprehensive income, and non-qualifying intangible and servicing assets; and
· "Tier 2", or supplementary capital, includes, among other things, cumulative and limited-life preferred stock, mandatory convertible securities, qualifying subordinated debt, and the allowance for credit losses, up to 1.25% of risk-weighted assets.

"Total capital" is Tier 1 plus Tier 2 capital. Federal banking regulators require that all intangible assets (net of deferred tax), except originated or purchased mortgage-servicing rights, non-mortgage servicing assets, and purchased credit card relationships, be deducted from Tier 1 capital. However, the total amount of these items included in capital cannot exceed 100% of an institution's Tier 1 capital.

Under the risk-based guidelines existing prior to January 1, 2015, financial institutions were required to maintain a risk-based ratio of 8%, with 4% being Tier 1 capital. The appropriate regulatory authority may set higher capital requirements when it is determined that an institution's circumstances warrant.

Under the leverage guidelines existing prior to January 1, 2015, financial institutions were required to maintain a leverage ratio of at least 3%. The minimum ratio is applicable only to financial institutions that meet certain specified criteria, including excellent asset quality, high liquidity, low interest rate risk exposure, and the highest regulatory rating. Financial institutions not meeting these criteria are required to maintain a minimum Tier 1 leverage ratio of 4%.

The guidelines also provide that bank holding companies experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Further, the Federal Reserve has indicated that it will consider a "tangible Tier 1 capital leverage ratio" (deducting all intangibles) and other indicators of capital strength in evaluating proposals for expansion or new activities.

Failure to meet applicable capital guidelines can subject a financial institution to a variety of enforcement remedies available to the federal banking regulators. These include limitations on the ability to pay dividends, the issuance by a regulatory authority of a capital directive to increase capital, and the termination of deposit insurance by the FDIC. In addition, the financial institution could be subject to the measures described below under "Prompt Corrective Action" as applicable to "under-capitalized" institutions.

New Capital Rules

On July 2, 2013, the Federal Reserve approved the final rule for BASEL III capital requirements (the "Basel III Capital Rules") for all bank holding companies chartered in the United States. This rule was subsequently approved by the FDIC on July 9, 2013 and made applicable to the Bank. The major provisions of the new rule applicable to the

Company and the Bank are:

- The new rule implements higher minimum capital requirements, includes a new common equity Tier 1 capital requirement, and establishes criteria that instruments must meet in order to be considered common equity Tier 1 capital, additional Tier 1 capital, or Tier 2 capital. These enhancements both improve the quality and increase the quantity of capital required to be held by banking organizations, intended to better equip the United States banking system to deal with adverse economic conditions.
- The new minimum capital to risk-weighted assets requirements are a common equity Tier 1 capital ratio of 4.5% and a Tier 1 capital ratio of 6.0%, which is an increase from 4.0%, and a total capital ratio that remains at 8.0%. The minimum leverage ratio (Tier 1 capital to total assets) is 4.0%.

- The new rule improves the quality of capital by implementing changes to the definition of capital. Among the most important changes are stricter eligibility criteria for regulatory capital instruments that would disallow the inclusion of instruments such as trust preferred securities in Tier 1 capital going forward, and new constraints on the inclusion of minority interests, mortgage-servicing assets, deferred tax assets, and certain investments in the capital of unconsolidated financial institutions. In addition, the new rule requires that most regulatory capital deductions be made from common equity Tier 1 capital.
- Under the new rule, in order to avoid limitations on capital distributions, including dividend payments, stock repurchases and certain discretionary bonus payments to executive officers, a banking organization must hold a capital conservation buffer composed of common equity Tier 1 capital above its minimum risk-based capital requirements. This buffer is intended to ensure that banking organizations conserve capital when it is most needed, allowing them to better weather periods of economic stress. The buffer is measured relative to risk weighted assets. Phase-in of the capital conservation buffer requirements will begin on January 1, 2016. A banking organization with a buffer greater than 2.5% would not be subject to limits on capital distributions or discretionary bonus payments; however, a banking organization with a buffer of less than 2.5% would be subject to increasingly stringent limitations as the buffer approaches zero. The new rule also prohibits a banking organization from making distributions or discretionary bonus payments during any quarter if its eligible retained income is negative in that quarter and its capital conservation buffer ratio was less than 2.5% at the beginning of the quarter. When the new rule is fully phased in, the minimum capital requirements plus the capital conservation buffer will exceed the prompt corrective action well-capitalized thresholds.
- The new rule also increases the risk weights for past-due loans, certain commercial real estate loans, and some equity exposures, and makes selected other changes in risk weights and credit conversion factors.

The transition period for implementation of the Basel III Capital Rules is January 1, 2015 through December 31, 2018.

Prompt Corrective Action

The Federal Deposit Insurance Corporation Improvement Act of 1991 (“FDICIA”) requires federal banking regulatory authorities to take “prompt corrective action” with respect to depository institutions that do not meet minimum capital requirements. For these purposes, FDICIA establishes five capital tiers: “well-capitalized,” “adequately-capitalized,” “under-capitalized,” “significantly under-capitalized,” and “critically under-capitalized.”

An institution is deemed to be:

- “well-capitalized” if it has a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater (8.0% or greater after January 1, 2015), a Tier 1 leverage ratio of 5.0% or greater, and, after January 1, 2015, a common equity Tier 1 capital ratio of 6.5% or greater, and is not subject to a regulatory order, agreement, or directive to meet and maintain a specific capital level for any capital measure;
- “adequately-capitalized” if it has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 4.0% or greater (6.0% or greater after January 1, 2015), generally, a Tier 1 leverage ratio of 4.0% or greater, and, after January 1, 2015, a common equity Tier 1 capital ratio of 4.5% or greater, and the institution does not meet the definition of a “well-capitalized” institution;
- “under-capitalized” if it does not meet the definition of an “adequately-capitalized” institution;
- “significantly under-capitalized” if it has a total risk-based capital ratio that is less than 6.0%, a Tier 1 risk-based capital ratio that is less than 3.0% (less than 4.0% after January 1, 2015), a Tier 1 leverage ratio that is less than 3.0%, and, after January 1, 2015, a common equity Tier 1 capital ratio that is less than 3.0%; and
- “critically under-capitalized” if it has a ratio of tangible equity, as defined in the regulations, to total assets that is equal to or less than 2%.

Throughout 2014, the Bank’s regulatory capital ratios were in excess of the levels established for “well-capitalized” institutions.

FDICIA generally prohibits a depository institution from making any capital distribution, including payment of a cash dividend or paying any management fee to its holding company, if the depository institution would be "under-capitalized" after such payment. "Under-capitalized" institutions are subject to growth limitations and are required by the appropriate federal banking regulator to submit a capital restoration plan. If any depository institution subsidiary of a holding company is required to submit a capital restoration plan, the holding company would be required to provide a limited guarantee regarding compliance with the plan as a condition of approval of such plan.

If an “under-capitalized” institution fails to submit an acceptable plan, it is treated as if it is “significantly under-capitalized.” “Significantly under-capitalized” institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become “adequately-capitalized,” requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks.

“Critically under-capitalized” institutions may not, beginning 60 days after becoming “critically under-capitalized,” make any payment of principal or interest on their subordinated debt. In addition, “critically under-capitalized” institutions are subject to appointment of a receiver or conservator within 90 days of becoming so classified.

Under FDICIA, a depository institution that is not “well-capitalized” is generally prohibited from accepting brokered deposits and offering interest rates on deposits higher than the prevailing rate in its market. As previously stated, the Bank is “well-capitalized” and the FDICIA brokered deposit rule did not adversely affect its ability to accept brokered deposits. The Bank had no such brokered deposits at December 31, 2014.

Stress Testing

The Dodd-Frank Act requires financial institutions with more than $10 billion in total consolidated assets to conduct annual stress tests. In May 2012, the federal banking regulators issued joint supervisory guidance on stress testing. The guidance addresses stress testing in connection with overall risk management, including capital and liquidity planning. The guidance outlines general principles for stress testing, applicable to all banking organizations supervised by the Federal Reserve with more than $10 billion in total consolidated assets. The guidance highlights the importance of stress testing as an ongoing risk management practice that supports a banking organization’s forward-looking assessment of its risks. It outlines broad principles for a satisfactory stress testing framework and describes the manner in which stress testing should be employed as an integral component of risk management.

Under the stress test regulations, the Company must conduct annual company-run stress tests using three macroeconomic scenarios (baseline, adverse, and severely adverse) provided no later than November 15 of each year by the Federal Reserve. The stress test projections are based on exposures as of September 30 for the current year and must cover a nine-quarter planning horizon that begins with the quarter ending on December 31 of the current year, and ends with the quarter ending on December 31 two years later. The Company must project losses, pre-provision net revenues, the balance sheet, risk-weighted assets, and capital for each quarter. Additionally, the Company must estimate adequate levels of allowance for loan and lease losses to cover credit risk that remains at the end of each quarter. The stress tests are forward-looking exercises conducted by financial institutions regulated by the Federal Reserve to help ensure that such institutions have sufficient capital to absorb losses and support operations during adverse economic conditions.

The outcome of the Federal Reserve’s analysis of the Company’s projected performance (to include capital, earnings, and balance sheet changes) will be used in supervision of the Company and will assist the Federal Reserve in assessing the Company’s risk profile and capital adequacy. The results of the stress test could hinder the Company’s ability to pay quarterly cash dividends to shareholders, repurchase stock and could also impact the Federal Reserve’s decisions regarding future acquisitions by the Company. The annual Company-run stress test must be conducted and results reported to the Federal Reserve by March 31, 2015 and publicly disclosed during the period June 15 through June 30, 2015.

The Volcker Rule

The “Volcker Rule” under the Dodd-Frank Act restricts, among other things, a bank's proprietary trading activities and a bank's ability to sponsor or invest in certain funds, including hedge or private equity funds. On December 10, 2013, the federal banking regulators adopted final rules implementing the Volcker Rule. The final rules require each regulated entity to establish an internal compliance program that is consistent with the extent to which it engages in activities covered by the Volcker Rule.

Subject to certain exceptions, the Volcker Rule prohibits a banking entity from engaging in “proprietary trading,” which is defined as engaging as principal for the “trading account” of the banking entity in securities or other instruments. Certain forms of proprietary trading may qualify as “permitted activities,” and therefore not be subject to the ban on proprietary trading, such as trading in U.S. government or agency obligations, or certain other state or municipal obligations, and the obligations of Fannie Mae, Freddie Mac or Ginnie Mae.

On January 14, 2014, the federal bank regulators approved an interim final rule to permit banking entities to retain interests in certain collateralized debt obligations backed primarily by trust preferred securities. Under the interim final rule, the retention of an interest in or sponsorship of covered funds by banking entities is not prohibited under the Volcker Rule if certain qualifications are met.

The final rules became effective on April 1, 2014, but the conformance period has been extended from its statutory end date of July 21, 2014 until July 21, 2015. On December 18, 2014, the Federal Reserve extended the period by which banking entities must bring certain activities into conformance with the restrictions of the Volcker Rule. Under the new extension, banking entities will have additional time to divest their ownership interests in or otherwise conform their activities with respect to legacy covered fund positions that were acquired before December 31, 2013. The initial extension lengthens the Volcker Rule conformance period for these purposes until July 21, 2016. Although the Federal Reserve is only empowered by the Dodd-Frank Act to extend the conformance period for one year at a time, the Federal Reserve stated that in 2015 it intends to grant an additional one-year extension until July 21, 2017. While the Company is continuing to evaluate the impact of the Volcker Rule and the final rules adopted thereunder, the Company does not currently anticipate that the Volcker Rule will have a material effect on the operations of the Company or the Bank, as the Company does not engage in the businesses prohibited by the Volcker Rule. The Company may incur costs to adopt additional policies and systems to ensure compliance with the Volcker Rule, but any such costs are not expected to be material.

The Durbin Amendment

The "Durbin Amendment" provisions of the Dodd-Frank Act require the Federal Reserve to establish a cap on the rate merchants pay banks for electronic clearing of debit transactions (the interchange rate). The Federal Reserve issued a final rule establishing standards, including a cap, for debit card interchange fees and prohibiting network exclusivity arrangements and routing restrictions. The final rule established standards for assessing whether debit card interchange fees received by debit card issuers were reasonable and proportional to the costs incurred by issuers for electronic debit transactions. Under the final rule, the maximum permissible interchange fee that an issuer may receive for an electronic debit transaction is the sum of $0.21 per transaction, a $0.01 fraud prevention adjustment, and five basis points multiplied by the value of the transaction. As a result of implementing this lower debit card interchange fee structure, the Bank's electronic banking income decreased during 2012 but remained relatively stable in 2014 and 2013.

Interstate Banking and Branching Legislation

Federal law allows banks to establish and operate a de novo branch in a state other than the bank's home state if the law of the state where the branch is to be located would permit establishment of the branch if the bank were chartered by that state, subject to standard regulatory review and approval requirements. Federal law also allows the Bank to acquire an existing branch in a state in which the Bank is not headquartered and does not maintain a branch if the FDIC and Mississippi Banking Department approve the branch or acquisition, and if the law of the state in which the branch is located or to be located would permit the establishment of the branch if the Bank were chartered by that state.

Once a bank has established branches in a state through an interstate merger transaction or through de novo branching, the bank may then establish and acquire additional branches within that state to the same extent that a state-chartered bank is allowed to establish or acquire branches within the state.

Under the Bank Holding Company Act, a bank holding company may not directly or indirectly acquire ownership or control of more than 5% of the voting shares or substantially all of the assets of any bank holding company or bank or merge or consolidate with another bank holding company without the prior approval of the Federal Reserve. Current federal law authorizes interstate acquisitions of banks and bank holding companies without geographic limitation. Further, a bank headquartered in one state is authorized to merge with a bank headquartered in another state, as long as neither of the states have opted out of such interstate merger authority prior to such date, and subject to any state requirement that the target bank shall have been in existence and operating for a minimum period of time, not to exceed five years; and subject to certain deposit market-share limitations.

On January 8, 2014, the Company announced the signing of a definitive merger agreement with Ouachita Bancshares Corp. headquartered in Monroe, Louisiana, whereby Ouachita Bancshares Corp. will be merged with and into the Company. Ouachita Bancshares Corp. is the parent company of Ouachita Independent Bank. On January 22, 2014, the Company announced the signing of a definitive merger agreement with Central Community Corporation, headquartered in Temple, Texas, whereby Central Community Corporation will be merged with and into the Company. Central Community Corporation is the parent company of First State Bank Central Texas. The Company and each of Ouachita Bancshares Corp. and Central Community Corporation have determined additional time will be required to obtain regulatory approvals and to satisfy closing conditions necessary to complete their respective mergers. The Company and each of Ouachita Bancshares Corp. and Central Community Corporation have extended their respective merger agreements to June 30, 2015.

FDIC Insurance

The deposits of the Bank are insured by the Deposit Insurance Fund (the “DIF”), which the FDIC administers. The Dodd-Frank Act permanently increased deposit insurance on most accounts to $250,000. To fund the DIF, FDIC-insured banks are required to pay deposit insurance assessments to the FDIC. The deposit insurance assessment base is based on an insured institution’s average consolidated total assets minus its average tangible equity. In 2011, the FDIC adopted a “scorecard” system to determine deposit insurance premiums for institutions like the Bank that have more than $10 billion in assets. Each scorecard has a performance score and a loss-severity score that is combined to produce a total score. The FDIC is authorized to make discretionary adjustments to the total score based upon significant risk factors that are not adequately captured in the scorecard, which is translated into a premium rate.

In addition, all institutions with deposits insured by the FDIC must pay assessments to fund interest payments on bonds issued by the Financing Corporation, a mixed-ownership government corporation established as a financing vehicle for the Federal Savings & Loan Insurance Corporation. The assessment rate for the first quarter of fiscal 2015 is 0.60% of assets and is adjusted quarterly. These assessments will continue until the bonds mature in 2019.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

Affiliate Transactions

The Bank is subject to Regulation W, which comprehensively implements statutory restrictions on transactions between a bank and its affiliates. Regulation W combines the Federal Reserve’s interpretations and exemptions relating to Sections 23A and 23B of the Federal Reserve Act. Regulation W and Section 23A place limits on the amount of loans or extensions of credit to, investments in, or certain other transactions with affiliates, and on the amount of advances to third parties collateralized by the securities or obligations of affiliates. In general, the Bank’s “affiliates” are the Company and the Bank’s non-bank subsidiaries.

Regulation W and Section 23B prohibit a bank from, among other things, engaging in certain transactions with affiliates unless the transactions are on terms substantially the same, or at least as favorable to the bank, as those prevailing at the time for comparable transactions with non-affiliated companies.

The Bank is also subject to certain restrictions on extensions of credit to executive officers, directors, certain principal shareholders and their related interests. Such extensions of credit must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third parties and must not involve more than the normal risk of repayment or present other unfavorable features.

The Community Reinvestment Act

CRA and its implementing regulations provide an incentive for regulated financial institutions to meet the credit needs of their local community or communities, including low and moderate income neighborhoods, consistent with the safe and sound operation of such financial institutions. The regulations provide that the appropriate banking regulator will assess reports under CRA in connection with applications for establishment of domestic branches, acquisitions of banks or mergers involving financial holding companies. An unsatisfactory rating under CRA may serve as a basis to deny an application to acquire or establish a new bank, to establish a new branch or to expand banking services. As of December 31, 2014, the Bank had a “satisfactory” rating under CRA.

Patriot Act

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as extended and revised by the PATRIOT Improvement and Reauthorization Act of 2005 (the "Patriot Act"), requires a financial institution to: (i) establish an anti-money laundering program; (ii) establish due diligence policies, procedures and controls with respect to its private banking accounts and correspondent banking accounts involving foreign individuals and certain foreign financial institutions; and (iii) avoid establishing, maintaining, administering or managing correspondent accounts in the United States for, or on behalf of, foreign financial institutions that do not have a physical presence in any country. The Patriot Act also requires that financial institutions follow certain minimum standards to verify the identity of customers, both foreign and domestic, when a customer opens an account. In addition, the Patriot Act contains a provision encouraging cooperation among financial institutions, regulatory authorities and law enforcement authorities with respect to individuals, entities and organizations engaged in, or reasonably suspected of engaging in, terrorist acts or money laundering activities. Federal banking regulators are required, when reviewing bank holding company acquisition and bank merger applications, to take into account the effectiveness of the anti-money laundering activities of the applicants.

Consumer Privacy and Other Consumer Protection Laws

The Bank, like all other financial institutions, is required to maintain the privacy of its customers' non-public, personal information. Such privacy requirements direct financial institutions to:

- provide notice to customers regarding privacy policies and practices;
- inform customers regarding the conditions under which their non-public personal information may be disclosed to non-affiliated third parties; and
- give customers an option to prevent disclosure of such information to non-affiliated third parties.

Under the Fair and Accurate Credit Transactions Act of 2003, the Bank's customers may also opt out of information sharing between and among the Bank and its affiliates.

The Bank is also subject, in connection with its deposit, lending and leasing activities, to numerous federal and state laws aimed at protecting consumers, including the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the Equal Credit Opportunity Act, the Truth in Lending Act, the Truth in Savings Act, the Fair Housing Act, the Fair Credit Reporting Act, the Electronic Funds Transfer Act, the Currency and Foreign Transactions Reporting Act, the National Flood Insurance Act, the Flood Protection Act, the Bank Secrecy Act, laws and regulations governing unfair, deceptive, and/or abuse acts and practices, the Servicemembers Civil Relief Act, the Housing and Economic Recovery Act, and the Credit Card Accountability Act, among others, as well as various state laws.

The Company and the Bank's insurance subsidiaries are regulated by the insurance regulatory authorities and applicable laws and regulations of the states in which they operate.

Incentive Compensation

In 2010, the Federal Reserve issued guidance on incentive compensation policies intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors.

Any deficiencies in compensation practices that are identified may be incorporated into the organization's supervisory ratings, which can affect its ability to make acquisitions or perform other actions. The guidance also provides that enforcement actions may be taken against a banking organization if its incentive compensation arrangements or related risk-management control or governance processes pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

The federal banking regulators have proposed rule-making implementing provisions of the Dodd-Frank Act to prohibit incentive-based compensation plans that expose "covered financial institutions" to inappropriate risks. Covered financial institutions are institutions that have over $1 billion in assets and offer incentive-based compensation programs. If adopted, the proposed rules would require incentive-based compensation plans:

- to provide incentives that do not encourage risk-taking beyond the organization’s ability to effectively identify and manage risks;
- be compatible with effective internal controls and risk management, and
- be supported by strong corporate governance, including active and effective oversight by the organization’s board of directors and appropriate policies, procedures and monitoring.

The scope and content of banking regulators’ policies on executive compensation are continuing to develop and are likely to continue evolving in the near future. It cannot be determined at this time whether compliance with such policies will adversely affect the Company’s ability to hire, retain and motivate its key employees.

Sarbanes-Oxley

The Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) is applicable to all companies with equity or debt securities registered under the Exchange Act. In particular, the Sarbanes-Oxley Act established: (i) requirements for audit committees, including independence, expertise and responsibilities; (ii) certification and related responsibilities regarding financial statements for the Chief Executive Officer and Chief Financial Officer of the reporting company; (iii) standards for auditors and regulation of audits; (iv) disclosure and reporting obligations for the reporting company and its directors and executive officers; and (v) civil and criminal penalties for violation of the securities laws.

Effect of Governmental Policies

The Company and the Bank are affected by the policies of regulatory authorities, including the Federal Reserve, the FDIC, and the Mississippi Banking Department. An important function of the Federal Reserve is to regulate the national money supply. Among the instruments of monetary policy used by the Federal Reserve are: (i) purchases and sales of U.S. government and other securities in the marketplace; (ii) changes in the discount rate, which is the rate any depository institution must pay to borrow from the Federal Reserve; (iii) changes in the reserve requirements of depository institutions; and (iv) indirectly, changes in the federal funds rate, which is the rate at which depository institutions lend money to each other overnight. These instruments are intended to influence economic and monetary growth, interest rate levels, and inflation.

The monetary policies of the Federal Reserve and other governmental policies have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. Because of changing conditions in the national and international economy and in the money markets, as well as the result of actions by monetary and fiscal authorities, it is not possible to predict with certainty future changes in interest rates, deposit levels, loan demand, or the business and results of operations of the Company and the Bank, or whether changing economic conditions will have a positive or negative effect on operations and earnings.

Other Proposals

Bills occasionally are introduced in the United States Congress and the Mississippi State Legislature and other state legislatures, and regulations occasionally are proposed by federal and state regulatory agencies, any of which could affect the businesses, financial results, and financial condition of the Company or the Bank. Generally it cannot be predicted whether or in what form any particular proposals will be adopted or the extent to which the Company and the Bank may be affected.

LENDING ACTIVITIES

The Bank's lending activities include both commercial and consumer loans. Loan originations are derived from a number of sources including direct solicitation by the Bank's loan officers, existing depositors and borrowers, builders, attorneys, walk-in customers and, in some instances, other lenders, real estate broker referrals and mortgage loan companies. The Bank has established systematic procedures for approving and monitoring loans that vary depending on the size and nature of the loan, and applies these procedures in a disciplined manner.

Commercial Lending

The Bank offers a variety of commercial loan services including term loans, lines of credit, equipment and receivable financing and agricultural loans. A broad range of short-to-medium term commercial loans, both secured and unsecured, are made available to businesses for working capital (including inventory and receivables), business expansion (including acquisition and development of real estate and improvements), and the purchase of equipment and machinery. The Bank also makes construction loans to real estate developers for the acquisition, development and construction of residential subdivisions.

Commercial loans are granted based on the borrower’s ability to generate cash flow to support its debt obligations and other cash related expenses. A borrower’s ability to repay commercial loans is substantially dependent on the success of the business itself and on the quality of its management. As a general practice, the Bank takes as collateral a security interest in any available real estate, equipment, inventory, receivables or other personal property, although such loans may also be made infrequently on an unsecured basis. In many instances, the Bank requires personal guarantees of its commercial loans to provide additional credit support.

The Bank has had very little exposure as an agricultural lender. Crop production loans have been either fully supported by the collateral and financial strength of the borrower, or a 90% loan guaranty has been obtained through the Farm Service Agency on such loans.

Residential Consumer Lending

A portion of the Bank’s lending activities consists of the origination of fixed and adjustable rate residential mortgage loans secured by owner-occupied property located in the Bank’s primary market areas. Home mortgage lending is unique in that a broad geographic territory may be served by originators working from strategically placed offices either within the Bank’s traditional banking facilities or from other locations. In addition, the Bank offers construction loans, second mortgage loans and home equity lines of credit.

The Bank finances the construction of individual, owner-occupied houses on the basis of written underwriting and construction loan management guidelines. First mortgage construction loans are made to qualified individual borrowers and are generally supported by a take-out commitment from a permanent lender. The Bank makes residential construction loans to individuals who intend to erect owner-occupied housing on a purchased parcel of real estate. The construction phase of these loans has certain risks, including the viability of the contractor, the contractor’s ability to complete the project and changes in interest rates.

In most cases, the Bank sells its mortgage loans with terms of 15 years or more in the secondary market and either retains or releases the right to service those loans. The sale of mortgage loans to the secondary market allows the Bank to manage the interest rate risks related to such lending operations. Generally, after the sale of a loan with servicing retained, the Bank’s only involvement is to act as a servicing agent. In certain cases, the Bank may be required to repurchase mortgage loans upon which customers have defaulted that were previously sold in the secondary market if these loans did not meet the underwriting standards of the entity that purchased the loans. Any such loans are held by the Bank in its mortgage loan portfolio.

Non-Residential Consumer Lending

Non-residential consumer loans made by the Bank include loans for automobiles, recreation vehicles, boats, personal (secured and unsecured) and deposit account secured loans. Non-residential consumer loans are attractive to the Bank because they typically have a shorter term and carry higher interest rates than those charged on other types of loans.

The Bank also issues credit cards solicited on the basis of applications received through referrals from the Bank’s branches and other marketing efforts. The Bank generally has a small portfolio of credit card receivables outstanding. Credit card lines are underwritten using conservative credit criteria, including past credit history and debt-to-income ratios, similar to the credit policies applicable to other personal consumer loans.

The Bank grants consumer loans based on employment and financial information solicited from prospective borrowers as well as credit records collected from various reporting agencies. Financial stability and credit history of the borrower are the primary factors the Bank considers in granting such loans. The availability of collateral is also a factor considered in making such loans. The geographic area of the borrower is another consideration, with preference given to borrowers in the Bank’s primary market areas.

OTHER FINANCIAL SERVICES

The Bank’s insurance service subsidiary serves as an agent in the sale of title insurance, commercial lines of insurance and a full line of property and casualty, life, health and employee benefits products and services and operates in Mississippi, Tennessee, Alabama, Arkansas, Texas, Louisiana, Missouri and Illinois.

See Note 22 to the Company’s Consolidated Financial Statements included elsewhere in this Report for financial information about each segment of the Company, as defined by U.S. generally accepted accounting principles (“U.S.

GAAP”).

ASSET QUALITY

Management seeks to maintain a high quality of assets through conservative underwriting and sound lending practices. Management intends to follow this policy even though it may result in foregoing the funding of higher yielding loans. Management believes that the Bank has adequate underwriting and loan administration policies in place and personnel to manage the associated risks prudently.

In an effort to maintain the quality of the loan portfolio, management seeks to limit high risk loans. These loans include loans to provide initial equity and working capital to new businesses with no other capital strength, loans secured by unregistered stock, loans for speculative transactions in stock, land or commodity markets, loans to borrowers or the taking of collateral outside the Bank’s primary market areas, loans dependent on secondary liens as primary collateral and non-recourse loans. To the extent risks are identified, additional precautions are taken in order to reduce the Bank’s risk of loss. Commercial loans entail certain additional risks because they usually involve large loan balances to single borrowers or a related group of borrowers, resulting in a more concentrated loan portfolio. Further, because payment of these loans is usually dependent upon the successful operation of the commercial enterprise, the risk of loss with respect to these loans may increase in the event of adverse conditions in the economy.

The Board of Directors of the Bank focuses much of its efforts and resources, and that of the Bank's management and lending officials, on loan underwriting and credit quality monitoring policies and practices. Loan status and monitoring is handled through the Bank's loan administration department. Also, an independent loan review department of the Bank is responsible for reviewing the credit rating and classification of individual credits and assessing trends in the portfolio, adherence to internal credit policies and procedures and other factors that may affect the overall adequacy of the allowance for credit losses. Weak financial performance is identified and monitored using past due reporting, the internal loan rating system, loan review reports, the various loan committee functions and periodic asset quality rating committee meetings. Senior loan officers have established a review process with the objective of identifying, evaluating and initiating necessary corrective action for problem loans. The results of loan reviews are reported to the Audit Committees of both the Company's and the Bank's Boards of Directors. This process is an integral element of the Bank's loan program. Nonetheless, management maintains a cautious outlook in anticipating the potential effects of uncertain economic conditions (both locally and nationally) and the possibility of more stringent regulatory standards.

RECENT ACQUISITIONS AND TRANSACTION ACTIVITY

On April 10, 2014, the Company announced the purchase of certain assets of Knox Insurance Group, LLC ("Knox"), an independent insurance agency located in Lafayette, Louisiana. Consideration paid to complete this transaction consisted of cash paid to Knox in the aggregate amount of $7.0 million. The provisions of the related purchase agreement also provide for additional aggregate consideration of up to $2.4 million in cash to be paid in three annual installments if certain performance criteria are met. This acquisition was not material to the financial position or results of operations of the Company.

On January 8, 2014, the Company announced the signing of a definitive merger agreement with Ouachita Bancshares Corp., parent company of Ouachita Independent Bank (collectively referred to as "OIB"), headquartered in Monroe, Louisiana, pursuant to which Ouachita Bancshares Corp. will be merged with and into the Company. Under the terms of the definitive agreement, the Company will issue approximately 3,675,000 shares of the Company's common stock plus $22.875 million in cash for all outstanding shares of Ouachita Bancshares Corp.'s capital stock, subject to certain conditions and potential adjustments. The terms of the amended agreement provide for a minimum total deal value of $107.5 million but also allow Ouachita Bancshares Corp. to terminate the agreement if the average closing price of the Company's common stock declines below a certain threshold prior to closing. The merger has been unanimously approved by the Board of Directors of each company and was approved by OIB shareholders on April 8, 2014. On July 21, 2014, the Company announced the merger agreement was extended to allow for additional time to obtain the necessary regulatory approvals and to satisfy all closing conditions. The transaction is expected to close shortly after receiving all required regulatory approvals, although the Company can provide no assurance that the merger will close timely or at all.

On January 21, 2014, the Company announced the signing of a definitive merger agreement with Central Community Corporation, headquartered in Temple, Texas, pursuant to which Central Community Corporation will be merged with and into the Company. Central Community Corporation is the parent company of First State Bank Central Texas ("First State Bank"), which is headquartered in Austin, Texas. Under the terms of the definitive agreement, the Company will issue approximately 7,250,000 shares of the Company's common stock plus $28.5 million in cash for all outstanding shares of Central Community Corporation's capital stock, subject to certain conditions and potential adjustments. The terms of the amended agreement provide for a minimum total deal value of $191.0 million but also allow Central Community Corporation to terminate the agreement if the average closing price of the Company's common stock declines below a certain threshold prior to closing. The merger has been unanimously approved by the Board of Directors of each company and was approved by Central Community Corporation shareholders on April 24, 2014. On

July 21, 2014, the Company announced the merger agreement was extended to allow for additional time to obtain the necessary regulatory approvals and to satisfy all closing conditions. The transaction is expected to close shortly after receiving all required regulatory approvals, although the Company can provide no assurance that the merger will close timely or at all.

For additional information regarding the status of the merger with Ouachita Bancshares Corp. and the status of the merger with Central Community Corporation, please refer to “Item 1A. Risk Factors - We face risks in connection with completed or potential acquisitions.”

EMPLOYEES

At December 31, 2014, the Company and its subsidiaries had approximately 3,820 full-time equivalent employees. The Company and its subsidiaries are not a party to any collective bargaining agreements and employee relations are considered to be good.

EXECUTIVE OFFICERS OF THE REGISTRANT

Information follows concerning the executive officers of the Company:

Name	Offices Held	Age
James D. Rollins III	Chairman and Chief Executive Officer Director of the Company	56
Chris Bagley	President and Chief Operating Officer	54
William L. Prater	Senior Executive Vice President, Chief Financial Officer and Treasurer of the Company and Cashier of the Bank	54
W. James Threadgill, Jr.	Senior Executive Vice President and Chief Business Development Officer	60
Chuck Pignuolo	Senior Executive Vice President and General Counsel	59
James Ronald Hodges	Senior Executive Vice President and Chief Credit Officer	62
Cathy S. Freeman	Senior Executive Vice President and Chief Administrative Officer	49

None of the executive officers of the Company is related by blood, marriage or adoption to any other executive officer or to any of the Company's directors or nominees for election at the 2015 annual meeting of shareholders. There are no arrangements or understandings between any of the executive officers and any other person pursuant to which any individual was or is to be selected as an officer. The executive officers of the Company are appointed by the Board of Directors at its first meeting following the annual meeting of shareholders, and they hold office until the next annual meeting or until their successors are duly appointed and qualified.

Effective November 27, 2012, Mr. Rollins was appointed Chief Executive Officer of the Bank and the Company. Prior to joining the Company, Mr. Rollins served as President and Chief Operating Officer of Prosperity Bancshares, Inc. for at least the preceding three years.

Mr. Bagley has served as President and Chief Operating Officer since August 15, 2014. Prior to joining the Company, Mr. Bagley was an executive officer and Chief Credit Officer of Prosperity Bancshares, Inc for at least the preceeding five years.

Mr. Prater has served as Treasurer and Chief Financial Officer of the Company and Executive Vice President, Chief Financial Officer and Cashier of the Bank for at least the past five years. Mr. Prater was recently promoted to Senior Executive Vice President in 2014.

Mr. Threadgill has served as Executive Vice President of the Company and Vice Chairman of the Bank for at least the past five years. In 2014, Mr. Threadgill was promoted to Senior Executive Vice President and Chief Business Development Officer.

Mr. Pignuolo joined the Company as Senior Executive Vice President and General Counsel on October 20, 2014. Prior to joining the bank, Mr. Pignuolo practiced law at Devlin and Pignuolo, PC for at least the preceding five years.

Mr. Hodges had served as Regional and Area Loan Administrator for at least two years prior to April 2010, when he was named Senior Executive Vice President of the Bank and Deputy to the Company's Chief Lending Officer. Mr. Hodges served in that capacity until September 2011, when he was named Executive Vice President of the Company and Vice Chairman and Chief Lending Officer of the Bank. Most recently, Mr. Hodges was promoted to Senior Executive Vice President and Chief Credit Officer in 2014.

Mrs. Freeman has served as Executive Vice President of the Company and the Bank for at least the past five years. Most recently, Mrs. Freeman was promoted to Senior Executive Vice President in 2014.

BOARD OF DIRECTORS OF THE REGISTRANT

Information follows concerning the Board of Directors of the Company:

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Name	Occupation
Gus J. Blass, III	General Partner Capital Properties, LLC Little Rock, AR
James E. Campbell, III	Chief Executive Officer H+M Company, Inc. Jackson, TN
Hassell H. Franklin	Chief Executive Officer Franklin Corporation Houston, MS
W.G. "Mickey" Holliman, Jr.	Managing Member Five Star, LLC Tupelo, MS
Warren A. Hood, Jr.	Chairman and Chief Executive Officer Hood Companies, Inc. Hattiesburg, MS
Keith J. Jackson	President/Founder P.A.R.K. Little Rock, AR
Larry G. Kirk	Retired Tupelo, MS
Turner O. Lashlee	Chairman Lashlee-Rich, Inc. Humboldt, TN
Guy W. Mitchell, III	Attorney at Law Mitchell, McNutt & Sams, PA Tupelo, MS

Robert C. Nolan	Chairman Deltic Timber Corporation El Dorado, AR
W. Cal Partee	Managing Partner P1 Oil and Gas, LLC Magnolia, AR

Alan W. Perry	Attorney at Law Bradley Arant Boult Cummings, LLP Jackson, MS
James D. Rollins, III	Chairman and Chief Executive Officer BancorpSouth, Inc. and BancorpSouth Bank Tupelo, MS

CORPORATE INFORMATION

Corporate Headquarters

BancorpSouth

One Mississippi Plaza

201 South Spring Street

Tupelo, MS 38804

Annual Meeting

9:00 a.m. (local time), April 22, 2015

BancorpSouth Corporate Headquarters

Fourth Floor

One Mississippi Plaza

201 South Spring Street

Tupelo, MS 38804

Common Shares

Listed on the New York Stock Exchange

NYSE Symbol: BXS

Transfer Agent and Registrar

Computershare

250 Royall Street

Canton, MA 02021

Tel: (800)368-5948

Internet address: www.computershare.com

ITEM 1A. RISK FACTORS.

Certain statements contained in this Annual Report may not be based on historical facts and are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Exchange Act. These forward-looking statements may be identified by reference to a future period(s) or by the use of forward-looking terminology, such as “anticipate,” “believe,” “estimate,” “expect,” “plan,” “predict,” “foresee,” “may,” “might,” “will,” “would,” “should,” “could” or “intend,” future or conditional verb tenses, and variations or of such terms. These forward-looking statements include, without limitation, those relating to the Company’s trademarks, the Company’s ability to compete effectively, the effect of changes in laws, governmental regulations and legislative proposals affecting financial institutions, examinations by federal regulators, commercial loans, repurchase of mortgage loans, the impact of economic conditions in the Company’s market area and the economic downturn, identification and resolution of credit issues, debit card revenues, the use of non-U.S. GAAP financial measures, the effect of certain claims, legal and administrative proceedings and pending litigation, reserves for troubled debt restructurings, diversification of revenue stream, the Company’s policy regarding asset quality, the Company’s policy regarding underwriting and lending practices, critical and significant accounting policies, allowance for credit losses, other real estate owned, impairment of goodwill, other-than-temporary impairment of securities, valuation of mortgage servicing rights, pension and other postretirement benefit amounts, net interest revenue, net interest margin, interest rate sensitivity, the impact of the historically low interest rate environment, credit quality, credit losses, determination of collateral fair value, analysis of guarantors, compliance with underwriting and/or appraisal standards, potential losses from representation and warranty obligations, the Company's foreclosure process, inspection and review of construction, acquisition and development loans, maturity and renewal of construction, acquisition and development loans, deferred tax assets, unrecognized tax benefits, junior subordinated debt securities, capital resources, sources of liquidity and liquidity strategies, sources of maturing loans and investment securities, the Company's ability to obtain funding, the ability to declare and/or pay dividends, credit losses from off-balance sheet commitments and arrangements, future acquisitions and consideration to be used therefor, the impact of recent accounting pronouncements, amortization expense of amortizable identifiable intangible assets, interest income, valuation of stock options, fair value of loans and leases, fair value of held-to-maturity and available-for-sale securities, maturities of available-for-sale securities, fair value of lending commitments, appraisal adjustments, concessions granted for troubled debt restructurings, value of investment securities, contributions to pension plans, related party transactions, impaired loans, nonperforming loans and leases, non-accrual loans and leases, economic value of equity, future lease payments, the use of proceeds from the underwritten public offering of the Company's common stock, deposits, the Company's operating results and financial condition, the terms and closing of the proposed transactions with each of Ouachita Bancshares Corp. and Central Community Corporation, and amendments to the Company's code of business conduct and ethics or waiver of a provision thereof.

We caution you not to place undue reliance on the forward-looking statements contained in this Report in that actual results could differ materially from those indicated in such forward-looking statements due to a variety of factors. These factors include, but are not limited to, the following:

- Local, regional and national economic conditions and the impact they may have on the Company and its customers and the Company's assessment of that impact;
- The ability of the Company to increase noninterest revenue and expand noninterest revenue business;
- Changes in general business or economic conditions or government fiscal and monetary policies;
- Fluctuations in prevailing interest rates and the effectiveness of the Company's interest rate hedging strategies;
- The ability of the Company to maintain credit quality;
- The ability of the Company to provide and market competitive products and services;
- Changes in the Company's operating or expansion strategy;
- Geographic concentration of the Company's assets and susceptibility to economic downturns in that area;
- The availability of and costs associated with maintaining and/or obtaining adequate and timely sources of liquidity;
- Volatility and disruption in national and international financial markets;
- Government intervention in the U.S. financial system;
- Laws and regulations affecting financial institutions in general;
- The ability of the Company to operate and integrate new technology;
- The ability of the Company to manage its growth and effectively serve an expanding customer and market base;
- The ability of the Company to attract, train and retain qualified personnel;
- Changes in consumer preferences;
- The ability of the Company to collect amounts due under loan agreements and to attract deposits;
- Legislation and court decisions related to the amount of damages recoverable in legal proceedings;
- Possible adverse rulings, judgments, settlements and other outcomes of pending litigation; and
- Other factors generally understood to affect the financial results of financial services companies.

Except as otherwise required by law, the Company undertakes no obligation to update its forward-looking statements to reflect events or circumstances that occur after the date of this Report.

In addition to the factors listed above that could influence the forward-looking statements in this Report, management believes that the risk factors set forth below should be considered in evaluating the Company's business. Other relevant risk factors are outlined below and may be supplemented from time to time in the Company's filings with the SEC.

Our financial performance may be adversely affected by conditions in the financial markets and economic conditions generally.

Our financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, is highly dependent upon the business environment in the markets where we operate and in the United States as a whole. A favorable business environment is generally characterized by, among other factors, economic growth, efficient capital markets, low inflation, high business and investor confidence, and strong business earnings. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity or investor or business confidence, limitations on the availability or increases in the cost of credit and capital, increases in inflation or interest rates, natural disasters or a combination of these or other factors.

Since mid-2007, market conditions have led to the failure or merger of a number of prominent financial institutions. Financial institution failures or near-failures have resulted in further losses as a consequence of defaults on securities issued by them and defaults under contracts entered into with such entities as counterparties. Despite recent stabilization in market conditions, there remains a risk of continued asset and economic deterioration, which may increase the cost and decrease the availability of liquidity.

In addition, certain European nations continue to experience varying degrees of financial stress. Despite various assistance packages, market concerns over the direct and indirect exposure of European banks and insurers to these European nations and each other have resulted in a widening of credit spreads and increased costs of funding for some European financial institutions. Risks related to the European economic crisis have had, and may continue to have, a negative impact on global economic activity and the financial markets.

There can be no assurance that global market and economic conditions will improve in the near term. Such conditions could adversely affect the credit quality of our loans, our results of operations and our financial condition.

Our provision and allowance for credit losses may not be adequate to cover actual credit losses.

We make various assumptions and judgments about the collectability of our loan and lease portfolio and utilize these assumptions and judgments when determining the provision and allowance for credit losses. The determination of the appropriate level of the provision for credit losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the amount reserved in the allowance for credit losses. In addition, bank regulatory agencies periodically review our provision and the total allowance for credit losses and may require an increase in the allowance for credit losses or future provisions for credit losses, based on judgments different than those of management. Any increases in the provision or allowance for credit losses will result in a decrease in our net income and, potentially, capital, and may have a material adverse effect on our financial condition and results of operations. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Provision for Credit Losses and Allowance for Credit Losses” included herein for more information regarding our process for determining the appropriate level of the provision and allowance for credit losses.

We make and hold in our portfolio real estate construction, acquisition and development loans, which are based upon estimates of costs and values associated with the completed project and which pose more credit risk than other types of loans typically made by financial institutions.

At December 31, 2014, we had a balance of $853.6 million in real estate construction, acquisition and development loans, representing 8.8% of our total loan portfolio. These real estate construction, acquisition and development loans have certain risks that are not present in other types of loans. The primary credit risks associated with real estate construction, acquisition and development loans are underwriting, project risks and market risks. Project risks include cost overruns, borrower credit risk, project completion risk, general contractor credit risk and environmental and other hazard risks. Market risks are risks associated with the sale of the completed residential and commercial units. They include affordability risk, which means the risk that borrowers cannot obtain affordable financing, product design risk, and risks posed by competing projects. Real estate construction, acquisition and development loans also involve additional risks because funds are advanced upon the security of the project, which is of uncertain value prior to its completion, and costs may exceed realizable values in declining real estate markets. Because of the uncertainties inherent in estimating construction costs and the realizable market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. As a result, real estate construction, acquisition and development loans often involve the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project and the ability of the borrower to sell or lease the property, rather than the ability of the borrower or guarantor to repay principal and interest. If our appraisal of the value of the completed project proves to be overstated or market values or rental rates decline, we may have inadequate security for the repayment of the loan upon completion of construction of the project. If we are forced to foreclose on a project prior to or at completion due to a default, there can be no assurance that we will be able to recover all of the unpaid balance and accrued interest on the loan as well as related foreclosure and holding costs. In addition, we may be required to fund additional amounts to complete the project and may have to hold the property for an unspecified period of time while we attempt to dispose of it. The adverse effects of the foregoing matters upon our real estate construction, acquisition and development portfolio could necessitate a further increase in non-performing loans related to this portfolio and these non-performing loans may result in a material level of charge-offs, which may have a material adverse effect on our financial condition and results of operations. At December 31, 2014, non-accrual real estate construction, acquisition and development loans totaled $4.2 million.

We hold other real estate owned and may acquire and hold significant additional amounts, which could lead to increased operating expenses and vulnerability to additional declines in real property values.

As our business necessitates, we foreclose on and take title to real estate serving as collateral for loans. At December 31, 2014, we had $34.0 million of other real estate owned, or OREO, compared to $69.3 million at December 31, 2013. At December 31, 2014, $28.6 million, or 84.1%, of the total OREO balance had been carried on the books for longer than one year. As the properties held continue to age, we expect that future writedowns will become more likely and increase in amount. Although declining over recent years, significant OREO balances have resulted in substantial noninterest expenses as we incur costs to manage, maintain and dispose of foreclosed properties. We expect that our earnings will continue to be negatively affected by various expenses associated with OREO, including personnel costs, insurance and taxes, completion and repair costs, valuation adjustments and other expenses associated with real property ownership, as well as by the funding costs associated with OREO assets and any unfavorable pricing in connection with the disposition of foreclosed properties. The expenses associated with holding a significant amount of OREO could have a material adverse effect on our results of operations and financial condition.

Other real estate is reported at the lower of cost or fair value, less estimated selling costs. Fair value is determined on the basis of current appraisals, comparable sales and other estimates of value obtained principally from independent sources. At the time of foreclosure, any excess of the loan balance over the fair value of the real estate held as collateral is charged to the allowance for credit losses. Subsequent valuation adjustments on the periodic revaluation of the property will result in additional charges, with a corresponding write-down expense. Significant judgments and complex estimates are required in estimating the fair value of OREO, and the period of time within which such estimates can be considered current is significantly shortened during periods of market volatility, as we have experienced during the past few years. In response to market conditions and other economic factors, we may utilize alternative sale strategies other than orderly disposition as part of our OREO disposition strategy, such as immediate liquidation sales. As a result, the net proceeds realized from sales transactions could differ significantly from appraisals, comparable sales, and other estimates used to determine the fair value of OREO. A significant increase in the rate of foreclosures on real estate collateral with reported fair values less than the loan balances, a substantial additional decline in the value of our holdings of OREO or our failure to realize net proceeds from sales of substantial amounts of other real estate owned equal to or greater than our reported values, or some combination of these, could have a material adverse effect on our financial condition.

Our ability to declare and pay dividends is limited.

There can be no assurance of whether or when we may pay dividends on our common stock in the future. Future dividends, if any, will be declared and paid at the discretion of our board of directors and will depend on a number of factors. Historically, our principal source of funds used to pay cash dividends on our common equity has been dividends received from the Bank. Although the Bank's asset quality, earnings performance, liquidity and capital requirements will be taken into account before we declare or pay any future dividends on our common stock, our board of directors will also consider our liquidity and capital requirements and our board of directors could determine to declare and pay dividends without relying on dividend payments from the Bank.

Federal and state banking laws and regulations and state corporate laws restrict the amount of dividends we may declare and pay. For example, under guidance issued by the Federal Reserve Board, as a bank holding company, we are required to consult with the Federal Reserve before declaring dividends and are to consider eliminating, deferring or reducing dividends if (1) our net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends, (2) our prospective rate of earnings retention is not consistent with our capital needs and overall current and prospective financial condition, or (3) we will not meet, or are in danger of not meeting, our minimum regulatory capital adequacy ratios.

We may become involved in legal or administrative proceedings filed by or against us.

The nature of our business ordinarily results in a certain amount of claims, litigation, including class action litigation, investigations and legal and administrative investigations and proceedings. Although we have developed policies and procedures to minimize the impact of legal noncompliance and other disputes and endeavored to provide reasonable insurance coverage, litigation and regulatory actions present an ongoing risk.

We cannot predict with certainty the cost of defense, the cost of prosecution or the ultimate outcome of litigation and other proceedings filed by or against us, our directors, management or employees, including remedies or damage awards. On at least a quarterly basis, we assess our liabilities and contingencies in connection with outstanding legal proceedings as well as certain threatened claims (which are not considered incidental to the ordinary conduct of our business) utilizing the latest and most reliable information available. For matters where a loss is not probable or the amount of the loss cannot be estimated, no accrual is established. For matters where it is probable we will incur a loss and the amount can be reasonably estimated, we establish an accrual for the loss. Once established, the accrual is adjusted periodically to reflect any relevant developments. The actual cost of any outstanding legal proceedings or threatened claims, however, may turn out to be substantially higher than the amount accrued. Further, our insurance will not cover all such litigation, other proceedings or claims, or the costs of defense. While the final outcome of any legal proceedings is inherently uncertain, based on the information available, advice of counsel and available insurance coverage, management believes that the litigation-related expense we have accrued is adequate and that any incremental liability arising from pending legal proceedings, including class action litigation, and threatened claims and those otherwise arising in the ordinary course of business, will not have a material adverse effect on our business or consolidated financial condition. It is possible, however, that future developments could result in an unfavorable outcome for or resolution of any one or more of the lawsuits in which the Company or its subsidiaries are defendants, which may be material to our results of operations for one or more quarterly reporting periods. See “Item 3. Legal Proceedings” included herein for more information regarding material pending legal proceedings.

We may elect or be compelled to seek additional capital in the future, but that capital may not be available on favorable terms when it is needed.

We are required by federal regulatory authorities to maintain adequate levels of capital to support our operations. In addition, we may elect to raise additional capital to support our business or to finance any acquisitions or we may otherwise elect or be required to raise additional capital. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets, economic conditions and a number of other factors, many of which are outside our control, and on our financial performance. Accordingly, we cannot provide assurance of our ability to raise additional capital if needed or to be able to do so on terms acceptable to us. If we cannot raise additional capital on favorable terms when needed, it may have a material adverse effect on our financial condition and results of operations.

Liquidity risk could impair our ability to fund operations and jeopardize our financial condition.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on the liquidity of the Bank and/or the Company. Our access to funding sources in amounts adequate to finance our activities or the terms of which are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy in general. A decrease in the level of our business activity as a result of a downturn in the markets in which our loans are concentrated could detrimentally impact our access to liquidity sources. Our ability to borrow could also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry in light of the recent turmoil faced by banking organizations and the continued deterioration in credit markets.

Our operations are subject to extensive governmental regulation and supervision.

We elected to be a financial holding company pursuant to the GLBA and the Bank Holding Company Act. The Bank is a Mississippi state banking corporation. Both the Company and the Bank are subject to extensive governmental regulation, supervision, legislation and control. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole, not security holders. These laws and regulations limit the manner in which we operate, including the amount of loans we can originate, interest we can charge on loans and fees we can charge for certain services. See "Item 1. Business - Regulation and Supervision" included herein for more information regarding regulatory burden and supervision.

The Company and the Bank are currently well capitalized under applicable guidelines. Our business could be negatively affected, however, if the Company or the Bank fails to remain well capitalized. For example, because the

Bank and its subsidiaries are well capitalized and we qualify as a financial holding company, we are permitted to engage in a broader range of activities than are permitted to a bank holding company. Loss of financial holding company status would require that we either cease these broader activities or divest certain of the Bank's subsidiaries if we desire to continue such activities.

Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. It is possible that there will be continued changes to the banking and financial institutions regulatory regimes in the future. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, limit the types of financial services and products we may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. We cannot predict the extent to which the government and governmental organizations may change any of these laws or controls. We also cannot predict how such changes would adversely affect our business and prospects.

The Dodd-Frank Act and related rules and regulations may adversely affect our business, financial condition and results of operations.

The Dodd-Frank Act contains a variety of far-reaching changes and reforms for the financial services industry and directs federal regulatory agencies to study the effects of, and issue implementing regulations for, these reforms. Many of the provisions of the Dodd-Frank Act could have a direct effect on our performance and, in some cases, impact our ability to conduct business. Examples of these provisions include, but are not limited to:

- Creation of the Financial Stability Oversight Council that may recommend to the Federal Reserve increasingly strict rules for capital, leverage, liquidity, risk management and other requirements as companies grow in size and complexity;
- Increased capital requirements and changes to the quality of capital required to be held by banking organizations;
- Application of the same leverage and risk-based capital requirements that apply to insured depository institutions to most bank and financial holding companies, such as the Company;
- Changes to deposit insurance assessments;
- Regulation of proprietary trading;
- Repeal of the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts;
- Establishment of the CFPB with broad authority to implement new consumer protection regulations and, for bank and financial holding companies with $10 billion or more in assets, to examine and enforce compliance with federal consumer laws;
- Implementation of risk retention rules for loans (excluding qualified residential mortgages) that are sold by a bank;
- Implementation of annual stress tests for all banks with assets exceeding $10 billion;
- Regulation of debit-card interchange fees; and
- Regulation of lending and the requirements for Qualified Mortgages, Qualified Residential Mortgages and the assessment of "ability to repay" requirements.

Many of these provisions have already been the subject of proposed and final rules by regulatory authorities. Many other provisions, however, remain subject to regulatory rulemaking and implementation, the effects of which are not yet known. The provisions of the Dodd-Frank Act and any rules adopted to implement those provisions as well as any additional legislative or regulatory changes may impact the profitability of our business, may require that we change certain of our business practices, may materially affect our business model or affect retention of key personnel, may require us to raise additional capital and could expose us to additional costs (including increased compliance costs). These and other changes may also require us to invest significant management attention and resources to make any necessary changes and may adversely affect our ability to conduct our business as previously conducted or our financial condition and results of operations.

The short-term and long-term impact of changes to banking capital standards could negatively impact our regulatory capital and liquidity.

The Basel III Capital Rules, when implemented by U.S. banking agencies and fully phased-in, represent the most comprehensive overhaul of the U.S. banking capital framework in over two decades. These rules will require bank holding companies and their subsidiaries, such as the Company and the Bank, to dedicate more resources to capital planning and regulatory compliance, and maintain substantially more capital as a result of higher required capital levels and more demanding regulatory capital risk-weightings and calculations. The rules will also require all banks to change substantially the manner in which they collect and report information to calculate risk-weighted assets, and will likely increase risk-weighted assets at many banking organizations as a result of applying higher risk-weightings to certain types of loans and securities. As a result, we may be forced to limit originations of certain types of commercial and mortgage loans, thereby reducing the amount of credit available to borrowers and limiting opportunities to earn interest income from the loan portfolio, or change the way we manage past-due exposures. As a result of the changes to bank capital levels and the calculation of risk-weighted assets, many banks could be required to access the capital markets on short notice and in relatively weak economic conditions, which could result in banks raising capital that significantly dilutes existing shareholders. Additionally, many community banks could be forced to limit banking operations and activities, and growth of loan portfolios and interest income, in order to focus on retention of earnings to improve capital levels. If the Basel III Capital Rules require us to access the capital markets in this manner, or similarly limit the Bank's operations and activities, the Basel III Capital Rules would have a detrimental effect on our net income and return on equity and limit the products and services we provide to our customers. See “Item 1. Business - Regulation and Supervision” included herein for more information regarding the Basel III Capital Rules.

We obtain a significant portion of our noninterest revenue through service charges on core deposit accounts, and regulations impacting service charges could reduce our fee income.

A significant portion of our noninterest revenue is derived from service charge income. Management anticipates that changes in banking regulations and, in particular, the Federal Reserve’s rules pertaining to certain overdraft payments on consumer accounts and the FDIC’s Overdraft Payment Programs and Consumer Protection Final Overdraft Payment Supervisory Guidance, will continue to have an adverse impact on our service charge income. Additionally, changes in customer behavior as well as increased competition from other financial institutions may result in declines in deposit accounts or in overdraft frequency resulting in a decline in service charge income. A reduction in deposit account fee income could have a material adverse effect on our earnings.

Because of the geographic concentration of our assets, our business is highly susceptible to local economic conditions.

Our business is primarily concentrated in selected markets in Mississippi, Tennessee, Alabama, Arkansas, Texas, Louisiana, Florida, Missouri and Illinois. As a result of this geographic concentration, our financial condition and results of operations depend largely upon economic conditions in these market areas. Deterioration in economic conditions in the markets we serve could result in one or more of the following: an increase in loan delinquencies; an increase in problem assets and foreclosures; a decrease in the demand for our products and services; and a decrease in the value of collateral for loans, especially real estate collateral, in turn reducing customers’ borrowing power, the value of assets associated with problem loans and collateral coverage.

We may be adversely affected by the soundness of other financial institutions.

Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks and other institutional clients. Many of these transactions expose us to credit risk in the event of a default by a counterparty or client. In addition, our credit risk may be exacerbated when the collateral we hold cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure owed to us. Any such losses could have a material adverse affect on our financial condition and results of operations.

Changes in interest rates could have an adverse impact on our results of operations and financial condition.

Our earnings and financial condition are dependent to a large degree upon net interest income, which is the difference or spread between interest earned on loans, securities and other interest-earning assets and interest paid on deposits, borrowings and other interest-bearing liabilities. When market rates of interest change, the interest we receive on our assets and the interest we pay on our liabilities may fluctuate. This can cause decreases in our spread and can adversely affect our earnings and financial condition.

Interest rates are highly sensitive to many factors including:

· The rate of inflation;
· Economic conditions;
· Federal monetary policies; and
· Stability of domestic and foreign markets.

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The Bank originates residential mortgage loans for sale and for our portfolio. The origination of residential mortgage loans is highly dependent on the local real estate market and the level of interest rates. Increasing interest rates tend to reduce the origination of loans for sale and fee income, which we report as gain on sale of loans. Decreasing interest rates generally result in increased prepayments of loans and mortgage-backed securities, as borrowers refinance their debt in order to reduce their borrowing cost. This typically leads to reinvestment at lower rates than the loans or securities were paying. Changes in market interest rates could also reduce the value of our financial assets. Our financial condition and results of operations could be adversely affected if we are unsuccessful in managing the effects of changes in interest rates.

Monetary policies and economic factors may limit our ability to attract deposits or make loans.

The monetary policies of federal regulatory authorities, particularly the Federal Reserve, and economic conditions in our service area and the United States generally, affect our ability to attract deposits and extend loans. We cannot predict either the nature or timing of any changes in these monetary policies and economic conditions, including the Federal Reserve’s interest rate policies, or their impact on our financial performance. Adverse conditions in the economic environment could also lead to a potential decline in deposits and demand for loans.

Volatility in capital and credit markets could adversely affect our business.

The capital and credit markets have experienced volatility and disruption in recent years. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers’ underlying financial strength. If market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition and results of operations.

Reputational risk may impact our results.

Our ability to originate and maintain accounts is highly dependent upon customer and other external perceptions of our business practices and/or our financial health. Adverse perceptions regarding our business practices and/or our financial health could damage our reputation in both the customer and funding markets, leading to difficulties in generating and maintaining accounts as well as in financing them. Adverse developments with respect to the customer or other external perceptions regarding the practices of our competitors, or our industry as a whole, may also adversely impact our reputation. While we carefully monitor internal and external developments for areas of potential reputational risk and have established governance structures to assist in evaluating such risks in our business practices and decisions, adverse reputational impacts on third parties with whom we have important relationships may also adversely impact our reputation. Adverse impacts on our reputation, or the reputation of our industry, may also result in greater regulatory and/or legislative scrutiny, which may lead to laws, regulations or regulatory actions that may change or constrain the manner in which we engage with our customers and the products and services we offer. Adverse reputational impacts or events may also increase our litigation risk.

Hurricanes or other adverse weather events could negatively affect local economies where we maintain branch offices or cause disruption or damage to our branch office locations, which could have an adverse effect on our business or results of operations.

We have operations in Mississippi, Alabama, Louisiana, Texas and Florida, which include areas susceptible to hurricanes or tropical storms. Such weather conditions can disrupt our operations, result in damage to our branch office locations or negatively affect the local economies in which we operate. We cannot predict whether or to what extent damage caused by future hurricanes, tropical storms or other adverse weather events will affect our operations or the economies in our market areas, but such weather conditions could result in a decline in loan originations and an increase in the risk of delinquencies, foreclosures or loan losses. Our business or results of operations may be adversely affected by these and other negative effects of devastating hurricanes or storms.

We could be required to write down goodwill and other intangible assets.

When we acquire a business, a portion of the purchase price of the acquisition is generally allocated to goodwill and other identifiable intangible assets. The amount of the purchase price that is allocated to goodwill and other intangible assets is determined by the excess of the purchase price over the net identifiable assets acquired. At December 31, 2014, our goodwill and other identifiable intangible assets were $316.0 million. Under current accounting standards, if we determine goodwill or intangible assets are impaired because, for example, the acquired business does not meet projected revenue targets or certain key employees leave, we are required to write down the carrying value of these assets. We conduct a review at least annually to determine whether goodwill is impaired. Our annual goodwill impairment evaluation performed during the fourth quarter of 2014 indicated no impairment of goodwill for our reporting segments. We cannot provide assurance, however, that we will not be required to take an impairment charge in the future. Any impairment charge would have an adverse effect on our shareholders' equity and financial results and could cause a decline in our stock price.

Diversification in types of financial services may adversely affect our financial performance.

As part of our business strategy, we may further diversify our lines of business into areas that are not traditionally associated with the banking business. As a result, we would need to manage the development of new business lines in which we have not previously participated. Each new business line would require the investment of additional capital and the significant involvement of our senior management to develop and integrate the service subsidiaries with our traditional banking operations. We can provide no assurances that we will be able to develop and integrate new services without adversely affecting our financial performance.

Maintaining or increasing our market share may depend upon our ability to adapt our products and services to evolving industry standards and consumer preferences.

Our success depends, in part, on our ability to adapt our products and services as well as our distribution of them to evolving industry standards and consumer preferences. Payment methods have evolved with the advancement of technology, such as consumer use of smart phones and PayPal accounts to pay bills, thereby increasing competitive pressure in the delivery of financial products and services. The development and adoption by us of new technologies could require us to make substantial expenditures to modify our existing products and services. Further, we might not be successful in developing or introducing new products and services, adapting to changing consumer preferences and spending and saving habits, achieving market acceptance or regulatory approval, or sufficiently maintaining and growing a loyal customer base. Our inability to adapt to evolving industry standards and consumer preferences could have an adverse impact on our financial condition and results of operations.

We compete with other financial holding companies, bank holding companies, banks, insurance and financial services companies.

The banking, insurance and financial services businesses are extremely competitive in our service areas in Mississippi, Tennessee, Alabama, Arkansas, Texas, Louisiana, Florida, Missouri and Illinois. We compete, and will continue to compete, with well-established banks, credit unions, insurance agencies and other financial institutions, some of which have significantly greater resources and lending limits. Some of our competitors provide certain services that we do not provide.

We face risks in connection with completed or potential acquisitions.

Historically, we have grown through the acquisition of other financial institutions as well as the development of de novo offices. As appropriate opportunities present themselves, we have pursued and intend to continue to pursue additional acquisitions in the future that we believe are strategic, including possible FDIC-assisted transactions. In

January 2014, we entered into separate definitive merger agreements with each of Ouachita Bancshares Corp. (“Ouachita”), pursuant to which Ouachita will merge with and into us, and Central Community Corporation (“CCC”), pursuant to which CCC will merger with and into us. In its 2014 examination of the Bank’s compliance with the Bank Secrecy Act (“BSA”), the FDIC identified weaknesses in the Bank’s BSA and anti-money laundering program. As previously disclosed, the Federal Reserve Bank of St. Louis has informed us that it will not consider regulatory approval of the proposed mergers (the “Mergers”) with Ouachita and CCC until such time as the Bank takes necessary actions to remediate and resolve the BSA deficiencies identified by the FDIC. As such, we have determined that additional time will be required to obtain regulatory approval of the Mergers and have entered into amendments (the “Amendments”) to our merger agreements with Ouachita and CCC (the “Merger Agreements”), agreeing to extend the Merger Agreements until June 30, 2015 and allowing each of CCC and Ouachita to terminate its Merger Agreement with us on or after February 28, 2015 if we or the Bank do not have an application for regulatory approval of the Merger with CCC and Ouachita, respectively, on file with the FDIC or the Federal Reserve Bank of St. Louis before that date.

The FDIC has requested that the Bank address the subject matter of the BSA deficiencies by entering into a proposed consent order (the “Proposed Order”). Our Board of Directors determined it to be in our best interests to withdraw the applications for regulatory approval of the Mergers, with the expectation that they subsequently be re-filed and commensurate with the Bank’s expectations of being able to satisfy the requirements of the Proposed Order, and the Merger approval applications were subsequently withdrawn. The Mergers will remain subject to receipt of required regulatory approvals and the satisfaction of other closing conditions. We cannot offer any assurances as to the terms, timing and closings of the proposed Mergers with Ouachita and CCC or our ability to undertake and perform those actions which are necessary to comply with the terms of the Proposed Order or remediate and fully resolve all regulatory concerns as described above.

There can be no assurance that we will be able to identify, negotiate, finance or consummate potential acquisitions successfully or, if consummated, integrate such acquisitions with our current business.

Upon completion of an acquisition, we are faced with the challenges of integrating and converting the operations, services, products, personnel and systems of acquired companies into our business, which may divert management's attention from ongoing business operations. The success of our acquisitions is often dependent on the continued employment of key employees of the acquired business. If certain key employees were to leave, we could conclude that the value of an acquired business has decreased and that the related goodwill has been impaired. We cannot assure you that we will be successful in effectively integrating any acquisition into the operations of our business or in retaining key employees. Moreover, there can be no assurance that the anticipated benefits of any acquisition will be realized.

Our growth strategy includes risks that could have an adverse effect on financial performance.

An element of our growth strategy is the acquisition of additional banks (which might include the acquisition of bank assets and liabilities in FDIC-assisted transactions), bank holding companies, financial holding companies, insurance agencies and/or other businesses related to the financial services industry that may complement our organizational structure in order to achieve greater economies of scale. We cannot assure you that appropriate growth opportunities will continue to exist, that we will be able to acquire banks, insurance agencies, bank holding companies and/or financial holding companies that satisfy our criteria or that any such acquisitions will be on terms favorable to us. Further, our growth strategy requires that we continue to hire qualified personnel, while concurrently expanding our managerial and operational infrastructure. We cannot assure you that we will be able to hire and retain qualified personnel or that we will be able to successfully expand our infrastructure to accommodate future acquisitions or growth. As a result of these factors, we may not realize the expected economic benefits associated with our acquisitions. This could have a material adverse effect on our financial performance.

We may experience interruptions or breaches that may affect our information system security.

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems. Third parties with which we do business or that facilitate our business activities could also be sources of operational and informational security risk to us, including from breakdowns or failures of their own systems or capacity constraints.

While we have policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of these information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions or security breaches of these information systems could damage our reputation, result in a loss of customer business, cause us to expend significant additional resources to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations.

We may be adversely affected by the failure of certain third party vendors to perform.

We rely upon certain third party vendors to provide products and services necessary to maintain our day-to-day operations. Accordingly, our operations are exposed to the risk that these vendors might not perform in accordance with applicable contractual arrangements or service level agreements. We maintain a system of policies and procedures designed to monitor vendor risks. While we believe these policies and procedures help to mitigate risk, the failure of an external vendor to perform in accordance with applicable contractual arrangements or service level agreements could be disruptive to our operations, which could have a material adverse effect on our financial condition and results of operations.

We and/or the holders of certain classes of our securities could be adversely affected by unfavorable ratings from rating agencies.

Our ability to access the capital markets is important to our overall funding profile. This access is affected by the ratings assigned by rating agencies to us, certain of our subsidiaries and particular classes of securities we issue. A downgrade to our or our subsidiaries’ credit rating could affect our ability to access the capital markets, increase our borrowing costs and negatively impact our profitability. Additionally, a downgrade of the credit rating of any particular security issued by us or our subsidiaries could negatively affect the ability of the holders of that security to sell the securities and the prices at which any such securities may be sold.

Issuing additional shares of our common stock to acquire other banks, bank holding companies, financial holding companies and/or insurance agencies may result in dilution for existing shareholders and may adversely affect the market price of our stock.

In connection with our growth strategy, we have issued, and may issue in the future, shares of our common stock to acquire additional banks, bank holding companies, financial holding companies, insurance agencies and/or other businesses related to the financial services industry that may compliment our organizational structure. Resales of substantial amounts of common stock in the public market and the potential of such sales could adversely affect the prevailing market price of our common stock and impair our ability to raise additional capital through the sale of equity securities. We usually must pay an acquisition premium above the fair market value of acquired assets for the acquisition of banks, bank holding companies, financial holding companies and insurance agencies. Paying this acquisition premium, in addition to the dilutive effect of issuing additional shares, may also adversely affect the prevailing market price of our common stock.

Anti-takeover provisions may discourage a change of our control.

Our governing documents and certain agreements to which we are a party contain provisions that make a change-in-control difficult to accomplish, and may discourage a potential acquirer. These include a classified or “staggered” board of directors, change-in-control agreements with members of management and supermajority voting requirements. These anti-takeover provisions may have an adverse effect on the market for our common stock.

Securities that we issue, including our common stock, are not FDIC insured.

Securities that we issue, including our common stock, are not savings or deposit accounts or other obligations of any bank and are not insured by the FDIC or any other governmental agency or instrumentality or any private insurer and are subject to investment risk, including the possible loss of your investment.

We may issue debt or equity securities or securities convertible into equity securities, any of which may be senior to our common stock as to distributions and in liquidation, which could negatively affect the value of our common stock.

In the future, we may attempt to increase our capital resources by entering into debt or debt-like financing that is unsecured or secured by all or up to all of our assets, or by issuing additional debt or equity securities, which could include issuances of secured or unsecured commercial paper, medium-term notes, senior notes, subordinated notes, preferred stock or securities convertible into or exchangeable for equity securities. In the event of our liquidation, our lenders and holders of our debt and preferred securities would receive a distribution of our available assets before distributions to the holders of our common stock. Because any decision to incur debt or issue securities in future offerings will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of any such future offerings and debt financings. Further, market conditions could require us to accept less favorable terms for the issuance of our securities in the future.

We are subject to environmental liability risk associated with our lending activities.

A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our business, results of operations and financial condition.

Our earnings could be adversely impacted by incidences of fraud and compliance failures that are not within our direct control.

Financial institutions are inherently exposed to fraud risk. A fraud can be perpetrated by a customer of the Bank, an employee, a vendor or members of the general public. We are most subject to fraud and compliance risk in connection with the origination of loans, automated clearing house transactions, ATM transactions and checking transactions. Our largest fraud risk, associated with the origination of loans, includes the intentional misstatement of information in property appraisals or other underwriting documentation provided to us by third parties. The compliance risk is that loans are not originated in compliance with applicable laws and regulations and our standards. There can be no assurance that we can prevent or detect acts of fraud or violation of law or our compliance standards by the third parties that we deal with. Repeated incidences of fraud or compliance failures could adversely impact the performance of our loan portfolio.

We depend upon key personnel and we may not be able to retain them nor to attract, assimilate and retain highly qualified employees in the future.

Our success depends in significant part upon the continued service of our senior management team and our continuing ability to attract, assimilate and retain highly qualified and skilled managerial, product development, lending, marketing and other personnel. The loss of the services of any members of our senior management or other key personnel or the inability to hire or retain qualified personnel in the future could adversely affect our business, results of operations and financial condition.

Unfavorable results from ongoing stress test analyses conducted at or on the Company and the Bank may adversely affect our ability to retain customers or compete for new business opportunities.

Under final rules associated with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and specifically section 165(i)(2) thereof, the Federal Reserve and other banking regulators require the Company and the Bank to perform, and in turn, the regulators themselves to conduct periodic stress tests and analysis of BancorpSouth to evaluate our ability to absorb losses in various economic and financial scenarios. This stress test analysis uses three economic and financial scenarios generated by the Federal Reserve, including a baseline, adverse and severely adverse scenarios. The regulators may also use, and require companies to use, additional components in the adverse and severely adverse scenarios or additional or more complex scenarios designed to capture salient risks to specific lines of business. The rules also require us to conduct our own periodic stress test analysis to assess the potential impact on the Company, including our consolidated earnings, losses and capital, under each of the economic and financial scenarios used as part of the regulators' stress test analysis. A summary of the results of certain aspects of the Federal Reserve's annual stress analysis is to be released publicly and will contain bank holding company specific information and results. The rules also require us to disclose publicly a summary of the results of our annual stress analyses, and the Bank's annual stress analyses, under the severely adverse scenario.

Although the stress tests are not meant to assess our current condition, and even if we remain stable and well capitalized, we cannot predict the market's or our customers' reaction to the results of these stress tests. Our customers' reactions could limit our ability to attract and retain customers or to effectively compete for new business opportunities.

Additionally, our regulators may require us to raise additional capital or take other actions, or may impose restrictions on our business, based on the results of the stress tests, including requiring revisions or changes to our capital plans. We may not be able to raise additional capital if required to do so, or may not be able to do so on terms favorable to us. Any such capital raises, if required, may also be dilutive to our existing shareholders.

The CFPB is becoming more active in its rulemaking and enforcement activities which could result in enforcement actions, fines, penalties and the inherent reputational risk that results from such actions.

The Dodd-Frank Act established the CFPB, which has extensive regulatory and enforcement powers over consumer financial products and services. Among other regulatory powers, the CFPB has direct supervision and examination authority over banks with more than $10 billion in assets, including the Bank. The CFPB's responsibilities include implementing and enforcing federal consumer financial protection laws, reviewing the business practices of financial services providers for legal compliance, monitoring the marketplace for transparency on behalf of consumers and receiving complaints and questions from consumers about consumer financial products and services. The CFPB also oversees and enforces certain prohibitions on unfair, deceptive or abusive financial acts and practices. The term "abusive" is new and untested, and we cannot predict how it will be enforced.

Pursuant to its authority, in January 2013, the CFPB issued final regulations governing primarily consumer mortgage lending. One rule imposes additional requirements on lenders, including rules designed to require lenders to ensure borrowers' ability to repay their mortgages. The CFPB also finalized a rule applicable to escrow accounts for higher priced mortgage loans and a rule expanding the scope of the high-cost mortgage provision in the Truth in Lending Act. The CFPB also issued final rules implementing provisions of the Dodd-Frank Act that relate to mortgage servicing. In November 2013, the CFPB issued a final rule on integrated mortgage disclosures under the Truth in Lending Act and the Real Estate Settlement Procedures Act, compliance with which is required by August 1, 2015.

In 2014, the CFPB issued a series of inter-related Civil Investigative Demands to the Bank seeking documents and information regarding the Bank's fair lending program. The United States Department of Justice (the "DOJ") also initiated a related investigation of the Bank pursuant to which it has requested the same documents and information. We have voluntarily provided documents and other information to, and are cooperating with each of, the CFPB and the DOJ with regard to these investigations.

The Bank has since received notification from the CFPB that the staff of the CFPB is considering whether to recommend to the CFPB's Office of Enforcement public enforcement action against the Bank and a referral to the DOJ for alleged violations of the Equal Credit Opportunity Act of 1974. We have timely responded to the CFPB as to why the Bank believes that (i) the practices of its fair lending program are lawful, and (ii) the CFPB should not commence enforcement action against the Bank. A copy of the response was also sent to the DOJ.

If the CFPB and/or the DOJ determine to bring public enforcement actions, such actions could include demands for civil money penalties and/or assessments, changes to certain of the Bank's business practices and/or compliance programs, enhanced monitoring and/or customer restitution. The Company and the Bank are unable at this time to determine the terms on which these investigations will be resolved or the timing of such resolution or to estimate reliably the amounts, or range of possible amounts, of any fines, penalties and/or restitution if enforcement action is taken against the Bank. If, however, the CFPB and/or the DOJ do bring public enforcement actions, the resolution of such actions could have a materially adverse effect upon the Company and the Bank's assets, business, cash flows, financial condition, liquidity, prospects and/or results of operations during the period in which any such action would be resolved.

Our framework for managing risks may not be effective in mitigating risk and any resulting loss.

Our risk management framework seeks to mitigate risk and any resulting loss. We have established processes intended to identify, measure, monitor, report and analyze the types of risk to which we are subject, including liquidity, credit, market, interest rate, operational, legal and compliance, and reputational risk. However, as with any risk management framework, there are inherent limitations to our risk management processes and strategies. There may exist, or develop in the future, risks that we have not appropriately anticipated or identified. Also, breakdowns in our risk management framework could have a material adverse effect on its financial condition and results of operations.

The Bank may not be able to satisfy the conditions and obligations of the Consent Order that it consented and agreed to with the Federal Deposit Insurance Corporation and the Mississippi Department of Banking and Consumer Finance.

The Bank is subject to certain conditions and obligations of a Consent Order dated September 4, 2014 (the "Order") that it consented and agreed to with the Federal Deposit Insurance Corporation ("FDIC") and the Mississippi Department of Banking and Consumer Finance ("Mississippi Banking Department") relating to the Bank's Bank Secrecy Act and Anti-Money Laundering Program. The Order requires the Bank to take certain actions, including, without limitation, (i) the creation of a subcommittee of the Board of Directors of the Bank to ensure compliance with the requirements of the Order, (ii) an assessment of the Bank's personnel needs to ensure that an adequate number of qualified staff have been retained for the Bank's BSA Department, (iii) the appointment of a qualified BSA officer, (iv) the development and implementation of a remediation plan to ensure and maintain compliance with the BSA, (v) the development of a system of internal controls that provides for policies and procedures for identifying, evaluating, monitoring and reporting high-risk accounts, suspicious activities, transactions involving non-customers, wire transfer recordkeeping and compliance with the requirements of the Office of Foreign Assets Control, (vi) independent testing on an annual basis for compliance by the Bank with the BSA, (vii) implementation of a training program for management and staff of the Bank on all aspects of the BSA and the Bank's compliance therewith, (viii) the development and implementation of a Look Back Review Plan to review deposit account and transaction activity from June 6, 2013 through May 31, 2014, (ix) the development and implementation of a Customer Due Diligence Program, (x) revise the Bank's BSA/AML Risk Assessment, and (xi) the development and implementation of a written program for monitoring and reporting suspicious activity.

Prior to implementation, certain of these actions are subject to review by, and the approval of, the FDIC and the Mississippi Banking Department. In addition, within forty-five (45) days after the effective date of the Order, the Bank (i) must eliminate or correct all deficiencies identified by the FDIC and (ii) must implement procedures to ensure future compliance with applicable laws and regulations, including the BSA.

Although the Bank has begun implementing corrective actions and expects that it will be able to undertake and implement all other required actions within the time periods specified in the Order, failure to comply with the Order could result in enforcement actions by the FDIC and/or the Mississippi Banking Department that could result in monetary penalties and that could otherwise have a materially adverse effect upon the Company and the Bank's assets, business, cash flows, financial condition, liquidity, prospects and/or results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

The physical properties of the Company are held by its subsidiaries as follows:

a. The Bank - The main office is located at One Mississippi Plaza, 201 South Spring Street in the central business district of Tupelo, Mississippi in a seven-floor, modern, glass, concrete and steel office building owned by the Bank. The Bank occupies approximately 80% of the space, with the remainder leased to various unaffiliated tenants.

The Bank owns 234 of its 253 branch banking facilities. The remaining 19 branch banking facilities are occupied under leases with unexpired terms ranging from one to ten years. The Bank also owns other buildings that provide space for computer operations, lease servicing, mortgage lending, warehouse needs and other general purposes.

Management considers all of the Bank's owned buildings and leased premises to be in good condition.

b.BancorpSouth Insurance Services, Inc. - This wholly-owned subsidiary of the Bank owns five of the 34 offices it occupies. It leases 25 offices that have unexpired terms varying in duration from one to nine years. Four of these locations are in branch banking facilities.

ITEM 3. LEGAL PROCEEDINGS.

The nature of the Company's business ordinarily results in a certain amount of claims, litigation, investigations and legal and administrative cases and proceedings. Although the Company and its subsidiaries have developed policies and procedures to minimize the impact of legal noncompliance and other disputes, and endeavored to provide reasonable insurance coverage, litigation and regulatory actions present an ongoing risk.

The Company and its subsidiaries are engaged in lines of business that are heavily regulated and involve a large volume of financial transactions and potential transactions with numerous customers or applicants. From time to time, borrowers, customers, former employees and other third parties have brought actions against the Company or its subsidiaries, in some cases claiming substantial damages. Financial services companies are subject to the risk of class action litigation and, from time to time, the Company and its subsidiaries are subject to such actions brought against it. Additionally, the Bank is, and management expects it to be, engaged in a number of foreclosure proceedings and other collection actions as part of its lending and leasing collections activities, which, from time to time, have resulted in counterclaims against the Bank. Various legal proceedings have arisen and may arise in the future out of claims against entities to which the Company is a successor as a result of business combinations. The Company's insurance has deductibles, and will likely not cover all such litigation or other proceedings or the costs of defense. The Company and its subsidiaries may also be subject to enforcement actions by federal or state regulators, including the Securities and Exchange Commission, the Federal Reserve, the FDIC, the CFPB, the Department of Justice, state attorneys general and the Mississippi Department of Banking and Consumer Finance.

When and as the Company determines it has meritorious defenses to the claims asserted, it vigorously defends against such claims. The Company will consider settlement of claims when, in management's judgment and in consultation with counsel, it is in the best interests of the Company to do so.

On August 16, 2011, a shareholder filed a putative derivative action purportedly on behalf of the Company in the Circuit Court of Lee County, Mississippi, against certain current and past executive officers and members of the Board of Directors of the Company. The plaintiff in this shareholder derivative lawsuit asserts that the individual defendants violated their fiduciary duties by allegedly issuing materially false and misleading statements regarding the Company's business and financial results. The plaintiff is seeking to recover alleged damages in an unspecified amount and equitable and/or injunctive relief, and attorney's fees. A motion to dismiss filed by the defendants was granted by the Court on January 5, 2015, and the plaintiff filed a notice of appeal of that decision on February 2, 2015. Although it is not possible to predict the ultimate resolution or financial liability with respect to this litigation, management is currently of the opinion that the outcome of this lawsuit will not have a material adverse effect on the Company's business, consolidated financial position or results of operations.

On May 18, 2010, the Bank was named as a defendant in a purported class action lawsuit filed by an Arkansas customer of the Bank in the U.S. District Court for the Northern District of Florida. The suit challenges the manner in which overdraft fees were charged and the policies related to posting order of debit card and ATM transactions. The suit also makes a claim under Arkansas' consumer protection statute. The plaintiff is seeking to recover damages in an unspecified amount and equitable relief. The case was transferred to pending multi-district litigation in the U.S. District Court for the Southern District of Florida wherein an order was entered certifying a class in this case. The consolidated pretrial proceedings in the multi-district litigation court have concluded and the case has been remanded to the U.S. District Court for the Northern District of Florida for further proceedings. There are significant uncertainties involved in any purported class action litigation. Although it is not possible to predict the ultimate resolution or financial liability with respect to this litigation, management is currently of the opinion that the outcome of this lawsuit will not have a material adverse effect on the Company's business, consolidated financial position or results of operations. However, there can be no assurance that an adverse outcome or settlement would not have a material adverse effect on the Company's consolidated results of operations for a given fiscal period.

On July 31, 2014, the Company and its Chief Executive Officer and Chief Financial Officer were named in a purported class-action lawsuit filed in the U.S. District Court for the Middle District of Tennessee on behalf of certain purchasers of the Company's common stock. The complaint has subsequently been amended to add the former President and Chief Operating Officer. The complaint alleges that the defendants made materially false and misleading statements regarding the Company's procedures, systems and process related to certain of its compliance programs. The plaintiff seeks class certification, an unspecified amount of damages and awards of costs and attorneys' fees and such other equitable relief as the Court may deem just and proper. No class has been certified and, at this stage of the lawsuit, management cannot determine the probability of an unfavorable outcome to the Company. Although it is not possible to predict the ultimate resolution or financial liability with respect to this litigation, management is currently of the opinion that the outcome of this lawsuit will not have a material adverse effect on the Company's business, consolidated financial position or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

MARKET FOR COMMON STOCK

The common stock of the Company trades on the New York Stock Exchange under the symbol "BXS." The following table sets forth, for the quarters indicated, the range of sale prices of the Company's common stock as reported on the New York Stock Exchange:

		High	Low
2014	Fourth	$ 23.28	$ 19.22
	Third	25.43	20.11
	Second	25.55	22.16
	First	26.24	22.46
2013	Fourth	$ 25.54	$ 19.64
	Third	20.77	17.76
	Second	18.06	14.72
	First	16.52	14.14

HOLDERS OF RECORD

As of February 19, 2015, there were 7,597 shareholders of record of the Company's common stock.

DIVIDENDS

The Company declared cash dividends each quarter in an aggregate annual amount of $0.25 and $0.12 per share during 2014 and 2013, respectively. Future dividends, if any, will vary depending on the Company's profitability, anticipated capital requirements and applicable federal and state regulations. The Company is further restricted by the Federal Reserve's authority to limit or prohibit the payment of dividends, as outlined in Supervisory Release 09-4 and the FDIC's authority to prohibit the Bank from engaging in business practices that the FDIC considers to be unsafe or unsound, which, depending on the financial condition of the Bank, could include the payment of dividends. There can be no assurance that the Federal Reserve Bank, the FDIC or other regulatory bodies will not limit or prohibit future dividends. See "Item 1. Business – Regulation and Supervision" included herein for more information on restrictions and limitations on the Company's ability to pay dividends.

ISSUER PURCHASES OF EQUITY SECURITIES

The Company made the following purchases of its common stock during the quarter ended December 31, 2014:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share
October 1-October 31	-	$ -
November 1- November 30	-	-
December 1- December 31	1,677	21.41
Total	1,677	

(1) This represents 1,677 shares redeemed from an employee upon retirement during the fourth quarter of 2014 for tax withholding purposes based upon the future vesting of restricted stock.

STOCK PERFORMANCE GRAPH

The graph below compares the annual percentage change in the cumulative total shareholder return on the Company's common stock against the cumulative total return of the S&P 500 Index and the KBW Bank Index for a period of five years. The graph assumes an investment of $100 in the Company's common stock and in each respective index on December 31, 2009 and reinvestment of dividends on the date of payment without commissions. The KBW Bank Index is a modified cap-weighted index consisting of 24 exchange-listed National Market System stocks, representing national money center banks and leading regional institutions. In 2013, the SNL Southeast Bank Index was used; however, the Company no longer subscribes to SNL Southeast Bank Index information. The performance graph represents past performance and should not be considered to be an indication of future performance. The performance comparisons noted in the graph shall not be deemed incorporated by reference by any general statement incorporating by reference this Annual Report on Form 10-K into any filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate this graph by reference, and shall not otherwise be deemed filed under the Securities Act and/or Exchange Act.

	Period Ending					
Index	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14
BancorpSouth, Inc.	100.00	67.99	46.97	61.98	108.35	95.95
S&P 500 Index	100.00	112.78	112.78	127.90	165.76	184.64
KBW Bank Index	100.00	122.24	92.20	120.07	162.16	173.87

Source: Bloomberg LP

ITEM 6. SELECTED FINANCIAL DATA.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Selected Financial Information" for the Selected Financial Data.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

OVERVIEW

The Company is a regional financial holding company with $13.3 billion in assets headquartered in Tupelo, Mississippi. The Company's wholly-owned banking subsidiary has commercial banking operations in Mississippi, Tennessee, Alabama, Arkansas, Texas, Louisiana, Florida, and Missouri. The Bank and its insurance agency subsidiary provide commercial banking, leasing, mortgage origination and servicing, insurance, brokerage and trust services to corporate customers, local governments, individuals and other financial institutions through an extensive network of branches and offices. The Bank's insurance agency subsidiary also operates an office in Illinois.

Management's discussion and analysis provides a narrative discussion of the Company's financial condition and results of operations for the previous three years. For a complete understanding of the following discussion, you should refer to the Consolidated Financial Statements and related Notes presented elsewhere in this Report. Management's discussion and analysis should also be read in conjunction with the risk factors included in Item 1A of this Report. This discussion and analysis is based on reported financial information, and certain amounts for prior years have been reclassified to conform with the current financial statement presentation. The information that follows is provided to enhance comparability of financial information between years and to provide a better understanding of the Company's operations.

As a financial holding company, the financial condition and operating results of the Company are heavily influenced by economic trends nationally and in the specific markets in which the Company's subsidiaries provide financial services. Generally, during recent years, the pressures of the national and regional economic cycle created a difficult operating environment for the financial services industry. The Company was not immune to such pressures and the economic downturn had a negative impact on the Company and its customers in all of the markets that it serves. While this impact was reflected in the Company's credit quality measures during 2010 and 2011, the Company's financial condition improved during 2012 and 2013 and continued to improve during 2014, as reflected by decreases in the allowance for credit losses, net charge-offs, total non-performing loans and leases ("NPLs") and total non-performing assets ("NPAs"). Management believes that the Company is better positioned with respect to overall credit quality as evidenced by the improvement in credit quality metrics at December 31, 2014 compared to December 31, 2013 and December 31, 2012. Management believes, however, that future weakness in the economic environment could adversely affect the strength of the credit quality of the Company's assets overall. Therefore, management will continue to focus on early identification and resolution of any credit issues.

The largest source of the Company's revenue is derived from the operation of its principal operating subsidiary, the Bank. The financial condition and operating results of the Bank are affected by the level and volatility of interest rates on loans, investment securities, deposits and other borrowed funds, and the impact of economic downturns on loan demand, collateral value and creditworthiness of existing borrowers. The financial services industry is highly competitive and heavily regulated. The Company's success depends on its ability to compete aggressively within its markets while maintaining sufficient asset quality and cost controls to generate net income.

The information that follows is provided to enhance comparability of financial information between periods and to provide a better understanding of the Company's operations.

SELECTED FINANCIAL INFORMATION

	At or for the Year Ended December 31,				
	2014	2013	2012	2011	2010
Earnings Summary:	(Dollars in thousands, except per share amounts)				
Interest revenue	$ 450,257	$ 449,507	$ 486,424	$ 537,853	$ 582,762
Interest expense	33,595	50,558	71,833	102,940	141,620
Net interest revenue	416,662	398,949	414,591	434,913	441,142
Provision for credit losses	-	7,500	28,000	130,081	204,016
Net interest revenue, after provision for credit losses	416,662	391,449	386,591	304,832	237,126
Noninterest revenue	269,146	275,066	280,149	270,845	264,144
Noninterest expense	518,406	534,849	549,193	533,633	487,033
Income before income taxes	167,402	131,666	117,547	42,044	14,237
Income tax expense (benefit)	50,652	37,551	33,252	4,475	(8,705)
Net income	$ 116,750	$ 94,115	$ 84,295	$ 37,569	$ 22,942
Balance Sheet - Year-End Balances:					
Total assets	$ 13,326,369	$ 13,029,733	$ 13,397,198	$ 12,995,851	$ 13,615,010
Total securities	2,156,927	2,466,989	2,434,032	2,513,518	2,709,081
Loans and leases, net of unearned income	9,712,936	8,958,015	8,636,989	8,870,311	9,333,107
Total deposits	10,972,339	10,773,836	11,088,146	10,955,189	11,490,021
Long-term debt	78,148	81,714	33,500	33,500	110,000
Total shareholders' equity	1,606,059	1,513,130	1,449,052	1,262,912	1,222,244
Balance Sheet - Average Balances:					
Total assets	13,034,800	13,068,568	13,067,276	13,280,047	13,304,836
Total securities	2,323,695	2,561,918	2,490,898	2,620,404	2,157,096
Loans and leases, net of unearned income	9,308,680	8,671,441	8,719,399	9,159,431	9,621,529
Total deposits	10,734,843	10,877,366	10,936,694	11,251,406	11,107,445
Long-term debt	83,189	53,050	33,500	66,673	111,547
Total shareholders' equity	1,581,870	1,478,429	1,413,667	1,240,768	1,241,321
Common Share Data:					
Basic earnings per share	$ 1.22	$ 0.99	$ 0.90	$ 0.45	$ 0.28
Diluted earnings per share	1.21	0.99	0.90	0.45	0.27

Cash dividends per share	0.25	0.12	0.04	0.14	0.88
Book value per share	16.69	15.89	15.33	15.13	14.64
Tangible book value per share	13.40	12.60	12.23	11.68	11.17
Dividend payout ratio	20.61	12.12	4.44	31.11	314.29
Financial Ratios:					
Return on average assets	0.90%	0.72%	0.65%	0.28%	0.17%
Return on average shareholders' equity	7.38%	6.37%	5.96%	3.03%	1.85%
Total shareholders' equity to total assets	12.05%	11.61%	10.82%	9.72%	8.98%
Tangible shareholders' equity to tangible assets	9.92%	9.44%	8.83%	7.67%	7.00%
Net interest margin-fully taxable equivalent	3.59%	3.43%	3.57%	3.69%	3.70%
Credit Quality Ratios:					
Net charge-offs to average loans and leases	0.12%	0.22%	0.67%	1.44%	1.90%
Provision for credit losses to average loans and leases	0.00%	0.09%	0.32%	1.42%	2.12%
Allowance for credit losses to net loans and leases	1.47%	1.71%	1.90%	2.20%	2.11%
Allowance for credit losses to NPLs	198.57%	127.27%	70.42%	60.55%	49.93%
Allowance for credit losses to NPAs	134.74%	80.76%	48.83%	39.33%	37.31%
NPLs to net loans and leases	0.74%	1.34%	2.70%	3.63%	4.23%
NPAs to net loans and leases	1.09%	2.12%	3.90%	5.59%	5.65%
Capital Ratios:					
Tier 1 capital	13.27%	12.99%	13.77%	11.77%	10.61%
Total capital	14.52%	14.25%	15.03%	13.03%	11.87%
Tier 1 leverage capital	10.55%	9.93%	10.25%	8.85%	8.07%

In addition to financial ratios based on measures defined by U.S. GAAP, the Company utilizes tangible shareholders' equity, tangible asset and tangible book value per share measures when evaluating the performance of the Company. Tangible shareholders' equity is defined by the Company as total shareholders' equity less goodwill and identifiable intangible assets. Tangible assets are defined by the Company as total assets less goodwill and identifiable intangible assets. Management believes the ratio of tangible shareholders' equity to tangible assets to be important to investors who are interested in evaluating the adequacy of the Company's capital levels. Tangible book value per share is defined by the Company as tangible shareholders' equity divided by total common shares outstanding. Management believes that tangible book value per share is important to investors who are interested in changes from period to period in book value per share exclusive of changes in intangible assets. The following table reconciles tangible assets and tangible shareholders' equity as presented above to U.S. GAAP financial measures as reflected in the Company's consolidated financial statements:

	December 31, 2014 (In thousands)	2013	2012	2011	2010
Tangible Assets:					
Total assets	$ 13,326,369	$ 13,029,733	$ 13,397,198	$ 12,995,851	$ 13,615,010
Less: Goodwill	291,498	286,800	275,173	271,297	270,097
Identifiable intangible assets	24,508	26,079	17,329	16,613	19,624
Total tangible assets	$ 13,010,363	$ 12,716,854	$ 13,104,696	$ 12,707,941	$ 13,325,289
Tangible Shareholders' Equity:					
Total shareholders' equity	$ 1,606,059	$ 1,513,130	$ 1,449,052	$ 1,262,912	$ 1,222,244
Less: Goodwill	291,498	286,800	275,173	271,297	270,097
Identifiable intangible assets	24,508	26,079	17,329	16,613	19,624
Total tangible shareholders' equity	$ 1,290,053	$ 1,200,251	$ 1,156,550	$ 975,002	$ 932,523
Total shares outstanding	96,254,903	95,231,691	94,549,867	83,483,796	83,481,737
Tangible shareholders' equity to tangible assets	9.92%	9.44%	8.83%	7.67%	7.00%
Tangible book value per share	$ 13.40	$ 12.60	$ 12.23	$ 11.68	$ 11.17

FINANCIAL HIGHLIGHTS

The Company reported net income of $116.8 million for 2014 compared to $94.1 million for 2013 and $84.3 million for 2012. The decreased provision for credit losses was one factor contributing to the increase in earnings in both 2014 compared to 2013 and 2013 compared to 2012, as there was no provision in 2014 compared to $7.5 million in 2013 and $28.0 million in 2012. Net charge-offs decreased to $10.8 million, or 0.12% of average loans and leases, in 2014 from $18.7 million, or 0.22% of average loans and leases, in 2013 and $58.7 million, or 0.67% of average loans and leases, in 2012. The decrease in the provision for credit losses from 2013 to 2014 and from 2012 to 2013 also reflected the impact of decreases in NPL formation during both 2014 and 2013, as NPLs decreased to $71.7 million at December 31, 2014 after having decreased to $120.4 million at December 31, 2013 from $233.6 million at December 31, 2012. During 2014, the Company continued its focus on improving credit quality and reducing NPLs, especially in the real estate construction, acquisition and development loan portfolio, as evidenced by the decrease in that portfolio's nonaccrual loans of $13.4 million, or 76.3%, to $4.2 million at December 31, 2014 from $17.6 million at December 31, 2013. Another factor contributing to the increase in net income in 2014 compared to 2013 was the increase in net interest revenue, as net interest revenue was $416.7 million in 2014 compared to 398.9 million in 2013. The increase in net interest revenue in 2014 compared to 2013 is a result of the large decrease in interest expense associated with interest-bearing liabilities.

The primary source of revenue for the Company is net interest revenue earned by the Bank. Net interest revenue is the difference between interest earned on loans, investments and other earning assets and interest paid on deposits and other obligations. Net interest revenue for 2014 was $416.7 million, compared to $398.9 million for 2013 and $414.6 million for 2012. Net interest revenue is affected by the general level of interest rates, changes in interest rates and changes in the amount and composition of interest earning assets and interest bearing liabilities. One of the Company's long-term objectives is to manage those assets and liabilities to maximize net interest revenue, while balancing interest rate, credit, liquidity and capital risks. The 4.4% increase in net interest revenue in 2014 compared to 2013 was a result of the decrease in interest expense as the rates paid on interest bearing liabilities declined by 18 basis points while the average rates paid on interest earning assets remained relatively stable. Rates paid on interest bearing liabilities decreased as a result of reduced average balances and rates on interest bearing demand and other time deposits, as well as the reduction in the average balance and rate on junior subordinated debt resulting from the redemption of 8.15% trust preferred securities in the third quarter of 2013.

The Company attempts to diversify its revenue stream by increasing the amount of revenue received from mortgage lending operations, insurance agency activities, brokerage and securities activities and other activities that generate fee income. Management believes this diversification is important to reduce the impact of fluctuations in net interest revenue on the overall operating results of the Company. Noninterest revenue for 2014 was $269.1 million, compared to $275.1 million for 2013 and $280.1 million for 2012. One of the primary contributors to the decrease in noninterest revenue from 2013 to 2014 was the decrease in mortgage lending revenue to $22.7 million in 2014 compared to $45.0 million in 2013. The decrease in mortgage lending revenue in 2014 compared to 2013 was primarily affected by the change in fair value of Mortgage servicing rights ("MSRs"). The fair value of MSRs decreased $6.4 million in 2014 compared to a increase of $8.9 million in 2013. The decrease in mortgage lending revenue was also related to the decrease in mortgage originations. Mortgage origination volume decreased by approximately $375 million in 2014 to $1.1 billion from $1.4 billion in 2013. The decreased level of mortgage origination volume resulted in a decrease in origination revenue to $18.4 million in 2014 from $26.1 million in 2013.

Deposit service charges also decreased 4.3% in 2014 compared to 2013 as a result of modifications made on the calculation and assessment of overdraft fees during 2014 and decreased 7.0% in 2013 compared to 2012 as a result of a decrease in insufficient fund fees and a lower volume of items processed. Changes in banking regulations and, in particular, the Federal Reserve's rules pertaining to certain overdraft payments on consumer accounts and the FDIC's Overdraft Payment Programs and Consumer Protection Final Overdraft Payment Supervisory Guidance, resulted in the continued decreases in insufficient fund fees. While mortgage lending revenue and deposit service charges decreased in 2014 compared to 2013, insurance commissions increased 17.5% to $114.8 million in 2014 from $97.7 million in 2013 after increasing 8.4% from $90.1 million in 2012. The increase in insurance commissions was a result of new policies and growth from existing customers coupled with the revenue contributed by the acquisition of certain assets of The Securance Group, Inc. in July 2012, GEM in December 2013 and Knox in April 2014.

Noninterest expense for 2014 was $518.4 million, a decrease of 3.1% from $534.8 million for 2013, which was a decrease of 2.6% from $549.2 million for 2012. The decrease in noninterest expense in 2014 compared to 2013 was primarily a result of decreases in deposit insurance assessments, voluntary early retirement opportunity, write-off and amortization of bond issue costs, and legal expenses. Deposit insurance assessments decreased $3.6 million, or 30.3%, in 2014 compared to 2013 and decreased $4.7 million, or 28.7%, in 2013 compared to 2012 as a result of improvement evidenced in various variables utilized by the FDIC in calculating the deposit insurance assessment. The decrease in voluntary early retirement opportunity expense in 2014 was a result of a pre-tax charge of $10.9 million that was recorded during the second quarter of 2013 related to additional benefits offered under the voluntary early retirement program. The decrease in write-off and amortization of bond issue costs was a pre-tax charge of $2.9 million that was recorded during the third quarter of 2013 to write-off unamortized issuance costs related to the redemption of 8.15% trust preferred securities in the third quarter of 2013. No such voluntary early retirement program or redemption and resulting write-off of unamortized issuance costs were recorded in 2014. Legal expenses decreased $10.6 million, or 51.9%, in 2014 compared to 2013 as a result of a charge of $10.7 million to legal expense during 2013 that was recorded to increase the litigation accrual related to various legal matters after increasing $11.1 million, or 118.8% in 2013 compared to 2012. The decrease in noninterest expense in 2014 compared to 2013 was somewhat offset by the increase in foreclosed property expense. Foreclosed property expense increased $5.3 million, or 45.6%, to $17.1 million in 2014 compared to $11.7 million in 2013 primarily as a result of the Company experiencing greater losses on the sale and higher writedowns of OREO. Income tax expense increased in 2014 and 2013 primarily as a result of the increase in pre-tax income in 2014 compared to 2013 and in 2013 compared to 2012. The major components of net income are discussed in more detail in the various sections that follow.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company’s consolidated financial statements are prepared in accordance with U.S. GAAP, which require the Company to make estimates and assumptions (see Note 1 to the Company’s Consolidated Financial Statements included elsewhere in this Report). Management believes that its determination of the allowance for credit losses, valuation of OREO, the annual goodwill impairment assessment, the assessment for other-than-temporary impairment of securities, the valuation of MSRs and the estimation of pension and other postretirement benefit amounts involve a higher degree of judgment and complexity than the Company's other significant accounting policies. Further, these estimates can be materially impacted by changes in market conditions or the actual or perceived financial condition of the Company's borrowers, subjecting the Company to significant volatility of earnings.

Allowance for Credit Losses

The allowance for credit losses is established through the provision for credit losses, which is a charge against earnings. Provisions for credit losses are made to reserve for estimated probable losses on loans and leases. The allowance for credit losses is a significant estimate and is regularly evaluated by the Company for adequacy by taking into consideration factors such as changes in the nature and volume of the loan and lease portfolio; trends in actual and forecasted portfolio credit quality, including delinquency, charge-off and bankruptcy rates; and current economic conditions that may affect a borrower's ability to pay. In determining an adequate allowance for credit losses, management makes numerous assumptions, estimates and assessments. The use of different estimates or assumptions could produce different provisions for credit losses. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Provision for Credit Losses and Allowance for Credit Losses" included herein for more information. At December 31, 2014, the allowance for credit losses was $142.4 million, representing 1.47% of total loans and leases, net of unearned income.

Other Real Estate Owned

OREO, consisting of assets that have been acquired through foreclosure or in satisfaction of loans, is carried at the lower of cost or fair value, less estimated selling costs. Fair value is based on independent appraisals and other relevant factors. OREO is revalued on an annual basis or more often if market conditions necessitate. Valuation adjustments required at foreclosure are charged to the allowance for credit losses. Subsequent valuation adjustments on the periodic revaluation of the property are charged to net income as noninterest expense. Significant judgments and complex estimates are required in estimating the fair value of OREO, and the period of time within which such estimates can be considered current is significantly shortened during periods of market volatility, as experienced in prior years. As a result, the net proceeds realized from sales transactions could differ significantly from appraisals, comparable sales, and other estimates used to determine the fair value of OREO.

Goodwill

The Company's policy is to assess goodwill for impairment at the reporting segment level on an annual basis or sooner if an event occurs or circumstances change which indicate that the fair value of a reporting segment is below its carrying amount. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. Accounting standards require management to estimate the fair value of each reporting segment in assessing impairment at least annually. The Company's annual assessment date is during the Company's fourth quarter. The Company performed a qualitative assessment of whether it was more likely than not that a reporting segment's fair value was less than its carrying value during the fourth quarter of 2014. Based on this assessment, it was determined that the Company's reporting segments' fair value exceeded their carrying value. Therefore, the two-step quantitative goodwill impairment test was not deemed necessary and no goodwill impairment was recorded during 2014.

In the current environment, forecasting cash flows, credit losses and growth in addition to valuing the Company's assets with any degree of assurance is very difficult and subject to significant changes over very short periods of time. Management will continue to update its analysis as circumstances change. If market conditions continue to be volatile and unpredictable, impairment of goodwill related to the Company’s reporting segments may be necessary in future periods. Goodwill was $291.5 million at December 31, 2014.

Assessment for Other-Than-Temporary Impairment of Securities

Securities are evaluated periodically to determine whether a decline in their value is other-than-temporary. The term “other-than-temporary” is not intended to indicate a permanent decline in value. Rather, it means that the prospects for near-term recovery of value are not necessarily favorable. Management reviews criteria such as the magnitude and duration of the decline, as well as the reasons for the decline, and whether the Company would be required to sell the securities before a full recovery of costs in order to predict whether the loss in value is other-than-temporary. Once a decline in value is determined to be other-than-temporary, the impairment is separated into (a) the amount of the impairment related to the credit loss and (b) the amount of the impairment related to all other factors. The value of the security is reduced by the other-than-temporary impairment with the amount of the impairment related to credit loss recognized as a charge to earnings and the amount of the impairment related to all other factors recognized in other comprehensive income.

Mortgage Servicing Rights

The Company recognizes as assets the rights to service mortgage loans for others, known as MSRs. The Company records MSRs at fair value on a recurring basis with subsequent remeasurement of MSRs based on change in fair value in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 860, Transfers and Servicing ("FASB ASC 860"). An estimate of the fair value of the Company's MSRs is determined utilizing assumptions about factors such as mortgage interest rates, discount rates, mortgage loan prepayment speeds, market trends and industry demand. Because the valuation is determined by using discounted cash flow models, the primary risk inherent in valuing the MSRs is the impact of fluctuating interest rates on the estimated life of the servicing revenue stream. The use of different estimates or assumptions could also produce different fair values. The Company does not hedge the change in fair value of MSRs and, therefore, the Company is susceptible to significant fluctuations in the fair value of its MSRs in changing interest rate environments. At December 31, 2014, the Company's mortgage servicing asset was valued at $51.3 million.

Pension and Postretirement Benefits

Accounting for pension and other postretirement benefit amounts is another area where the accounting guidance requires management to make various assumptions in order to appropriately value any related asset or liability. Estimates that the Company makes to determine pension-related assets and liabilities include actuarial assumptions, expected long-term rate of return on plan assets, rate of compensation increase for participants and discount rate. Estimates that the Company makes to determine asset and liability amounts for other postretirement benefits include actuarial assumptions and a discount rate. Changes in these estimates could impact earnings. For example, lower expected long-term rates of return on plan assets could negatively impact earnings, as would lower estimated discount rates or higher rates of compensation increase. In estimating the projected benefit obligation, actuaries must make assumptions about such factors as mortality rate, turnover rate, retirement rate, disability rate and the rate of compensation increases. The Company accounts for the over-funded or under-funded status of its defined benefit and postretirement plans as an asset or liability in its consolidated balance sheets and recognizes changes in that funded status in the year in which the changes occur through comprehensive income as required by FASB ASC 715, Compensation – Retirement Benefits ("FASB ASC 715"). In accordance with FASB ASC 715, the Company calculates the expected return on plan assets each year based on the balance in the pension asset portfolio at the beginning of the year and the expected long-term rate of return on that portfolio. In determining the reasonableness of the expected rate of return, the Company considers a variety of factors including the actual return earned on plan assets, historical rates of return on the various asset classes of which the plan portfolio is comprised and current/prospective capital market conditions and economic forecasts. The Company used an expected rate of return of 5.5% on plan assets for 2014. The discount rate is the rate used to determine the present value of the Company's future benefit obligations for its pension and other postretirement benefit plans. The Company determines the discount rate to be used to discount plan liabilities at the measurement date with the assistance of its actuary using the actuary's proprietary model. The Company developed a level equivalent yield using its actuary's model as of December 30, 2014 and the expected cash flows from the BancorpSouth, Inc. Retirement Plan (the "Basic Plan"), the BancorpSouth, Inc. Restoration Plan (the "Restoration Plan") and the BancorpSouth, Inc. Supplemental Executive Retirement Plan (the "Supplemental Plan"). Based on this analysis, the Company established its discount rate assumptions for determination of the projected benefit obligation at 4.10% for the Basic Plan, 3.90% for the Restoration Plan and 3.10% for the Supplemental Plan based on a December 31, 2014 measurement date.

The Company measured benefit obligations using the most recent RP-2014 mortality tables and MP-2014 mortality improvement scale in selecting mortality assumptions as of December 31, 2014.

RESULTS OF OPERATIONS

Net Interest Revenue

Net interest revenue is the difference between interest revenue earned on assets, such as loans, leases and securities, and interest expense paid on liabilities, such as deposits and borrowings, and continues to provide the Company with its principal source of revenue. Net interest revenue is affected by the general level of interest rates, changes in interest rates and changes in the amount and composition of interest earning assets and interest bearing liabilities. One of the Company's long-term objectives is to manage interest earning assets and interest bearing liabilities to maximize net interest revenue, while balancing interest rate, credit and liquidity risk. Net interest margin is determined by dividing fully taxable equivalent net interest revenue by average earning assets. For purposes of the following discussion, revenue from tax-exempt loans and investment securities has been adjusted to a fully taxable equivalent ("FTE") basis, using an effective tax rate of 35%.

The following table presents average interest earning assets, average interest bearing liabilities, net interest revenue-FTE, net interest margin-FTE and net interest rate spread for the three years ended December 31, 2014:

	2014			2013			2012
(Taxable equivalent basis)	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance
ASSETS	(Dollars in thousands, yields on taxable equivalent basis)						
Loans and leases (net of unearned income) (1)(2)	$ 9,308,680	$ 408,000	4.38%	$ 8,671,441	$ 399,738	4.61%	$ 8,719,399
Loans held for sale	77,401	2,949	3.81%	77,984	2,539	3.26%	91,215
Available-for-sale securities:							
Taxable (3)	1,913,314	27,755	1.45%	2,129,615	33,286	1.56%	2,035,628
Non-taxable (4)	410,381	22,249	5.42%	432,304	23,918	5.53%	455,270
Federal funds sold, securities purchased under agreement to resell and short-term investments	219,239	532	0.24%	670,170	1,694	0.25%	659,459
Total interest earning assets and revenue	11,929,015	461,485	3.87%	11,981,514	461,175	3.85%	11,960,971
Other assets	1,254,184			1,247,897			1,290,436
Less: allowance for credit losses	(148,399)			(160,843)			(184,131)
Total	$ 13,034,800			$ 13,068,568			$ 13,067,276
LIABILITIES AND SHAREHOLDERS' EQUITY							
Deposits:							
Demand - interest bearing	$ 4,561,738	$ 7,851	0.17%	$ 4,651,841	$ 9,645	0.21%	$ 4,784,011
Savings	1,297,407	1,614	0.12%	1,205,980	1,705	0.14%	1,078,302
Other time	2,141,122	20,675	0.97%	2,467,611	29,729	1.20%	2,773,953
Federal funds purchased, securities sold under							

agreement to repurchase, short-term FHLB and other borrowings	444,263	333	0.07%	418,168	294	0.07%	382,167
Junior subordinated debt securities	23,334	659	2.82%	109,119	7,376	6.76%	160,312
Long-term debt	83,189	2,463	2.96%	53,050	1,809	3.41%	33,500
Total interest bearing liabilities and expense	8,551,053	33,595	0.39%	8,905,769	50,558	0.57%	9,212,245
Demand deposits - noninterest bearing	2,734,576			2,551,934			2,300,428
Other liabilities	167,301			132,436			140,936
Total liabilities	11,452,930			11,590,139			11,653,609
Shareholders' equity	1,581,870			1,478,429			1,413,667
Total	$ 13,034,800			$ 13,068,568			$ 13,067,276
Net interest revenue-FTE		$ 427,890			$ 410,617		
Net interest margin-FTE			3.59%			3.43%	
Net interest rate spread			3.48%			3.28%	
Interest bearing liabilities to interest earning assets			71.68%			74.33%	

(1) Includes taxable equivalent adjustment to interest of approximately $3,441,000, $3,297,000, and $3,387,000 in 2014, 2013 respectively, using an effective tax rate of 35%.

(2) Non-accrual loans are included in Loans and leases (net of unearned income).

(3) Includes taxable equivalent adjustment to interest of approximately $441,000 in 2012 using an effective tax rate of 35%.

(4) Includes taxable equivalent adjustment to interest of approximately $7,787,000, $8,371,000, and $8,969,000 in 2014, 2013 respectively, using an effective tax rate of 35%.

Net interest revenue-FTE increased 4.2% to $427.9 million in 2014 from $410.6 million in 2013, which represented a decrease of 3.9% from $427.4 million in 2012. The increase in net interest revenue-FTE for 2014 compared to 2013 was a result of the decrease in average rates paid on interest-bearing liabilities of 18 basis points compared to an increase in average rates paid on interest earning assets of 2 basis points. The slight increase in earning asset yields is a result of the decrease in average lower yielding short term investments coupled with growth in loans during 2014. Yields on interest-bearing liabilities decreased as a result of rate and average balance decreases in virtually all interest-bearing liability categories, but especially in junior subordinated debt as a result of the redemption of the 8.15% trust preferred securities. The decrease in net interest revenue-FTE for 2013 compared to 2012 was a result of the increase in average short-term investments combined with declining loan yields and lack of substantial loan growth during 2013, as short-term investments had lower average rates earned than the average rates paid on interest bearing liabilities. The decrease in net interest revenue–FTE was somewhat offset by the decrease in higher rate average demand and other time deposits, as well as a decrease in rates paid on junior subordinated debt resulting from the redemption of 8.15% trust preferred securities in the third quarter of 2013.

Interest revenue-FTE increased 0.1% to $461.5 million in 2014 from $461.2 million in 2013, which represented a decrease of 7.6% from $499.2 million in 2012. The increase in interest revenue-FTE in 2014 was a result of the declining loan yields, as interest rates continued to be at historically low levels, being more than offset by loan growth noticed during 2014 combined with the decrease in lower rate average short term investments. The yield on average interest-earning assets increased 2 basis points in 2014 compared to 2013. The decrease in interest revenue-FTE in 2013 was primarily a result of the declining loan yields on increased net loans and leases, as interest rates were at historically low levels with the 2013 decrease also impacted by increased lower rate securities and short-term investments, resulting in an overall decrease in the yield on average interest earning assets of 68 basis points during 2013. Average interest earning assets remained relatively stable at $11.9 billion in 2014 compared to $12.0 billion in 2013 and 2012.

Interest expense decreased 33.6% to $33.6 million in 2014 from $50.6 million in 2013, which represented a decrease of 29.6% from $71.8 million in 2012. The decrease in interest expense during 2014 was a result of the decrease in average interest bearing and other time deposits and their corresponding rates. Also, 8.15% trust preferred securities were redeemed during the third quarter of 2013 resulting in a decrease in interest expense related to junior subordinated debt securities, as well as in the rates paid on those securities. This combined activity resulted in an overall decrease in the average rate paid of 18 basis points in 2014 compared to 2013. The decrease in interest expense during 2013 was a result of the increase in average lower cost savings deposits and a decrease in interest bearing and other time deposits and their corresponding rates, as well as a decrease in rates paid on junior subordinated debt resulting from the redemption of 8.15% trust preferred securities in the third quarter of 2013, resulting in an overall decrease in the average rate paid of 21 basis points. Average interest bearing liabilities decreased $354.7 million, or 4.0%, to $8.6 billion in 2014 after decreasing $306.5 million, or 3.3%, to $8.9 billion in 2013. The decrease in average interest bearing liabilities in 2014 compared to 2013 and in 2013 compared to 2012 was a result of increases in average lower cost savings deposits being more than offset by decreases in average interest bearing demand deposits, other time deposits and junior subordinated debt securities.

Net interest margin-FTE for 2014 was 3.59%, an increase of 16 basis points from 3.43% for 2013, which represented a decrease of 14 basis points from 3.57% for 2012. The increase in the net interest margin-FTE for 2014 was due to the yield on earning assets increasing by 2 basis points compared to a decline in the yield on interest-bearing liabilities of 18 basis points coupled with average earning assets remaining stable in 2014 while average interest-bearing liabilities decreased. The slight increase in the earning asset yield was primarily a result of the lower yielding short-term investments being used to fund loan growth at rates higher than those noticed on the short-term investments while the decrease in average rates paid on interest bearing liabilities was related to decreases in interest bearing and other time deposits and junior subordinated debt and their corresponding rates. The decrease in the net interest margin-FTE for 2013 was attributable to the yield on earning assets declining by a greater amount than that of interest-bearing liabilities, with the decline in earning asset yield primarily a result of the increase in the average balance of short-term investments, the lowest yielding asset.

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	2014 over 2013 - Increase (Decrease)			2013 over 2012 - Increase (Decrease)		
(Taxable equivalent basis)	Volume	Rate	Total	Volume	Rate	Total
INTEREST REVENUE	(In thousands)					
Loans and leases, net of unearned income	$ 27,930	$ (19,668)	$ 8,262	$ 10,893	$ (40,153)	$ (29,260)
Loans held for sale	(22)	432	410	319	(813)	(494)
Available-for-sale securities:						
Taxable	(3,138)	(2,393)	(5,531)	15,616	(22,179)	(6,563)
Non-taxable	(1,189)	(480)	(1,669)	1,471	(3,180)	(1,709)
Federal funds sold, securities purchased under agreement to resell and short-term investments	(1,094)	(68)	(1,162)	159	(179)	(20)
Total increase (decrease)	22,487	(22,177)	- 310	- 28,458	(66,504)	- (38,046)
INTEREST EXPENSE						
Demand deposits - interest bearing	(155)	(1,639)	(1,794)	(274)	(6,192)	(6,466)
Savings deposits	114	(205)	(91)	181	(1,173)	(992)
Other time deposits	(3,153)	(5,901)	(9,054)	(3,691)	(6,377)	(10,068)
Federal funds purchased, securities sold under agreement to repurchase, short-term FHLB and other borrowings	20	19	39	25	(61)	(36)
Junior subordinated debt securities	(2,423)	(4,294)	(6,717)	(3,460)	(666)	(4,126)
Long-term debt	892	(238)	654	667	(254)	413
Total decrease	(4,705)	(12,258)	(16,963)	(6,552)	(14,723)	(21,275)
Total net increase (decrease)	$ 27,192	$ (9,919)	$ 17,273	$ 35,010	$ (51,781)	$ (16,771)

Interest Rate Sensitivity

The interest rate sensitivity gap is the difference between the maturity or repricing opportunities of interest sensitive assets and interest sensitive liabilities for a given period of time. A prime objective of asset/liability management is to maximize net interest margin while maintaining a reasonable mix of interest sensitive assets and liabilities.

The following table presents the Company's interest rate sensitivity at December 31, 2014:

	Interest Rate Sensitivity - Maturing or Repricing			
	0 to 90 Days	91 Days to One Year	Over One Year to Five Years	Over Five Years
	(In thousands)			
INTEREST EARNING ASSETS:				
Interest bearing deposits with banks	$ 153,019	$ -	$ -	$ -
Available-for-sale securities	134,771	365,467	1,403,817	252,872
Loans and leases, net of unearned income	3,234,752	1,650,043	3,986,783	841,358
Loans held for sale	141,015	-	-	-
Total interest earning assets	3,663,557	2,015,510	5,390,600	1,094,230
INTEREST BEARING LIABILITIES:				
Interest bearing demand and savings deposits	6,200,017	-	-	-
Other time deposits	361,118	830,649	784,558	17,311
Federal funds purchased, securities sold under agreement to repurchase, short-term FHLB borrowings and other short-term borrowings	390,166	1,500	-	-
Long-term debt and junior subordinated debt securities	-	-	78,148	23,198
Other	-	25	-	-
Total interest bearing liabilities	6,951,301	832,174	862,706	40,509
Interest rate sensitivity gap	$ (3,287,744)	$ 1,183,336	$ 4,527,894	$ 1,053,721
Cumulative interest sensitivity gap	$ (3,287,744)	$ (2,104,408)	$ 2,423,486	$ 3,477,207

In the event interest rates increase after December 31, 2014, based on this interest rate sensitivity gap, the Company could experience decreased net interest revenue in the following one-year period, as the cost of funds could increase at a more rapid rate than interest revenue on interest earning assets. However, the Company's historical repricing sensitivity on interest bearing demand deposits and savings suggests that these deposits, while having the ability to reprice in conjunction with rising market rates, often exhibit less repricing sensitivity to a change in market rates, thereby somewhat reducing the exposure to rising interest rates. In the event interest rates decline after December 31, 2014, based on this interest rate sensitivity gap, it is possible that the Company could experience slightly increased net interest revenue in the following one-year period. However, any potential benefit to net interest revenue in a falling rate environment is mitigated by implied rate floors on interest bearing demand deposits and savings resulting from the historically low interest rate environment. It should be noted that the balances shown in the table above are at December 31, 2014 and may not be reflective of positions at other times during the year or in subsequent periods. Allocations to specific interest rate sensitivity periods are based on the earlier of maturity or repricing dates. The elevated liability sensitivity in the 0 to 90 day category as compared to other categories was primarily a result of the Company's utilization of shorter term, lower cost deposits to fund earning assets.

As of December 31, 2014, the Bank had $2.3 billion in variable rate loans with interest rates determined by a floor, or minimum rate. This portion of the loan portfolio had an average interest rate earned of 4.15%, an average maturity of 104 months and a fully-indexed interest rate of 3.85% at December 31, 2014. The fully-indexed interest rate is the interest rate that these loans would be earning without the effect of interest rate floors. While the Bank benefits from interest rate floors in the current interest rate environment, loans currently earning their floored interest rate may not experience an immediate impact on the interest rate earned should key indices rise. Key indices include, but are not limited to, the Bank's prime rate, the Wall Street Journal prime rate and the London Interbank Offering Rate. At December 31, 2014, the Company had $633.4 million, $2.0 billion and $614.7 million in variable rate loans with interest rates tied to the Bank's prime rate, the Wall Street Journal prime rate and the London Interbank Offering Rate, respectively. The Bank's net interest margin may be negatively impacted by the timing and magnitude of a rise in key indices.

Interest Rate Risk Management

Interest rate risk refers to the potential changes in net interest income and Economic Value of Equity (“EVE”) resulting from adverse movements in interest rates. EVE is defined as the net present value of the balance sheet’s cash flow. EVE is calculated by discounting projected principal and interest cash flows under the current interest rate environment. The present value of asset cash flows less the present value of liability cash flows derives the net present value of the Company’s balance sheet. The Company’s Asset / Liability Committee utilizes financial simulation models to measure interest rate exposure. These models are designed to simulate the cash flow and accrual characteristics of the Company’s balance sheet. In addition, the models incorporate assumptions about the direction and volatility of interest rates, the slope of the yield curve, and the changing composition of the Company’s balance sheet arising from both strategic plans and customer behavior. Finally, management makes assumptions regarding loan and deposit growth, pricing, and prepayment speeds.

The sensitivity analysis included in the tables below delineates the percentage change in net interest income and EVE derived from instantaneous parallel rate shifts of plus and minus 400, 300, 200 and 100 basis points. The impact of minus 400, 300, 200 and 100 basis point rate shocks as of December 31, 2014 and 2013 was not considered meaningful because of the historically low interest rate environment. However, the risk exposure should be mitigated by any downward rate shifts. Variances were calculated from the base case scenario, which reflected prevailing market rates, and the net interest income forecasts used in the calculations spanned 12 months for each scenario.

For the tables below, average life assumptions and beta values for non-maturity deposits were estimated based on the historical behavior rather than assuming an average life of one day and a beta value of 1, or 100%. Historical behavior suggests that non-maturity deposits have longer average lives for which to discount expected cash flows and lower beta values for which to re-price expected cash flows. The former results in a higher premium derived from the present value calculation, while the latter results in a slower rate of change and lower change in interest rate paid given a change in market rates. Both have a positive impact on the EVE calculation for rising rate shocks. Calculations using these assumptions are designed to delineate more precise risk exposure under the various shock scenarios. While the falling rate shocks are not considered meaningful in the historically low interest rate environment, the risk profile would be negatively impacted by downward rate shifts under these assumptions.

	Net Interest Income	
	% Variance from Base Case Scenario	
Rate Shock	December 31, 2014	December 31, 2013
+400 basis points	6.3%	8.1%
+300 basis points	8.2%	9.6%
+200 basis points	8.0%	10.0%
+100 basis points	3.4%	4.7%
-100 basis points	NM	NM
-200 basis points	NM	NM
-300 basis points	NM	NM
-400 basis points	NM	NM

NM=not meaningful

Economic Value of Equity

	% Variance from Base Case Scenario	
Rate Shock	December 31, 2014	December 31, 2013
+400 basis points	25.9%	22.7%
+300 basis points	19.7%	18.2%
+200 basis points	11.9%	12.4%
+100 basis points	5.7%	6.6%
-100 basis points	NM	NM
-200 basis points	NM	NM
-300 basis points	NM	NM
-400 basis points	NM	NM

NM=not meaningful

In addition to instantaneous rate shocks, the Company monitors interest rate exposure through simulations of gradual interest rate changes over a 12-month time horizon. The results of these analyses are included in the following table:

	Net Interest Income	
	% Variance from Base Case Scenario	
Rate Ramp	December 31, 2014	December 31, 2013
+200 basis points	2.6%	4.0%
-200 basis points	NM	NM

NM=not meaningful

Provision for Credit Losses and Allowance for Credit Losses

In the normal course of business, the Bank assumes risks in extending credit. The Bank manages these risks through underwriting in accordance with its lending policies, loan review procedures and the diversification of its loan and lease portfolio. Although it is not possible to predict credit losses with certainty, management regularly reviews the characteristics of the loan and lease portfolio to determine its overall risk profile and quality.

The provision for credit losses is the periodic cost of providing an allowance or reserve for estimated probable losses on loans and leases. The Board of Directors has appointed a Credit Committee, composed of senior management and loan administration staff which meets on a quarterly basis to review the recommendations of several internal working groups developed for specific purposes including the allowance for loans and lease losses, impairments and charge-offs. The allowance for loan and lease losses group ("ALLL group") bases its estimates of credit losses on three primary components: (1) estimates of inherent losses that may exist in various segments of performing loans and leases; (2) specifically identified losses in individually analyzed credits; and (3) qualitative factors that may impact the performance of the loan and lease portfolio. Factors such as financial condition of the borrower and guarantor, recent credit performance, delinquency, liquidity, cash flows, collateral type and value are used to assess credit risk. Expected loss estimates are influenced by the historical losses experienced by the Bank for loans and leases of comparable creditworthiness and structure. Specific loss assessments are performed for loans and leases of significant size and delinquency based upon the collateral protection and expected future cash flows to determine the amount of impairment under FASB ASC 310, Receivables ("FASB ASC 310"). In addition, qualitative factors such as changes in economic and business conditions, concentrations of risk, loan and lease growth, acquisitions and changes in portfolio risk resulting from regulatory changes are considered in determining the adequacy of the level of the allowance for credit losses.

Attention is paid to the quality of the loan and lease portfolio through a formal loan review process. An independent loan review department of the Bank is responsible for reviewing the credit rating and classification of individual credits and assessing trends in the portfolio, adherence to internal credit policies and procedures and other factors that may affect the overall adequacy of the allowance for credit losses. The ALLL group is responsible for ensuring that the allowance for credit losses provides coverage of both known and inherent losses. The ALLL group meets at least quarterly to determine the amount of adjustments to the allowance for credit losses. The ALLL group is composed of senior management from the Bank's loan administration and finance departments. In 2010, the Bank established a real estate risk management group and an impairment group. The real estate risk management group oversees compliance with regulations and U.S. GAAP related to lending activities where real estate is the primary collateral. The impairment group is responsible for evaluating loans that have been specifically identified through various channels, including examination of the Bank's watch list, past due listings, findings of the internal loan review department, loan officer assessments and loans to borrowers or industries known to be experiencing problems. For all loans identified, the responsible loan officer in conjunction with his credit administrator is required to prepare an impairment analysis to be reviewed by the impairment group. The impairment group deems that a loan is impaired if it is probable that the

Company will be unable to collect the contractual principal and interest on the loan. The impairment group also evaluates the circumstances surrounding the loan in order to determine if the loan officer used the most appropriate method for assessing the impairment of the loan (i.e., present value of expected future cash flows, observable market price or fair value of the underlying collateral). The impairment group meets on a monthly basis.

If concessions are granted to a borrower as a result of its financial difficulties, the loan is classified as a troubled debt restructuring ("TDR") and analyzed for possible impairment as part of the credit approval process. TDRs are reserved in accordance with FASB ASC 310 in the same manner as impaired loans that are not TDRs. Should the borrower's financial condition, collateral protection or performance deteriorate, warranting reassessment of the loan rating or impairment, additional reserves may be required.

Loans of $500,000 or more that become 60 or more days past due are identified for review by the impairment group, which decides whether an impairment exists and to what extent a specific allowance for credit loss should be made. Loans that do not meet these requirements may also be identified by management for impairment review, particularly if the loan is a small loan that is part of a larger relationship. Loans subject to such review are evaluated as to collateral dependency, current collateral value, guarantor or other financial support and likely disposition. Each such loan is individually evaluated for impairment. The impairment evaluation of real estate loans generally focuses on the fair value of underlying collateral obtained from appraisals, as the repayment of these loans may be dependent on the liquidation of the collateral. In certain circumstances, other information such as comparable sales data is deemed to be a more reliable indicator of fair value of the underlying collateral than the most recent appraisal. In these instances, such information is used in determining the impairment recorded for the loan. As the repayment of commercial and industrial loans is generally dependent upon the cash flow of the borrower or guarantor support, the impairment evaluation generally focuses on the discounted future cash flows of the borrower or guarantor support, as well as the projected liquidation of any pledged collateral. The impairment group reviews the results of each evaluation and approves the final impairment amounts, which are then included in the analysis of the adequacy of the allowance for credit losses in accordance with FASB ASC 310. Loans identified for impairment are placed in non-accrual status.

The Company's policy is to obtain an appraisal at the time of loan origination for real estate collateral securing a loan of $250,000 or more, consistent with regulatory guidelines. The Company's policy is to obtain an updated appraisal when certain events occur, such as the refinancing of the debt, the renewal of the debt or events that indicate potential impairment. A new appraisal is generally ordered for loans greater than $500,000 that have characteristics of potential impairment, such as delinquency or other loan-specific factors identified by management, when a current appraisal (dated within the prior 12 months) is not available or when a current appraisal uses assumptions that are not consistent with the expected disposition of the loan collateral. In order to measure impairment properly at the time that a loan is deemed to be impaired, a staff appraiser may estimate the collateral fair value based upon earlier appraisals, sales contracts, approved foreclosure bids, comparable sales, officer estimates or current market conditions until a new appraisal is received. This estimate can be used to determine the extent of the impairment on the loan. After a loan is deemed to be impaired, it is management's policy to obtain an updated appraisal on at least an annual basis. Management performs a review of the pertinent facts and circumstances of each impaired loan, such as changes in outstanding balances, information received from loan officers, and receipt of re-appraisals, on a monthly basis. As of each review date, management considers whether additional impairment should be recorded based on recent activity related to the loan-specific collateral as well as other relevant comparable assets. Any adjustment to reflect further impairments, either as a result of management's periodic review or as a result of an updated appraisal, are made through recording additional loan loss provisions or charge-offs.

At December 31, 2014, impaired loans totaled $28.1 million, which was net of cumulative charge-offs of $5.5 million. Additionally, the Company had specific reserves related to impaired loans of $1.5 million included in the allowance for credit losses. Impaired loans at December 31, 2014 were primarily from the Company's commercial real estate portfolio. Impaired loan charge-offs are determined necessary when management does not anticipate any future recovery of collateral values. The loans were evaluated for impairment based on the fair value of the underlying collateral securing the loan. As part of the impairment review process, appraisals are used to determine the property values. The appraised values that are used are generally based on the disposition value of the property, which assumes Bank ownership of the property "as-is" and a 180-360 day marketing period. If a current appraisal or one with an inspection date within the past 12 months using the necessary assumptions is not available, a new third-party appraisal is ordered. In cases where an impairment exists and a current appraisal is not available at the time of review, a staff appraiser may determine an estimated value based upon earlier appraisals, the sales contract, approved foreclosure bids, comparable sales, comparable appraisals, officer estimates or current market conditions until a new appraisal is received. After a new appraisal is received, the value used in the review will be updated and any adjustments to reflect further impairments are made. Appraisals are obtained from state-certified appraisers based on certain assumptions which may include foreclosure status, bank ownership, OREO marketing period of 180-360 days, costs to sell, construction or development status and the highest and best use of the property. A staff appraiser may make adjustments to appraisals based on sales contracts, comparable sales and other pertinent information if an appraisal does not incorporate the effect of these assumptions.

When a guarantor is relied upon as a source of repayment, it is the Company's policy to analyze the strength of the guaranty. This analysis varies based on circumstances, but may include a review of the guarantor's personal and business financial statements and credit history, a review of the guarantor's tax returns and the preparation of a cash flow analysis of the guarantor. Management will continue to update its analysis on individual guarantors as circumstances change. Because of the continued weakness in the economy, subsequent analyses may result in the identification of the inability of some guarantors to perform under the agreed upon terms.

Any loan or portion thereof which is classified as “loss” by regulatory examiners or which is determined by management to be uncollectible, because of factors such as the borrower’s failure to pay interest or principal, the borrower’s financial condition, economic conditions in the borrower’s industry or the inadequacy of underlying collateral, is charged off.

An analysis of the allowance for credit losses for the five years ended December 31, 2014 is provided in the following table:

	2014	2013	2012	2011	2010
	(Dollars in thousands)				
Balance, beginning of period	$ 153,236	$ 164,466	$ 195,118	$ 196,913	$ 176,043
Loans and leases charged off:					
Commercial and industrial	(2,546)	(4,672)	(12,362)	(17,337)	(11,879)
Real estate					
Consumer mortgages	(6,037)	(9,159)	(13,122)	(10,186)	(25,639)
Home equity	(1,359)	(1,469)	(2,721)	(5,852)	(5,215)
Agricultural	(765)	(736)	(1,240)	(3,420)	(1,201)
Commercial and industrial-owner occupied	(3,591)	(3,855)	(9,015)	(10,302)	(9,200)
Construction, acquisition and development	(3,731)	(6,745)	(33,085)	(67,362)	(113,237)
Commercial real estate	(1,795)	(10,341)	(12,728)	(17,436)	(14,084)
Credit cards	(2,359)	(2,316)	(2,221)	(3,072)	(4,559)
All other	(2,844)	(2,899)	(2,904)	(7,088)	(6,008)
Total loans and leases charged off	(25,027)	(42,192)	(89,398)	(142,055)	(191,022)
Recoveries:					
Commercial and industrial	2,298	3,517	7,096	1,567	1,330
Real estate					
Consumer mortgages	3,267	5,067	1,836	1,111	1,448
Home equity	625	607	496	185	179
Agricultural	96	215	126	123	12
Commercial and industrial-owner occupied	1,112	2,724	2,696	393	399
Construction, acquisition and development	3,734	4,682	8,407	3,951	1,706
Commercial real estate	1,458	4,978	8,538	1,045	845
Credit cards	542	629	527	803	829
All other	1,102	1,043	1,024	1,001	1,128
Total recoveries	14,234	23,462	30,746	10,179	7,876
Net charge-offs	(10,793)	(18,730)	(58,652)	(131,876)	(183,146)
Provision charged to operating expense	-	7,500	28,000	130,081	204,016
Balance, end of period	$ 142,443	$ 153,236	$ 164,466	$ 195,118	$ 196,913
Loans and leases, net of unearned income - average	$ 9,308,680	$ 8,671,441	$ 8,719,399	$ 9,159,431	$ 9,621,529
Loans and leases, net of unearned income - period end	$ 9,712,936	$ 8,958,015	$ 8,636,989	$ 8,870,311	$ 9,333,107

RATIOS

Net charge-offs to average loans and leases	0.12%	0.22%	0.67%	1.44%	1.90%
Provision for credit losses to average loans and leases, net of unearned income	0.00%	0.09%	0.32%	1.42%	2.12%
Allowance for credit losses to loans and leases, net of unearned income	1.47%	1.71%	1.90%	2.20%	2.11%

Net charge-offs decreased $7.9 million, or 42.4%, in 2014 compared to 2013, and decreased $39.9 million, or 68.1%, in 2013 compared to 2012. Net charge-offs as a percentage of average loans and leases decreased to 0.12% in 2014 compared to 0.22% in 2013 after having decreased from 0.67% in 2012. These decreases were primarily a result of decreased losses within the real estate construction, acquisition and development and commercial segments of the Company's loan and lease portfolio. The losses experienced in this segment were primarily a result of the weakened financial condition of the corresponding borrowers and guarantors. These borrowers' weakened state hindered their ability to service their loans with the Company, which caused a number of loans to become collateral dependent. Once it is determined a loan's repayment is dependent upon the underlying collateral, the loan is charged down to net realizable value or a specific reserve is allocated to the loan. This process resulted in decreased levels of charge-offs in 2014 and 2013, as updated appraisals came in closer to loan carrying values.

No provision for credit losses was recorded in 2014 compared to $7.5 million in 2013 after having decreased from $28.0 million in 2012. The decreases in the provision for credit losses in 2014 and 2013 was a result of decreases in net charge-offs, declines in the formation of new non-accrual loans, including fewer loans being identified for impairment, continued stabilization in values of previously impaired loans, and significant decreases in NPLs. As of December 31, 2014 and 2013, 48% and 60%, respectively, of nonaccrual loans had been charged down to net realizable value or had specific reserves to reflect recent appraised values. As a result, impaired loans had an aggregate net book value of 80% and 70% of their contractual principal balance at December 31, 2014 and 2013, respectively. Nonaccrual loans not impaired are loans that either fall below the impairment threshold or are not determined to be collaterally dependant.

The allowance for credit losses decreased $10.8 million to $142.4 million at December 31, 2014 compared to $153.2 million at December 31, 2013 after decreasing $11.3 million from $164.5 million at December 31, 2012. The decrease in the allowance for credit losses at December 31, 2014 compared to December 31, 2013 and 2012 was a result of improving credit metrics in 2014, including reductions in classified, non-performing and impaired loans and lower net charge-off levels in 2014 compared to 2013 and 2012. For more information about the Company's classified, non-performing and impaired loans, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition – Loans and Leases" in this Report.

The breakdown of the allowance by loan and lease segment and class is based, in part, on evaluations of specific loan and lease histories and on economic conditions within specific industries or geographical areas. Accordingly, because all of these conditions are subject to change, the allocation is not necessarily indicative of the breakdown of any future allowance for losses. The following tables present (i) the breakdown of the allowance for credit losses by loan and lease segment and class and (ii) the percentage of each segment and class in the loan and lease portfolio to total loans and leases at December 31 of each of the years indicated:

	2014		2013		2012	
	Allowance for Credit Loss	% of Loans in Each Category to Total Loans	Allowance for Credit Loss	% of Loans in Each Category to Total Loans	Allowance for Credit Loss	% of Loans in Each Category to Total Loans
	(Dollars in thousands)					
Commercial and industrial	$ 21,419	18.0 %	$ 18,376	17.1 %	$ 23,286	17.1 %
Real estate						
Consumer mortgages	40,015	23.2	39,525	22.0	35,966	21.6
Home equity	9,542	5.4	5,663	5.5	6,005	5.6
Agricultural	3,420	2.5	2,800	2.6	3,301	3.0
Commercial and industrial-owner occupied	16,325	15.6	17,059	16.4	20,178	15.4
Construction, acquisition and development	9,885	8.7	11,828	8.3	21,905	8.5
Commercial real estate	23,562	20.1	43,853	20.5	40,081	20.2
Credit cards	6,514	1.2	3,782	1.2	3,611	1.2
All other	11,761	5.3	10,350	6.4	10,133	7.4
Total	$ 142,443	100.0 %	$ 153,236	100.0 %	$ 164,466	100.0 %

	2011		2010	
	Allowance for Credit Loss	% of Loans in Each Category to Total Loans	Allowance for Credit Loss	% of Loans in Each Category to Total Loans
	(Dollars in thousands)			
Commercial and industrial	$ 20,724	16.6 %	$ 22,479	16.1 %
Real estate				
Consumer mortgages	36,529	21.8	35,540	20.8
Home equity	8,630	5.8	7,305	5.8
Agricultural	3,921	2.7	4,997	2.7
Commercial and industrial-owner occupied	21,929	14.6	20,403	14.2
Construction, acquisition and development	45,562	10.2	59,048	12.5
Commercial real estate	39,444	19.7	33,439	19.4
Credit cards	4,021	1.2	4,126	1.1
All other	14,358	7.4	9,576	7.4
Total	$ 195,118	100.0 %	$ 196,913	100.0 %

Noninterest Revenue

The components of noninterest revenue for the years ended December 31, 2014, 2013 and 2012 and the percentage change between such years are shown in the following table:

	2014		2013		2012
	Amount	% Change	Amount	% Change	Amount
	(Dollars in thousands)				
Mortgage lending	$ 22,671	(49.6)%	$ 44,977	(21.0)%	$ 56,919
Credit card, debit card and merchant fees	35,303	7.0	33,005	4.1	31,705
Deposit service charges	50,622	(4.3)	52,905	(7.0)	56,877
Securities gains, net	37	(19.6)	46	(89.6)	442
Insurance commissions	114,842	17.5	97,700	8.4	90,138
Trust income*	14,520	7.9	13,451	12.9	11,913
Annuity fees*	2,468	6.7	2,312	3.1	2,243
Brokerage commissions and fees*	6,543	(9.2)	7,203	7.3	6,714
Bank-owned life insurance	8,848	6.4	8,314	3.0	8,074
Other miscellaneous income	13,292	(12.3)	15,153	0.2	15,124
Total noninterest revenue	$ 269,146	(2.2) %	$ 275,066	3.4 %	$ 280,149

*Included in wealth management revenue on the Consolidated Statements of Income

The Company's revenue from mortgage lending typically fluctuates as mortgage interest rates change and is primarily attributable to two activities - origination and sale of new mortgage loans and servicing mortgage loans. Since the Company does not hedge the change in fair value of its MSRs, mortgage revenue can be significantly affected by changes in the valuation of MSRs in changing interest rate environments. The Company's normal practice is to originate mortgage loans for sale in the secondary market and to either retain or release the associated MSRs with the loan sold. The Company records MSRs at fair value on a recurring basis with subsequent remeasurement of MSRs based on change in fair value in accordance with FASB ASC 860. For more information about the Company's treatment of MSRs, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates – Mortgage Servicing Rights" in this Report.

In the course of conducting the Company's mortgage lending activities of originating mortgage loans and selling those loans in the secondary market, various representations and warranties are made to the purchasers of the mortgage loans. These representations and warranties also apply to underwriting the real estate appraisal opinion of value for the collateral securing these loans. Under the representations and warranties, failure by the Company to comply with the underwriting and/or appraisal standards could result in the Company being required to repurchase the mortgage loan or to reimburse the investor for losses incurred (i.e., make whole requests) if such failure cannot be cured by the Company within the specified period following discovery. During 2014, 21 mortgage loans totaling $2.1 million were repurchased or otherwise settled as a result of underwriting and appraisal standard exceptions or make whole requests. Losses of approximately $913,000 were recognized related to these repurchased and make whole loans. During 2013, 16 mortgage loans totaling approximately $931,000 were repurchased or otherwise settled as a result of underwriting and appraisal standard exceptions or make whole requests. Losses of approximately $661,000 were recognized related to these repurchased and make whole loans.

At December 31, 2014, the Company had reserved approximately $1.1 million for potential losses from representation and warranty obligations, compared to a reserve of approximately $911,000 at December 31, 2013. The reserve is based on the Company's repurchase and loss trends, and quantitative and qualitative factors that may result in anticipated losses different than historical loss trends, including loan vintage, underwriting characteristics and macroeconomic trends.

Management believes that the Company's foreclosure process related to mortgage loans continues to operate effectively. Before beginning the foreclosure process, a mortgage loan foreclosure committee of the Bank reviews the identified delinquent loan. All documents and activities related to the foreclosure process are executed in-house by mortgage department personnel.

Origination revenue, a component of mortgage lending revenue, is comprised of gains or losses from the sale of the mortgage loans originated, origination fees, underwriting fees and other fees associated with the origination of loans. Mortgage loan origination volumes of $1.1 billion, $1.4 billion and $2.0 billion produced origination revenue of $18.4 million, $26.1 million and $53.3 million for 2014, 2013 and 2012, respectively. The decrease in mortgage origination revenue in 2014 compared to 2013 was a direct result of the decrease in mortgage loan origination volumes during 2014 compared to 2013 and 2013 compared to 2012, as well as the result of interest rate volatility during 2013.

Revenue from the servicing process, another component of mortgage lending revenue, includes fees from the actual servicing of loans. Revenue from the servicing of loans was $16.5 million, $16.2 million and $14.4 million for 2014, 2013 and 2012, respectively. Changes in the fair value of the Company's MSRs are generally a result of changes in mortgage interest rates from the previous reporting date. An increase in mortgage interest rates typically results in an increase in the fair value of the MSRs while a decrease in mortgage interest rates typically results in a decrease in the fair value of MSRs. The fair value of MSRs is impacted by principal payments, prepayments and payoffs on loans in the servicing portfolio. Decreases in value from principal payments, prepayments and payoffs were $5.8 million, $6.2 million and $7.6 million for 2014, 2013 and 2012, respectively. The Company does not hedge the change in fair value of its MSRs and is susceptible to significant fluctuations in their value in changing interest rate environments. Reflecting this sensitivity to interest rates, the fair value of MSRs decreased $6.4 million in 2014, increased $8.9 million in 2013 and decreased $3.2 million in 2012.

The following table presents the Company's mortgage lending operations for 2014, 2013 and 2012:

	2014 Amount	% Change	2013 Amount	% Change	2012 Amount
	(Dollars in thousands)				
Production revenue:					
Origination	$ 18,407	(29.5) %	$ 26,110	(51.0) %	$ 53,296
Servicing	16,501	2.1	16,168	12.0	14,435
Payoffs/Paydowns	(5,793)	(7.2)	(6,244)	(18.4)	(7,649)
Total	29,115	19.2	36,034	(40.0)	60,082
Market value adjustment	(6,444)	(172.1)	8,943	(382.7)	(3,163)
Mortgage lending revenue	$ 22,671	(49.6)	$ 44,977	(21.0)	$ 56,919
	(Dollars in millions)				
Origination volume	$ 1,050	(26.3)	$ 1,425	(28.6)	$ 1,996
Outstanding principal balance of mortgage loans serviced at year-end	$ 5,687	2.0	$ 5,577	10.2	$ 5,059

Credit card, debit card and merchant fees increased $2.3 million in 2014 compared to 2013 as a result of new account volume and transaction volume experienced in 2014. Credit card, debit card and merchant fees remained relatively stable in 2013 compared to 2012.

Deposit service charge revenue decreased $2.3 million in 2014 compared to 2013 due to modifications made on the calculation and assessment of overdraft fees during 2014. Deposit service charge revenue decreased $4.0 million in 2013 compared to 2012 as changes in banking regulations and, in particular, the Federal Reserve's rules pertaining to certain overdraft payments on consumer accounts and the FDIC's Overdraft Payment Programs and Consumer Protection Final Overdraft Payment Supervisory Guidance, resulted in decreases in insufficient fund fees, a component of deposit service charge revenue, during 2013.

Net securities gains of approximately $37,000, $46,000 and $442,000 were recorded in 2014, 2013 and 2012, respectively. These amounts reflected the sales and calls of securities from the available-for-sale portfolio. Insurance commissions increased 17.5% in 2014 compared to 2013 and increased 8.4% in 2013 compared to 2012 as a result of new policies and growth from existing customers coupled with the revenue contributed by the acquisition of certain assets of The Securance Group, Inc. in July 2012, GEM in December 2013 and Knox in April 2014.

Trust income increased in 2014 and in 2013 primarily as a result of increases in the value of assets under management or in custody, as revenue is earned on assets under management, combined with fees generated by customers added during those years. Annuity fees increased in 2014 and 2013 as a result of more annuity sales during those years. Brokerage commissions and fees decreased in 2014 compared to 2013 after increasing in 2013 compared to 2012 as a result of the increase in sales of real estate investment trust products during 2013 with sales of that product decreasing in 2014. Bank-owned life insurance revenue increased in 2014 compared to 2013 after remaining relatively stable in 2013 compared to 2012. The Company recorded life insurance proceeds of $1.3 million, approximately $450,000 and approximately $872,000 during 2014, 2013 and 2012, respectively.

Other miscellaneous income includes safe deposit box rental income, gain or loss on disposal of assets, and other miscellaneous and non-recurring revenue items. Other miscellaneous income decreased $1.9 million in 2014 compared to 2013 as a result of decreases in other partnership income and credit trading fee income. Other miscellaneous income remained relatively stable in 2013 compared to 2012.

Noninterest Expense

The components of noninterest expense for the years ended December 31, 2014, 2013 and 2012 and the percentage change between years are shown in the following table:

	2014		2013		2012
	Amount	% Change	Amount	% Change	Amount
	(Dollars in thousands)				
Salaries and employee benefits	$ 307,828	0.4 %	$ 306,696	0.7 %	$ 304,624
Occupancy, net of rental income	41,345	0.6	41,109	(2.4)	42,140
Equipment	16,869	(8.3)	18,386	(11.8)	20,849
Deposit insurance assessments	8,190	(30.3)	11,755	(28.7)	16,478
Voluntary early retirement expense	-	(100.0)	10,850	100.0	-
Write-off and amortization of bond issue cost	48	(98.4)	2,995	100.0	153
Advertising	4,388	(3.7)	4,558	(6.4)	4,869
Foreclosed property expense	17,071	45.6	11,728	(70.2)	39,406
Telecommunications	8,720	2.8	8,481	(0.4)	8,515
Public relations	3,399	(20.2)	4,258	(21.6)	5,434
Data processing	11,144	1.7	10,962	7.1	10,234
Computer software	10,525	23.9	8,496	13.6	7,476
Amortization of intangibles	4,443	49.1	2,979	(7.5)	3,222
Legal expenses	9,822	(51.9)	20,426	118.8	9,334
Merger expense	1,761	100.0	-	-	-
Postage and shipping	4,745	8.6	4,369	(2.2)	4,465
Other miscellaneous expense	68,108	2.0	66,801	(7.2)	71,994
Total noninterest expense	$ 518,406	(3.1) %	$ 534,849	(2.6) %	$ 549,193

NM = not meaningful

Salaries and employee benefits remained stable in 2014 compared to 2013 and in 2013 compared to 2012. Pension plan costs, a component of salaries and employee benefits expense, decreased in 2014 to $10.7 million after increasing in 2013 to $13.3 million from $10.9 million in 2012. Occupancy expense remained relatively stable in 2014, 2013 and 2012.

Equipment expense decreased in 2014 and 2013 as a result of a decrease in depreciation expense coupled with the Company’s continued focus on controlling such expenses. The decrease in deposit insurance assessments in 2014 and 2013 was a result of improvement evidenced in several variables utilized by the FDIC in calculating the deposit insurance assessment.

A pre-tax charge of $10.9 million was recorded during the second quarter of 2013 related to additional benefits offered under the voluntary early retirement program that was offered to certain employees that met job classification, age and years-of-service criteria. No such expenses were recorded during 2014 or 2012.

A pre-tax charge of $2.9 million was recorded during the third quarter of 2013 to write-off unamortized issuance costs related to the redemption of 8.15% trust preferred securities. No such redemption and resulting write-off of unamortized issuance costs were recorded in 2014 or 2012.

Foreclosed property expense increased in 2014 as the Company experienced greater losses on the sales and higher writedowns of OREO as a result of stronger measures being taken to decrease the number of properties held, especially those held for longer than a one-year period.   During 2014, the Company added $14.7 million to OREO through foreclosure. Sales of OREO in 2014 were $42.0 million resulting in a net loss on sale of OREO of $6.5 million. The components of foreclosed property expense for the years ended December 31, 2014, 2013 and 2012 and the percentage change between years are shown in the following table:

	2014		2013		2012
	Amount	% Change	Amount	% Change	Amount
	(Dollars in thousands)				
Loss on sale of other real estate owned	$ 6,471	410.7 %	$ 1,267	(85.0)%	$ 8,446
Writedown of other real estate owned	8,073	32.0	6,118	(71.8)	21,726
Other foreclosed property expense	2,527	(41.8)	4,343	(53.0)	9,234
Total foreclosed property expense	$ 17,071	45.6 %	$ 11,728	(70.2)%	$ 39,406

While the Company experienced some fluctuations in various components of other noninterest expense, including advertising, public relations and data processing, in 2014 compared to 2013, the primary fluctuations included the increase in amortization of intangibles and other miscellaneous expense and the decrease in legal expenses. The increase in amortization of intangibles is a result of intangibles recorded during the acquisition of the two insurance agencies in December 2013 and April 2014. The decrease in legal expenses is a result of litigation reserves related to various legal matters recorded in 2013 with no additional litigation reserves recorded in 2014. The increase in other miscellaneous expense is a result of additional costs recorded during 2014 related to consulting and compliance services. These services are related to BSA and Anti-Money Laundering (“AML”) compliance remediation.

Income Taxes

The Company recorded income tax expense of $50.7 million in 2014 compared to an income tax expense of $37.6 million in 2013 and an income tax expense of $33.3 million in 2012. The increase in income tax expense in 2014 was primarily a result of the increase in pre-tax income, which increased 27.1% in 2014 compared to 2013. The increase in income tax expense in 2013 was primarily a result of the increase in pre-tax income, which increased 12.0% in 2013 compared to 2012. The primary differences between the Company’s recorded expense for 2014, 2013 and 2012 and the expense that would have resulted from applying the U.S. statutory tax rate of 35% to the Company’s pre-tax income were the effects of tax-exempt income and other tax preference items. During the third quarter of 2013, a $1.6 million tax benefit was recorded as a result of the resolution of an uncertain tax position. The uncertain tax position related to the review of the tax treatment of items during the tax years 2007 through 2009. The review was resolved in the Company’s favor during the third quarter of 2013, resulting in the reversal of the uncertain tax position reserve for the matter.

FINANCIAL CONDITION

The percentage of earning assets to total assets measures the effectiveness of management’s efforts to invest available funds into the most efficient and profitable uses. Earning assets at December 31, 2014 were $12.2 billion, or 91.3% of total assets, compared with $11.8 billion, or 90.7% of total assets, at December 31, 2013.

Loans and Leases

The Bank's loan and lease portfolio represents the largest single component of the Company's earning asset base, comprising 78.0% of average earning assets during 2014. The Bank's lending activities include both commercial and consumer loans and leases. Loan and lease originations are derived from a number of sources, including direct solicitation by the Bank's loan officers, existing depositors and borrowers, builders, attorneys, walk-in customers and, in some instances, other lenders, real estate broker referrals and mortgage loan companies. The Bank has established systematic procedures for approving and monitoring loans and leases that vary depending on the size and nature of the loan or lease, and applies these procedures in a disciplined manner. The Company's loans and leases are widely diversified by borrower and industry. Loans and leases, net of unearned income, totaled $9.7 billion at December 31, 2014, representing an 8.4% increase from $9.0 billion at December 31, 2013.

The following table shows the composition of the Company's gross loans and leases by collateral type at December 31 for the years indicated:

	2014 (In thousands)	2013	2012	2011	2010
Commercial and industrial	$ 1,753,041	$ 1,538,302	$ 1,484,788	$ 1,484,967	$ 1,505,471
Real estate					
Consumer mortgages	2,257,726	1,976,073	1,873,875	1,945,190	1,978,145
Home equity	531,374	494,339	486,074	514,362	543,272
Agricultural	239,616	234,576	256,196	239,487	252,292
Commercial and industrial-owner occupied	1,522,536	1,473,320	1,333,103	1,301,575	1,331,473
Construction, acquisition and development	853,623	741,458	735,808	908,362	1,148,161
Commercial real estate	1,961,977	1,846,039	1,748,881	1,754,022	1,816,951
Credit cards	113,426	111,328	104,884	106,281	106,345
All other	516,221	578,453	649,143	657,012	694,241
Total gross loans and leases	$ 9,749,540	$ 8,993,888	$ 8,672,752	$ 8,911,258	$ 9,376,351

The following table shows the Company’s net loans and leases by collateral type as of December 31, 2014 by geographical location:

	Alabama and Florida Panhandle (In thousands)	Arkansas*	Mississippi*	Missouri	Greater Memphis Area	Tennessee*	Texas Louisi
Commercial and industrial	$ 75,919	$ 172,894	$ 303,524	$ 29,734	$ 24,457	$ 89,683	$
Real estate							
Consumer mortgages	183,605	283,462	710,307	69,501	115,178	175,401	556,4
Home equity	73,380	39,546	174,587	21,661	68,777	88,505	62,87
Agricultural	6,814	73,413	56,016	2,747	12,678	11,115	73,07
Commercial and industrial-owner occupied	172,813	172,026	454,432	61,393	90,734	87,524	337,4
Construction, acquisition and development	129,955	83,645	227,979	21,800	73,944	98,067	180,6
Commercial real estate	285,105	327,703	294,254	200,352	98,403	126,197	436,5
Credit cards**	-	-	-	-	-	-	-
All other	28,728	38,680	131,704	2,726	35,142	33,101	67,26
Total	$ 956,319	$ 1,191,369	$ 2,352,803	$ 409,914	$ 519,313	$ 709,593	$ 2

*Excludes the Greater Memphis Area

**Credit card receivables are spread across all geographic regions but are not viewed by the Company's management as part of the geographic breakdown.

Commercial and Industrial - Commercial and industrial loans are loans and leases to finance business operations, equipment and owner-occupied facilities primarily for small and medium-sized enterprises. These include both lines of credit for terms of one year or less and term loans which are amortized over the useful life of the assets financed. Personal guarantees are generally required for these loans. Also included in this category are loans to finance agricultural production and business credit card lines. Commercial and industrial loans outstanding increased 14.2% from December 31, 2013 to December 31, 2014.

Real Estate – Consumer Mortgages - Consumer mortgages are first- or second-lien loans to consumers secured by a primary residence or second home. These loans are generally amortized over terms up to 15 or 20 years with maturities of three to five years. The loans are generally secured by properties located generally within the local market area of the community bank which originates and services the loan. These loans are underwritten in accordance with the Bank's general loan policies and procedures which require, among other things, proper documentation of each borrower's financial condition, satisfactory credit history and property value. Consumer mortgages outstanding increased 14.3% from December 31, 2013 to December 31, 2014. In addition to loans originated through the Bank's branches, the Bank originates and services consumer mortgages sold in the secondary market which are underwritten and closed pursuant to investor and agency guidelines. The Bank's exposure to sub-prime mortgages is minimal.

Real Estate – Home Equity - Home equity loans include revolving credit lines which are secured by a first or second lien on a borrower's residence. Each loan is underwritten individually by lenders who specialize in home equity lending and must conform to Bank lending policies and procedures for consumer loans as to borrower's financial condition, ability to repay, satisfactory credit history and the condition and value of collateral. Properties securing home equity loans are generally located in the local market area of the Bank branch or office originating and servicing the loan. The Bank has not purchased home equity loans from brokers or other lending institutions. Home equity loans outstanding increased 7.5% from December 31, 2013 to December 31, 2014.

Real Estate – Agricultural - Agricultural loans include loans to purchase agricultural land and production lines secured by farm land. Agricultural loans outstanding increased 2.1% from December 31, 2013 to December 31, 2014.

Real Estate – Commercial and Industrial-Owner Occupied - Commercial and industrial-owner occupied loans include loans secured by business facilities to finance business operations, equipment and owner-occupied facilities primarily for small and medium-sized enterprises. These include both lines of credit for terms of one year or less and term loans which are amortized over the useful life of the assets financed. Personal guarantees are generally required for these loans. Commercial and industrial-owner occupied loans increased 3.3% from December 31, 2013 to December 31, 2014.

Real Estate – Construction, Acquisition and Development - Construction, acquisition and development loans include both loans and credit lines for the purpose of purchasing, carrying and developing land into commercial developments or residential subdivisions. Also included are loans and lines for construction of residential, multi-family and commercial buildings. Prior to March 2010, these loans were often structured with interest reserves to fund interest costs during the construction and development period. Additionally, certain loans are structured with interest only terms. The Bank primarily engages in construction and development lending only in local markets served by its branches. The weakened economy and housing market has negatively impacted builders and developers in particular. Sales of finished houses slowed during 2009 and activity has remained relatively slow since then, which has resulted in lower demand for residential lots and development land. The Company curtailed the origination of new construction, acquisition and development loans significantly during 2009 and the Company has continued to maintain that strategy until the past few years. Construction, acquisition and development loans increased 15.1% from December 31, 2013 to December 31, 2014.

The underwriting process for construction, acquisition and development loans with interest reserves is essentially the same as that for a loan without interest reserves and may include analysis of borrower and guarantor financial strength, market demand for the proposed project, experience and success with similar projects, property values, time horizon for project completion and the availability of permanent financing once the project is completed. The Company's loan policy generally prohibits the use of interest reserves on loans originated after March 2010. Construction, acquisition and development loans, with or without interest reserves, are inspected periodically to ensure that the project is on schedule and eligible for requested draws. Inspections may be performed by construction inspectors hired by the Company or by appropriate loan officers and are done periodically to monitor the progress of a particular project. These inspections may also include discussions with project managers and engineers. For performing construction, acquisition and development loans, interest is generally recognized as interest income as it is earned. Non-performing construction, acquisition and development loans are placed on non-accrual status and interest income is not recognized, except in those situations where principal is expected to be received in full. In such situations, interest income is recognized as payment is received.

At December 31, 2014, the Company had $21.6 million in construction, acquisition and development loans that provided for the use of interest reserves with approximately $689,000 recognized as interest income during 2014. There were no amount of such loans with interest reserves that were on non-accrual status at December 31, 2014. Interest income is not being recognized on construction, acquisition and development loans with interest reserves that are in non-accrual status. Loans with interest reserves normally have a budget that includes the various cost components involved in the project. Interest is such a cost, along with hard and other soft costs. The Company's policy is to allow interest reserves only during the construction phase.

So that interest capitalization is appropriate, interest reserves are not included for any renewal period after construction is completed or otherwise ceases, requiring borrowers to make interest payments no less than quarterly. Loans for which construction is complete, or has ceased, and where interest payments are not made on a timely basis are considered non-performing and are generally placed in nonaccrual status. Procedures are in place to restrict the structuring of a loan with terms that do not require performance until the end of the loan term, as well as to restrict the advancement of funds to keep a loan from becoming non-performing with any such advancement identified as a TDR.

On a case-by-case basis, a construction, acquisition and development loan may be extended, renewed or restructured. Loans are sometimes extended for a short period of time (generally 90 days or less) beyond the contractual maturity to facilitate negotiations or allow the borrower to gain other financing or acquire more recent note-related information, such as appraisals or borrower financial statements. These short-term extensions are not ordinarily accounted for as TDRs if the loan and project are performing in accordance with the terms of the loan agreement and/or promissory note. Construction, acquisition and development loans may be renewed when the borrower has satisfied the terms and conditions of the original loan, including payment of interest, and when management believes that the borrower is able to continue to meet the terms of the renewed note during the renewal period. Many loans are structured to mature consistent with the construction or development period or at least annually. If concessions are granted to a borrower as a result of its financial difficulties, the loan is classified as a TDR and analyzed for impairment.

The Bank's real estate risk management group is responsible for reviewing and approving the structure and classification of all construction, acquisition and development loan renewals and modifications above a threshold of $500,000. The analysis performed by the real estate risk management group may include the review of updated appraisals, borrower and guarantor financial condition, construction status and proposed loan structure. If the new terms of the loan meet the criteria of a TDR as set out in FASB ASC 310, the loan is identified as such.

Each construction, acquisition and development loan is underwritten to address: (i) the desirability of the project, its market viability and projected absorption period; (ii) the creditworthiness of the borrower and the guarantor as to liquidity, cash flow and assets available to ensure performance of the loan; (iii) equity contribution to the project; (iv) the developer's experience and success with similar projects; and (v) the value of the collateral. Each factor must be acceptable under the Company's lending policy and risk review.

The construction, acquisition and development portfolio is further categorized by risk characteristics into the following six categories: commercial acquisition and development; residential acquisition and development; multi-family construction; one-to-four family construction; commercial construction; and recreation and all other loans. Construction, acquisition and development loans were $853.6 million and $741.5 million at December 31, 2014 and 2013, respectively. The following table shows the Company's net loans and leases in the construction, acquisition and development portfolio by geographical location at December 31, 2014:

Real Estate Construction, Acquisition and Development	Alabama and Florida Panhandle	Arkansas*	Mississippi*	Missouri	Greater Memphis Area	Tennessee*	Texas and Louisiana
Performing:	(In thousands)						
Multi-family construction	$ 19,600	$ 3,488	$ 5	$ -	$ -	$ 6,190	$ 2,971
One-to-four family construction	36,604	17,031	56,157	2,619	12,099	57,229	44,143
Recreation and all other loans	1,180	12,314	10,976	570	3,087	1,652	8,289
Commercial construction	37,806	21,853	75,419	7,759	24,525	9,238	52,409
Commercial acquisition and development	9,601	15,660	35,675	6,093	13,686	8,467	30,375
Residential acquisition and development	24,478	13,244	47,677	4,620	19,173	14,943	41,902
Total	$ 129,269	$ 83,590	$ 225,909	$ 21,661	$ 72,570	$ 97,719	$ 180,089
Non-performing:							
Multi-family construction	$ -	$ -	$ -	$ -	$ -	$ -	$ -
One-to-four family construction	570	26	-	-	120	276	-
Recreation and all other loans	-	8	187	-	650	-	-
Commercial construction	-	-	-	-	-	-	-
Commercial acquisition and development	-	21	1,242	-	-	-	103
Residential acquisition and development	116	-	641	139	604	72	484
Total	$ 686	$ 55	$ 2,070	$ 139	$ 1,374	$ 348	$ 587
Total:							
Multi-family construction	$ 19,600	$ 3,488	$ 5	$ -	$ -	$ 6,190	$ 2,971
One-to-four family construction	37,174	17,057	56,157	2,619	12,219	57,505	44,143
Recreation and all other loans	1,180	12,322	11,163	570	3,737	1,652	8,289
	37,806	21,853	75,419	7,759	24,525	9,238	52,409

Commercial construction							
Commercial acquisition and development	9,601	15,681	36,917	6,093	13,686	8,467	30,478
Residential acquisition and development	24,594	13,244	48,318	4,759	19,777	15,015	42,386
Total	$ 129,955	$ 83,645	$ 227,979	$ 21,800	$ 73,944	$ 98,067	$ 180,676

* Excludes the Greater Memphis Area

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The following table shows the maturity distribution of the Company's net loans and leases in the construction, acquisition and development portfolio as of December 31, 2014:

Real Estate Construction, Acquisition and Development	Past Due	One Year or Less	One to Five Years	After Five Years	Total
Outstanding loan balances:	(In thousands)				
Multi-family construction	$ -	$ 24,108	$ 8,146	$ -	$ 32,254
One-to-four family construction	975	209,602	12,025	4,829	227,431
Recreation and all other loans	156	5,832	15,114	17,811	38,913
Commercial construction	2,430	115,355	36,869	100,344	254,998
Commercial acquisition and development	4,281	36,527	52,095	30,745	123,648
Residential acquisition and development	182	68,242	70,899	37,056	176,379
Total	$ 8,024	$ 459,666	$ 195,148	$ 190,785	$ 853,623
Non-accrual loans:					
Multi-family construction	$ -	$ -	$ -	$ -	$ -
One-to-four family construction	-	824	-	141	965
Recreation and all other loans	156	649	-	-	805
Commercial construction	-	-	-	-	-
Commercial acquisition and development	636	218	124	1	979
Residential acquisition and development	139	888	340	46	1,413
Total	$ 931	$ 2,579	$ 464	$ 188	$ 4,162

As of December 31, 2014, 53.8% of the loans in the construction, acquisition and development portfolio were scheduled to mature within one year. Many of these maturities may occur prior to the completion of the related projects; and management expects that these loans will be renewed for an additional period of time. The Company's loan policy requires that updated appraisals from qualified third party appraisers be obtained for any real estate loan over $250,000 that is renewed. If the borrower is experiencing financial difficulties, and the renewal is made with concessions, the loan is considered to be a TDR. These TDRs are tested for impairment by assessing the estimated disposal value of the collateral from the recent appraisal or by assessing the present value of the discounted cash flows expected on these loans.

The following table presents the activity in the construction, acquisition and development nonaccrual loans for 2014:

	(In thousands)
Balance at December 31, 2013	$ 17,567
Additions to construction, acquisition and development nonaccruals:	
Formation of new nonaccrual loans	3,104
Reductions in construction, acquisition and development nonaccruals:	
Charge-offs	(3,143)
Foreclosures to OREO	(1,567)
Payments	(10,064)
Transfers to accrual status	(2,120)

Transfer to other loan category	385	
Balance at December 31, 2014	$	4,162

The five largest credits that made up the construction, acquisition and development nonaccrual loan balance at December 31, 2014 were located throughout the Company's geographical locations and in various stages of development and maturity. The five largest credits made up 47.7% of the total construction, acquisition and development nonaccrual loan balance at December 31, 2014.

Real Estate – Commercial - Commercial loans include loans to finance income-producing commercial and multi-family properties. Lending in this category is generally limited to properties located in the Company's trade area with only limited exposure to properties located elsewhere but owned by in-market borrowers. Loans in this category include loans for neighborhood retail centers, medical and professional offices, single retail stores, warehouses and apartments leased generally to local businesses and residents. The underwriting of these loans takes into consideration the occupancy and rental rates as well as the financial health of the borrower. The Bank's exposure to national retail tenants is minimal. The Bank has not purchased commercial real estate loans from brokers or third-party originators. Real estate-commercial loans increased 6.3% from December 31, 2013 to December 31, 2014.

Credit Cards - Credit cards include consumer and business MasterCard and Visa accounts. The Bank offers credit cards primarily to its deposit and loan customers. Credit card balances remained relatively stable, increasing 1.9% from December 31, 2013 to December 31, 2014.

All Other - All other loans and leases include consumer installment loans and loans and leases to state, county and municipal governments and non-profit agencies. Consumer installment loans and leases include term loans of up to five years secured by automobiles, boats and recreational vehicles. The Bank offers lease financing for vehicles and heavy equipment to state, county and municipal governments and medical equipment to healthcare providers across the southern states. All other loans and leases decreased 11.9% from December 31, 2013 to December 31, 2014.

The maturity distribution of the Company's loan portfolio is one factor in management's evaluation by collateral type of the risk characteristics of the loan and lease portfolio. The following table shows the maturity distribution of the Company's loans and leases, net of unearned income, as of December 31, 2014:

	One Year or Less	One to Five Years	After Five Years
	(In thousands)		
Commercial and industrial	$ 613,763	$ 871,386	$ 261,337
Real estate			
Consumer mortgages	250,196	749,142	1,258,388
Home equity	73,789	457,456	129
Agricultural	38,377	103,736	97,503
Commercial and industrial-owner occupied	169,681	508,030	844,825
Construction, acquisition and development	467,690	195,148	190,785
Commercial real estate	166,236	938,496	857,245
Credit cards	113,426	-	-
All other	194,506	226,418	65,248
Total loans and leases, net of unearned income	$ 2,087,664	$ 4,049,812	$ 3,575,460

The interest rate sensitivity of the Company's loan and lease portfolio is important in the management of net interest margin. The Bank attempts to manage the relationship between the interest rate sensitivity of its assets and liabilities to produce an effective interest differential that is not significantly impacted by the level of interest rates. The following table shows the interest rate sensitivity of the Company's loans and leases, net of unearned income, due after one year as of December 31, 2014:

	Fixed	Variable

	Rate	Rate
	(In thousands)	
Loan and lease portfolio		
Due after one year	$ 4,688,878	$ 3,024,787

NPLs consist of non-accrual loans and leases, loans and leases 90 days or more past due, still accruing, and accruing loans and leases that have been restructured (primarily in the form of reduced interest rates and modified payment terms) because of the borrower's or guarantor's weakened financial condition or bankruptcy proceedings. The Company's policy 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 the loan or lease is both well-secured and in the process of collection. NPAs consist of NPLs and other real estate owned, which consists of foreclosed properties. NPAs, which are carried either in the loan account or other real estate owned on the Company's consolidated balance sheets, depending on foreclosure status, were as follows at the end of each year presented:

	2014	2013	2012	2011	2010
	(Dollars in thousands)				
Non-accrual loans and leases	$ 58,052	$ 92,173	$ 207,241	$ 276,798	$ 347,499
Loans 90 days or more past due, still accruing	2,763	1,226	1,210	3,434	8,500
Restructured loans and leases, but accruing	10,920	27,007	25,099	42,018	38,376
Total NPLs	71,735	120,406	233,550	322,250	394,375
Other real estate owned	33,984	69,338	103,248	173,805	133,412
Total NPAs	$ 105,719	$ 189,744	$ 336,798	$ 496,055	$ 527,787
NPLs to net loans and leases	0.74%	1.34%	2.70%	3.63%	4.23%
NPAs to net loans and leases	1.09%	2.12%	3.90%	5.59%	5.65%

NPLs decreased 40.4% in 2014 compared to 2013 and decreased 48.4% in 2013 compared to 2012. Other real estate owned decreased 51.0% in 2014 compared to 2013 and decreased 32.8% in 2013 compared to 2012. Included in NPLs at December 31, 2014 were $28.1 million of loans that were impaired. These impaired loans had a specific reserve of $1.5 million included in the allowance for credit losses of $142.4 million at December 31, 2014, and were net of $5.5 million in partial charge-downs previously taken on these impaired loans. NPLs at December 31, 2013 included $54.9 million of loans that were impaired and had a specific reserve of $4.1 million included in the allowance for credit losses of $153.2 million at December 31, 2013. While restructured loans and leases still accruing remained relatively stable in 2013 compared to 2012, the decrease in restructured loans and leases still accruing in 2014 reflected the decrease in loans which met the criteria for disclosure as TDRs coupled with paydowns on existing restructured loans and the ability to return restructured loans to performing status due to at least a six-month sustained period of repayment performance under the restructured loan terms by the borrower with the interest rate at the time of restructure being at or above market for a comparable loan.

Non-accrual loans at December 31, 2014 reflected a decrease of $34.1 million, or 37.0%, to $58.1 million from $92.2 million at December 31, 2013 after decreasing $115.1 million, or 55.5%, from $207.2 million at December 31, 2012. The Bank's NPL levels over the past several years have been reflective of the continuing effects of the prevailing economic environment on the Bank's loan portfolio, as a significant portion of the prior increases in the Bank's NPLs was attributable to problems developing for established customers with real estate related loans, particularly residential construction and development loans, primarily in the Bank's more urban markets. These problems resulted primarily from the decreased liquidity of certain borrowers and third party guarantors, as well as the declines in appraised real estate values for loans which became collateral dependent in prior years and certain other borrower specific factors. While non-accrual loans are decreasing in almost all loan categories, the primary decrease in non-accrual loans is recognized in the real estate construction, acquisition and development portfolio, as non-accrual loans in this portfolio decreased $13.4 million, or 76.3% to $4.2 million at December 31, 2014 after decreasing $49.0 million, or 73.6%, to $17.6 million at December 31, 2013 from $66.6 million at December 31, 2012. The decrease in the real estate construction, acquisition and development portfolio resulted from charge-offs of previous non-accrual loans and a reduction in the non-accrual formation related to the real estate construction, acquisition and development portfolio combined with payment received on existing non-accrual loans.

The following table presents the Company’s NPLs by geographical location at December 31, 2014:

	Outstanding	90+ Days Past Due still Accruing	Non-accruing Loans	Restructured Loans, still accruing	NPLs	NPLs as a % of Outstanding
	(Dollars in thousands)					
Alabama and Florida Panhandle	$ 956,319	$ -	$ 4,974	$ 113	$ 5,087	0.5 %
Arkansas*	1,191,369	39	3,315	3,725	7,079	0.6
Mississippi*	2,352,803	395	16,767	2,739	19,901	0.8
Missouri	409,914	-	1,547	-	1,547	0.4
Greater Memphis Area	519,313	137	7,961	563	8,661	0.2
Tennessee*	709,593	-	6,775	375	7,150	1.0
Texas and Louisiana	2,035,460	-	7,317	1,788	9,105	0.4
Other	1,538,165	2,192	9,396	1,617	13,205	1.8
Total	$ 9,712,936	$ 2,763	$ 58,052	$ 10,920	$ 71,735	0.7 %

*Excludes the Greater Memphis Area

OREO decreased by $35.3 million to $34.0 million at December 31, 2014 compared to $69.3 million at December 31, 2013, which was a decrease of $33.9 million from $103.2 million at December 31, 2012. The decrease in OREO in 2014 and 2013 was a result of sales of foreclosed properties exceeding new foreclosures. Writedowns were the result of continuing processes to value these properties at fair value. The Bank recorded losses from the loans that were secured by these foreclosed properties in the allowance for credit losses at the time of foreclosure.

The Bank continues to focus on improving and enhancing existing processes related to the early identification and resolution of potential credit problems. 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/or interest for a specified time, 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 non-accrual status, even after the restructure occurs. TDR loans may be returned to accrual status in years after the restructure if there has been at least a six-month sustained period of repayment performance under the restructured loan terms by the borrower and the interest rate at the time of restructure was at or above market for a comparable loan. For reporting purposes, if a restructured loan is 90 days or more past due or has been placed in non-accrual status, the restructured loan is included in the loans 90 days or more past due category or the non-accrual loan category of NPAs. Total restructured loans were $17.3 million and $50.3 million at December 31, 2014 and 2013, respectively. Restructured loans of $6.0 million and $23.2 million were included in the non-accrual loan category at December 31, 2014 and 2013, respectively.

The total amount of interest earned on NPLs was $3.9 million, $6.2 million, $4.3 million, $12.6 million and $11.2 million in 2014, 2013, 2012, 2011 and 2010, respectively. The gross interest income that would have been recorded under the original terms of those loans and leases if they had been performing amounted to $5.3 million, $7.3 million, $15.6 million, $18.7 million and $21.7 million in 2014, 2013, 2012, 2011 and 2010, respectively.

Loans considered impaired under FASB ASC 310 are loans for which, based on current information and events, it is probable that the creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans the Bank considered impaired, which were included in NPLs, totaled $28.1 million, $54.9 million, $156.7 million, $234.9 million and $273.4 million at December 31, 2014, 2013, 2012, 2011 and 2010, respectively, with a valuation allowance of $1.5 million, $4.1 million, $10.5 million, $39.7 million and $40.7 million, respectively.

At December 31, 2014, the Company did not have any concentration of loans or leases in excess of 10% of total loans and leases outstanding which were not otherwise disclosed as a category of loans or leases. Loan concentrations are considered to exist when there are amounts loaned to multiple borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. The Bank conducts business in a geographically concentrated area and has a significant amount of loans secured by real estate to borrowers in varying activities and businesses, but does not consider these factors alone in identifying loan concentrations. The ability of the Bank’s borrowers to repay loans is somewhat dependent upon the economic conditions prevailing in the Bank’s market areas.

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 following table provides details of the Company's loan and lease portfolio, net of unearned income, by segment, class and internally assigned grade at December 31, 2014:

	December 31, 2014						
	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired	Total
	(In thousands)						
Commercial and industrial	$ 1,709,475	$ 978	$ 33,879	$ -	$ -	$ 2,154	$ 1,746,486
Real estate							
Consumer mortgage	2,167,965	-	84,975	-	-	4,786	2,257,726
Home equity	521,011	-	9,744	-	-	619	531,374
Agricultural	227,688	-	11,928	-	-	-	239,616
Commercial and industrial-owner occupied	1,450,158	-	64,420	491	-	7,467	1,522,536
Construction, acquisition and development	811,227	-	39,675	334	-	2,387	853,623
Commercial real estate	1,893,514	-	57,761	184	-	10,518	1,961,977
Credit cards	113,426	-	-	-	-	-	113,426
All other	471,662	-	14,340	-	-	170	486,172
Total	$ 9,366,126	$ 978	$ 316,722	$ 1,009	$ -	$ 28,101	$ 9,712,936

In the normal course of business, management becomes aware of possible credit problems in which borrowers exhibit potential for the inability to comply with the contractual terms of their loans and leases, but which at the time do not yet meet the criteria for disclosure as NPLs. However, based upon past experiences, some of these loans and leases with potential weaknesses will ultimately be restructured or placed in non-accrual status. At December 31, 2014, the Bank had $6.7 million of potential problem loans or leases or loans and leases with potential weaknesses that were not included in the non-accrual loans and leases or in the loans 90 days or more past due categories. These loans or leases are included in the above rated categories. Loans with identified weaknesses based upon analysis of the credit quality indicators are included in the 90 days or more past due category or in the non-accrual loan and lease category which includes impaired loans. See Note 5 to the Company's Consolidated Financial Statements included elsewhere in this Report for additional information regarding the Company's internal loan classification system.

The following table provides details regarding the aging of the Company's loan and lease portfolio, net of unearned income, by internally assigned grade at December 31, 2014:

	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
	(In thousands)				
Pass	$ 9,356,550	$ 5,959	$ 1,612	$ 2,005	$ 9,366,126
Special Mention	978	-	-	-	978
Substandard	281,316	17,341	4,384	13,681	316,722
Doubtful	761	145	-	103	1,009
Loss	-	-	-	-	-
Impaired	20,319	4,084	-	3,698	28,101
Total	$ 9,659,924	$ 27,529	$ 5,996	$ 19,487	$ 9,712,936

All loan grade categories except the Pass category decreased at December 31, 2014 compared to December 31, 2013, specifically the Special mention, Substandard and Impaired categories which decreased 82.4%, 12.4% and 48.9%, respectively. All of the $1.0 million of Special Mention loans and leases remained current as to scheduled repayment of principal and interest at December 31, 2014. Of the $316.7 million of Substandard loans and leases, 88.8% remained current as to scheduled repayment of principal and interest, with only 4.3% having outstanding balances that were 90 days or more past due at December 31, 2014. Of the $28.1 million of Impaired loans and leases, 72.3% remained current as to scheduled repayment of principal and/or interest, with 13.1% having outstanding balances that were 90 days or more past due at December 31, 2014.

The following table provides details regarding the aging of the Company's nonaccrual loans and leases by segment and class at December 31, 2014:

	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Outstanding
	(In thousands)					
Commercial and industrial	$ 533	$ 14	$ 560	$ 1,107	$ 2,827	$ 3,934
Real estate						
Consumer mortgage	1,603	1,507	9,340	12,450	11,218	23,668
Home equity	166	17	658	841	1,412	2,253
Agricultural	-	-	130	130	161	291
Commercial and industrial-owner occupied	533	23	3,298	3,854	7,336	11,190
Construction, acquisition and development	-	15	1,182	1,197	2,965	4,162
Commercial real estate	3,213	-	1,408	4,621	7,294	11,915
Credit cards	11	9	51	71	62	133
All other	67	-	98	165	341	506
Total	$ 6,126	$ 1,585	$ 16,725	$ 24,436	$ 33,616	$ 58,052

Collateral for some of the Bank's loans and leases is subject to fair value evaluations that fluctuate with market conditions and other external factors. In addition, while the Bank has certain underwriting obligations related to such evaluations, the evaluations of some real property and other collateral are dependent upon third-party independent appraisers employed either by the Bank's customers or as independent contractors of the Bank. During the current economic cycle, some subsequent fair value appraisals have reported lower values than were originally reported. These declining collateral values could impact future losses and recoveries.

The following table provides additional details related to the Company's loan and lease portfolio, net of unearned income, and the distribution of NPLs at December 31, 2014:

Loans and leases, net of unearned income	Outstanding	90+ Days Past Due still Accruing	Non-accruing Loans	Restructured Loans, but Accruing	NPLs	NPLs as a % of Outstanding
	(Dollars in thousands)					
Commercial and industrial	$ 1,746,486	$ 41	$ 3,934	$ 436	$ 4,411	0.3 %
Real estate						
Consumer mortgage	2,257,726	1,828	23,668	2,986	28,482	1.3
Home equity	531,374	-	2,253	17	2,270	0.4
Agricultural	239,616	-	291	8	299	0.1
Commercial and industrial-owner occupied	1,522,536	39	11,190	4,522	15,751	1.0
Construction, acquisition and development	853,623	387	4,162	713	5,262	0.6
Commercial real estate	1,961,977	137	11,915	1,171	13,223	0.7
Credit cards	113,426	327	133	960	1,420	1.3
All other	486,172	4	506	107	617	0.1
Total	$ 9,712,936	$ 2,763	$ 58,052	$ 10,920	$ 71,735	0.7 %

The following table provides selected characteristics of the Company's real estate construction, acquisition and development loans at December 31, 2014:

Real Estate Construction, Acquisition and Development	Outstanding	90+ Days Past Due still Accruing	Non-accruing Loans	Restructured Loans, but Accruing	NPLs	NPLs as a % of Outstanding
	(Dollars in thousands)					
Multi-family construction	$ 32,254	$ -	$ -	$ -	$ -	- %
One-to-four family construction	227,431	-	965	27	992	0.4
Recreation and all other loans	38,913	-	805	40	845	2.2
Commercial construction	254,998	-	-	-	-	-
Commercial acquisition and development	123,648	387	979	-	1,366	1.1
Residential acquisition and development	176,379	-	1,413	646	2,059	1.2
Total	$ 853,623	$ 387	$ 4,162	$ 713	$ 5,262	0.6 %

Securities

The Company uses the Bank's securities portfolio to make various term investments, to provide a source of liquidity and to serve as collateral to secure certain types of deposits. The following tables show the carrying value of the Company's available-for-sale securities by investment category at December 31, 2014, 2013, and 2012:

	2014	2013	2012
	(In thousands)		
Available-for-sale securities:			
U. S. Government agency securities	$ 1,215,054	$ 1,458,349	$ 1,401,996
Government agency issued residential mortgage-backed securities	209,230	250,234	366,875
Government agency issued commercial mortgage-backed securities	240,568	230,912	91,445
Taxable obligations of states and political subdivisions	90,343	104,377	110,731
Tax-exempt obligations of states and political subdivisions	393,521	415,028	455,142
Other securities	8,211	8,089	7,843
Total	$ 2,156,927	$ 2,466,989	$ 2,434,032

A portion of the Company's securities portfolio continues to be tax exempt. Investments in tax-exempt securities totaled $393.5 million at December 31, 2014, compared to $415.0 million at the end of 2013 and $455.1 million at the end of 2012. The Company invests only in investment grade securities, with the exception of obligations of certain counties and municipalities within the Company's market area, and avoids other high yield non rated securities and investments.

At December 31, 2014, the Company's available-for-sale securities totaled $2.2 billion. These securities, which are subject to possible sale, are recorded at fair value. At December 31, 2014, the Company held no securities whose decline in fair value was considered other than temporary.

The following table shows the maturities and weighted average yields at December 31, 2014 for the carrying value of the available-for-sale securities, excluding mortgage-backed securities:

	Securities Maturing				
	Within One Year	After One But Within Five Years	After Five But Within Ten Years	After Ten Years	Total
	(Dollars in thousands)				
Available-for-sale securities:					
U. S. Government agency securities	$ 263,241	$ 951,813	$ -	$ -	$ 1,215,054
Obligations of states and political subdivisions	43,754	86,793	55,447	297,870	483,864
Other	-	79	-	8,132	8,211
Total	$ 306,995	$ 1,038,685	$ 55,447	$ 306,002	$ 1,707,129
Weighted average yield	1.44%	1.30%	4.90%	6.00%	

The yield on tax-exempt obligations of states and political subdivisions has been adjusted to a taxable equivalent basis using a 35% tax rate.

Net unrealized gains on available-for-sale securities as of December 31, 2014 totaled $32.4 million. Net unrealized gains on available-for-sale securities as of December 31, 2013 totaled $6.4 million.

The following table shows the available-for-sale securities portfolio by credit rating as obtained from Moody's Investors Services as of December 31, 2014:

	Amortized Cost		Estimated Fair Value	
	Amount	% of Total	Amount	% of Total
Available-for-sale securities:	(Dollars in thousands)			
Aaa	$ 1,698,157	79.9%	$ 1,705,150	79.1%
Aa1 to Aa3	163,347	7.7%	174,272	8.1%
A1 to A3	47,008	2.2%	50,120	2.3%
Not rated (1)	216,055	10.2%	227,385	10.5%
Total	$ 2,124,567	100.0%	$ 2,156,927	100.00%

(1) Not rated securities primarily consist of Mississippi and Arkansas municipal bonds.

Of the securities not rated by Moody's Investors Services, bonds with a book value of $62.1 million and a market value of $66.5 million were rated A- or better by Standard & Poor's Rating Services.

Goodwill

The Company's policy is to assess goodwill for impairment at the reporting segment level on an annual basis or sooner if an event occurs or circumstances change which indicate that the fair value of a reporting segment is below its carrying amount. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. Accounting standards require management to estimate the fair value of each reporting segment in assessing impairment at least annually. The Company's annual assessment date is during the Company's fourth quarter. The Company performed a qualitative assessment of whether it was more likely than not that a reporting segment's fair value was less than its carrying value during the fourth quarter of 2014. Based on this assessment, it was determined that the Company's reporting segments' fair value exceeded their carrying value. Therefore, the two-step quantitative goodwill impairment test was not deemed necessary and no goodwill impairment was recorded during 2014.

In the current environment, forecasting cash flows, credit losses and growth in addition to valuing the Company's assets with any degree of assurance is very difficult and subject to significant changes over very short periods of time. Management will continue to update its analysis as circumstances change. If market conditions continue to be volatile and unpredictable, impairment of goodwill related to the Company's reporting segments may be necessary in future periods. Goodwill was $291.5 million and $286.8 million at December 31, 2014 and 2013, respectively.

Other Real Estate Owned

OREO was $34.0 million and $69.3 million at December 31, 2014 and 2013, respectively. OREO at December 31, 2014 had aggregate loan balances at the time of foreclosure of $83.7 million. The following table presents the Company's OREO by geographical location and collateral type at December 31, 2014:

	Alabama and Florida Panhandle (In thousands)	Arkansas*	Mississippi*	Missouri	Greater Memphis Area	Tennessee*	Texas and Louisiana	Other	T
Commercial and industrial	$ 84	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8
Real estate									
Consumer mortgages	309	97	1,181	-	-	198	509	-	2
Home equity	24	-	188	-	-	-	-	-	2
Agricultural	-	-	25	-	-	-	-	-	2
Commercial and industrial-owner occupied	-	-	1,162	-	223	-	60	-	1
Construction, acquisition and development	7,302	84	9,182	-	9,178	1,798	196	-	2
Commercial real estate	1,000	256	767	-	-	-	63	-	2
All other	-	-	98	-	-	-	-	-	9
Total	$ 8,719	$ 437	$ 12,603	$ -	$ 9,401	$ 1,996	$ 828	$ -	$ 3

* Excludes the Greater Memphis Area

Because of the relatively high number of the Bank’s NPLs that have been determined to be collaterally dependent, management expects the resolution of a significant number of these loans to necessitate foreclosure proceedings resulting in further additions to OREO. While management expects future foreclosure activity in virtually all loan categories, the magnitude of NPLs in the consumer mortgage and commercial and industrial-owner occupied real estate portfolios at December 31, 2014 indicated that a majority of additions to OREO in the near-term might be from those categories.

At the time of foreclosure, the fair value of construction, acquisition and development properties is typically determined by an appraisal performed by a third party appraiser holding professional certifications. Such appraisals are then reviewed and evaluated by the Company’s internal appraisal group. A market value appraisal using a 180-360 day marketing period is typically ordered and the OREO is recorded at the time of foreclosure at its market value less estimated selling costs. For residential subdivisions that are not completed, the appraisals reflect the uncompleted status of the subdivision.

To attempt to ensure that OREO is carried at the lower of cost or fair value less estimated selling costs on an ongoing basis, new appraisals are obtained on at least an annual basis and the OREO carrying values are adjusted accordingly. The type of appraisals typically used for these periodic reappraisals are “Restricted Use Appraisals,” meaning the appraisal is for client use only. Other indications of fair value are also used to attempt to ensure that OREO is carried at the lower of cost or fair value. These include listing the property with a broker and acceptance of an offer to purchase from a third party. If an OREO property is listed with a broker at an amount less than the current carrying value, the carrying value is immediately adjusted to reflect the list price less estimated selling costs and if an offer to purchase is accepted at a price less than the current carrying value, the carrying value is immediately adjusted to reflect that sales price, less estimated selling costs. The majority of the properties in OREO are actively marketed using a combination of real estate brokers, bank staff who are familiar with the particular properties and/or third parties.

Deposits

Deposits originating within the communities served by the Bank continue to be the Bank's primary source of funding its earning assets. The Company has been able to effectively compete for deposits in its primary market areas, while continuing to manage the exposure to rising interest rates. The distribution and market share of deposits by type of deposit and by type of depositor are important considerations in the Company's assessment of the stability of its fund sources and its access to additional funds. Furthermore, management shifts the mix and maturity of the deposits depending on economic conditions and loan and investment policies in an attempt, within set policies, to minimize cost and maximize net interest margin.

The following table presents the Bank's noninterest bearing, interest bearing demand, savings and other time deposits at December 31, 2014, 2013 and 2012 and the percentage change between years:

	2014			2013			2012
	Amount	% Change		Amount	% Change		Amount
	(Dollars in millions)						
Noninterest bearing demand deposits	$ 2,779	5.1	%	$ 2,645	3.9	%	$ 2,545
Interest bearing demand deposits	4,868	6.2		4,582	(4.5)		4,799
Savings	1,332	7.9		1,234	7.7		1,146
Other time	1,993	(13.8)		2,313	(11.0)		2,598
Total deposits	$ 10,972	1.8		$ 10,774	(2.8)		$ 11,088

The 1.8% increase in deposits at December 31, 2014 compared to December 31, 2013 was primarily a result of the increase in interest bearing demand deposits of $286.0 million, or 6.2%, to $4.9 billion at December 31, 2014 from $4.6 billion at December 31, 2013 and in noninterest bearing deposits of $134.1 million, or 5.1% to $2.8 billion at December 31, 2014 from $2.6 billion at December 31, 2013 more than offsetting the decrease in other time deposits of $320.0 million, or 13.8%, to $2.0 billion at December 31, 2014 from $2.3 billion at December 31, 2013. The 2.8% decrease in deposits at December 31, 2013 compared to December 31, 2012 was primarily a result of the decrease in other time deposits of 11.0% to $2.3 billion at December 31, 2013 from $2.6 billion at December 31, 2012.

The following table presents the classification of the Bank's deposits on an average basis for the three years ended December 31, 2014:

	2014		2013		2012	
	Average Amount	Average Rate	Average Amount	Average Rate	Average Amount	Average Rate
	(Dollars in thousands)					
Noninterest bearing demand deposits	$ 2,734,576	-	$ 2,551,934	-	$ 2,300,428	-
Interest bearing demand deposits	4,561,738	0.17%	4,651,841	0.21%	4,784,011	0.34%
Savings deposits	1,297,407	0.12%	1,205,980	0.14%	1,078,302	0.25%
Other time deposits	2,141,122	0.97%	2,467,611	1.20%	2,773,953	1.43%
Total deposits	$ 10,734,843		$ 10,877,366		$ 10,936,694	

The Bank's other time deposits of $100,000 and greater, including certificates of deposits of $100,000 and greater, at December 31, 2014 had maturities as follows:

Maturing in	Amount
	(In thousands)
Three months or less	$ 157,287
Over three months through six months	122,024
Over six months through 12 months	251,410
Over 12 months	417,374
Total	$ 948,095

The average maturity of time deposits at December 31, 2014 was approximately 16.6 months, compared to approximately 13.9 months at December 31, 2013.

Liquidity and Capital Resources

One of the Company's goals is to provide adequate funds to meet increases in loan demand or any potential increase in the normal level of deposit withdrawals. This goal is accomplished primarily by generating cash from the Bank’s operating activities and maintaining sufficient short-term liquid assets. These sources, coupled with a stable deposit base and a historically strong reputation in the capital markets, allow the Company to fund earning assets and maintain the availability of funds. Management believes that the Bank's traditional sources of maturing loans and investment securities, sales of loans held for sale, cash from operating activities and a strong base of core deposits are adequate to meet the Company's liquidity needs for normal operations over both the short-term and the long-term.

To provide additional liquidity, the Company utilizes short-term financing through the purchase of federal funds and securities sold under agreement to repurchase. All securities sold under agreements to repurchase are accounted for as collateralized financing transactions and are recorded at the amounts at which the securities were acquired or sold plus accrued interest. Further, the Company maintains a borrowing relationship with the FHLB which provides access to short-term and long-term borrowings. The Company also has access to the Federal Reserve discount window and other bank lines. The Company had $3.5 million of short-term borrowings from the FHLB or the Federal Reserve at December 31, 2014. The Company had no short-term borrowings from the FHLB nor the Federal Resere at December 31, 2013. The Company had federal funds purchased and securities sold under agreement to repurchase of $388.2 million and $421.0 million at December 31, 2014 and 2013, respectively.

On August 8, 2013, the Company entered into a credit agreement (the "Credit Agreement") with U.S. Bank National Association ("U.S. Bank") as a lender and administrative agent, and First Tennessee Bank, National Association, as a lender. The Credit Agreement includes an unsecured revolving loan of up to $25.0 million that terminates and the outstanding balance of which is payable in full on August 8, 2015, and an unsecured multi-draw term loan of up to $60.0 million, which commitment terminated on February 28, 2014 and the outstanding balance of which is payable in full on August 8, 2018. The proceeds from the term loan may be used to repurchase trust preferred securities, and the proceeds from the revolving loan may be used for working capital, capital expenditures and other lawful corporate purposes. Borrowings under the Credit Agreement bear interest at a Eurocurrency or base rate plus, in each case, an applicable interest rate margin.

The Company had long-term borrowings from U.S. Bank totaling $48.1 million and $48.2 million at December 31, 2014 and December 31, 2013, respectively. The Company also had long-term borrowings from the FHLB totaling $30.0 million and $33.5 million at December 31, 2014 and 2013, respectively. The Company has pledged eligible mortgage loans to secure the FHLB borrowings and had $3.5 billion in additional borrowing capacity under the existing FHLB borrowing agreement at December 31, 2014.

The Company had non-binding federal funds borrowing arrangements with other banks aggregating $696.0 million at December 31, 2014. The unencumbered fair value of the Company's federal government and government agencies securities portfolio may provide substantial additional liquidity.

The ability of the Company to obtain funding from these or other sources could be negatively affected should the Company experience a substantial deterioration in its financial condition or its debt rating, or should the availability of short-term funding become restricted as a result of the disruption in the financial markets. Management does not anticipate any short- or long-term changes to its liquidity strategies and believes that the Company has ample sources to meet the liquidity challenges caused by the current economic conditions. The Company utilizes, among other tools, maturity gap tables, interest rate shock scenarios and an active asset and liability management committee to analyze, manage and plan asset growth and to assist in managing the Company's net interest margin and overall level of liquidity.

Off-Balance Sheet Arrangements

In the ordinary course of business, the Company enters into various off-balance sheet commitments and other arrangements to extend credit that are not reflected on the consolidated balance sheets of the Company. The business purpose of these off-balance sheet commitments is the routine extension of credit. As of December 31, 2014, commitments to extend credit included $101.3 million for letters of credit and $2.3 billion for interim mortgage financing, construction credit, credit card and other revolving line of credit arrangements. While most of the commitments to extend credit were made at variable rates, included in these commitments were forward commitments to fund individual fixed-rate mortgage loans of $85.2 million at December 31, 2014, with a carrying value and fair value reflecting a gain of $2.1 million, which has been recognized in the Company's results of operations. Fixed-rate lending commitments expose the Company to risks associated with increases in interest rates. As a method to manage these risks, the Company also enters into forward commitments to sell individual fixed-rate mortgage loans. At December 31, 2014, the Company had $155.8 million in such commitments to sell, with a carrying value and fair value reflecting a loss of $1.2 million, which has been recognized in the Company's results of operations. The Company also faces the risk of deteriorating credit quality of borrowers to whom a commitment to extend credit has been made; however, no significant credit losses are expected from these commitments and arrangements.

Regulatory Requirements for Capital

The Company is required to comply with the risk based capital guidelines established by the Board of Governors of the Federal Reserve. These guidelines apply a variety of weighting factors that vary according to the level of risk associated with the assets. Capital is measured in two “Tiers”: Tier 1 consists of common shareholders’ equity and qualifying non-cumulative perpetual preferred stock, less goodwill and certain other intangible assets; and Tier 2 consists of general allowance for losses on loans and leases, “hybrid” debt capital instruments and all or a portion of other subordinated capital debt, depending upon remaining term to maturity. Total capital is the sum of Tier 1 and Tier 2 capital. The required minimum ratio levels to be considered “well capitalized” for the Company’s Tier 1 capital, total capital, as a percentage of total risk-adjusted assets, and Tier 1 leverage capital (Tier 1 capital divided by total assets, less goodwill) are 6%, 10% and 5%, respectively. The Company exceeded the required minimum levels for these ratios at December 31, 2014 and 2013 as follows:

	December 31, 2014		December 31, 2013	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
BancorpSouth, Inc.				
Tier 1 capital (to risk-weighted assets)	$ 1,351,807	13.27%	$ 1,255,244	12.99%
Total capital (to risk-weighted assets)	1,479,791	14.52	1,376,752	14.25
Tier 1 leverage capital (to average assets)	1,351,807	10.55	1,255,244	9.93

The FDIC’s capital based supervisory system for insured financial institutions categorizes the capital position for banks into five categories, ranging from “well capitalized” to “critically undercapitalized.” For a bank to be classified as “well capitalized,” the Tier 1 capital, total capital and leverage capital ratios must be at least 6%, 10% and 5%, respectively. The Bank met the criteria for the “well capitalized” category at December 31, 2014 and 2013 as follows:

	December 31, 2014		December 31, 2013	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
BancorpSouth Bank				
Tier 1 capital (to risk-weighted assets)	$ 1,298,449	12.76%	$ 1,237,716	12.83%
Total capital (to risk-weighted assets)	1,426,433	14.02	1,359,195	14.09
Tier 1 leverage capital (to average assets)	1,298,449	10.17	1,237,716	9.81

Federal and state banking laws and regulations and state corporate laws restrict the amount of dividends that the Company may declare and pay. For example, under guidance issued by the Federal Reserve, as a bank holding company, the Company is required to consult with the Federal Reserve before declaring dividends and is to consider eliminating, deferring or reducing dividends if (i) the Company’s net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends, (ii) the Company’s prospective rate of earnings retention is not consistent with its capital needs and overall current and prospective financial condition, or (iii) the Company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios.

Uses of Capital

Subject to pre-approval of the Federal Reserve and other banking regulators, the Company may pursue acquisitions of depository institutions and businesses closely related to banking that further the Company's business strategies, including FDIC-assisted transactions. Management anticipates that consideration for any transactions other than FDIC-assisted transactions would include shares of the Company's common stock, cash or a combination thereof.

On January 24, 2012, the Company completed an underwritten public offering of 10,952,381 shares of Company common stock at a public offering price of $10.50 per share. The gross proceeds from the offering, before expenses, were $109.3 million. Offering expenses were approximately $575,000. The proceeds from the offering have been and will be used by the Company for general corporate purposes, including to maintain certain capital levels and liquidity at the Company, potentially provide equity capital to the Bank, fund growth either organically or through the acquisition of other financial institutions, insurance agencies, or other businesses that are closely aligned to the operations of the Company, and fund investments in its subsidiaries.

On December 11, 2014, the Company announced a new stock repurchase program whereby the Company may acquire up to an aggregate of 6% or 5,764,000 shares of its common stock in the open market at prevailing market prices or in privately negotiated transactions during the period between December 11, 2014 through November 30, 2016. The extent and timing of any repurchases will depend on market conditions and other corporate, legal and regulatory considerations. Repurchased shares will be held as authorized but unissued shares. These authorized but unissued shares will be available for use in connection with the Company's stock option plans, other compensation programs, other transactions or for other corporate purposes as determined by the Company's Board of Directors. At December 31, 2014, no shares had been repurchased under this program.

In 2002, the Company issued $128.9 million in 8.15% Junior Subordinated Debt Securities to BancorpSouth Capital Trust I (the "Trust"), a business trust. The Trust used the proceeds from the issuance of five million shares of 8.15% trust preferred securities, $25 face value per share, to acquire the 8.15% Junior Subordinated Debt Securities. The Company redeemed the 8.15% Junior Subordinated Debt Securities and the related trust preferred securities at par on August 12, 2013.

The Company assumed $6.2 million in Junior Subordinated Debt Securities and the related $6.0 million in trust preferred securities pursuant to the merger on December 31, 2004 with Business Holding Corporation. The Company also assumed $6.7 million in Junior Subordinated Debt Securities and the related $6.5 million in trust preferred securities pursuant to the merger on December 1, 2005 with American State Bank Corporation and $18.5 million in Junior Subordinated Debt Securities and the related $18.0 million in trust preferred securities pursuant to the merger on March 1, 2007 with City Bancorp. The Company redeemed $8.25 million of the Junior Subordinated Debt Securities and $8.0 million of the related trust preferred securities assumed in the City Bancorp merger at par on January 8, 2014. The Company's remaining $23.2 million in assumed trust preferred securities qualifies as Tier 1 capital at December 31, 2014 under Federal Reserve Board guidelines. At December 31, 2014, the $23.2 million in assumed trust preferred securities were callable at the option of the Company upon obtaining approval of the Federal Reserve. See Note 12 to the Company's Consolidated Financial Statements included elsewhere in this Report for additional information regarding Junior Subordinated Debt Securities.

Contractual Obligations

The Company has contractual obligations to make future payments on debt and lease agreements. See Notes 10, 11, 12 and 24 to the Company's Consolidated Financial Statements included elsewhere in this Report for further disclosures regarding contractual obligations. The following table summarizes the Company's contractual obligations at December 31, 2014:

	Payment Due by Period				
	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
Contractual obligations:	(In thousands)				
Deposit maturities	$ 10,972,339	$ 10,170,470	$ 500,694	$ 283,864	$ 17,311
Junior subordinated debt	23,198	-	-	-	23,198
Long-term debt	78,148	-	-	78,148	-
Short-term FHLB and other borrowings	3,525	3,525	-	-	-
Operating lease obligations	17,472	5,141	6,661	1,889	3,781
Purchase obligations	60,757	26,798	25,788	8,141	30
Total contractual obligations	$ 11,155,439	$ 10,205,934	$ 533,143	$ 372,042	$ 44,320

The Company’s operating lease obligations represent short- and long-term operating lease and rental payments for facilities, certain software and data processing and other equipment. Purchase obligations represent obligations to purchase goods and services that are legally binding and enforceable on the Company and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. The purchase obligation amounts presented above primarily relate to certain contractual payments for services provided related to information technology.

Certain Litigation Contingencies

The nature of the Company’s business ordinarily results in a certain amount of claims, litigation, investigations and legal and administrative investigations and proceedings. Although the Company and its subsidiaries have developed policies and procedures to minimize the impact of legal noncompliance and other disputes, and endeavored to provide reasonable insurance coverage, litigation and regulatory actions present an ongoing risk.

The Company and its subsidiaries are engaged in lines of business that are heavily regulated and involve a large volume of financial transactions and potential transactions with numerous customers or applicants. From time to time, borrowers, customers, former employees and other third parties have brought actions against the Company or its subsidiaries, in some cases claiming substantial damages. Financial services companies are subject to the risk of class action litigation and, from time to time, the Company and its subsidiaries are subject to such actions brought against it. Additionally, the Bank is, and management expects it to be, engaged in a number of foreclosure proceedings and other collection actions as part of its lending and leasing collections activities, which, from time to time, have resulted in counterclaims against the Bank. Various legal proceedings have arisen and may arise in the future out of claims against entities to which the Company is a successor as a result of business combinations. The Company’s insurance has deductibles, and will likely not cover all such litigation or other proceedings or the costs of defense. The Company and its subsidiaries may also be subject to enforcement actions by federal or state regulators, including the Securities and Exchange Commission, the Federal Reserve, the FDIC, the Consumer Financial Protection Bureau, the Department of Justice, state attorneys general and the Mississippi Department of Banking and Consumer Finance.

When and as the Company determines it has meritorious defenses to the claims asserted, it vigorously defends against such claims. The Company will consider settlement of claims when, in management’s judgment and in consultation with counsel, it is in the best interests of the Company to do so.

The Company cannot predict with certainty the cost of defense, the cost of prosecution or the ultimate outcome of litigation and other proceedings filed by or against it, its directors, management or employees, including remedies or damage awards. On at least a quarterly basis, the Company assesses its liabilities and contingencies in connection with outstanding legal proceedings as well as certain threatened claims (which are not considered incidental to the ordinary conduct of the Company’s business) utilizing the latest and most reliable information available. For matters where a loss is not probable or the amount of the loss cannot be estimated, no accrual is established. For matters where it is probable the Company will incur a loss and the amount can be reasonably estimated, the Company establishes an accrual for the loss. Once established, the accrual is adjusted periodically to reflect any relevant developments. The actual cost of any outstanding legal proceedings or threatened claims, however, may turn out to be substantially higher than the amount accrued. Further, the Company’s insurance will not cover all such litigation, other proceedings or claims, or the costs of defense.

While the final outcome of any legal proceedings is inherently uncertain, based on the information available, advice of counsel and available insurance coverage, management believes that the litigation-related expense of $11.2 million accrued as of December 31, 2014 is adequate and that any incremental liability arising from the Company’s legal proceedings and threatened claims, including the matters described herein and those otherwise arising in the ordinary course of business, will not have a material adverse effect on the Company's business or consolidated financial condition. It is possible, however, that future developments could result in an unfavorable outcome for or resolution of any one or more of the lawsuits in which the Company or its subsidiaries are defendants, which may be material to the Company’s results of operations for a given fiscal period.

On August 16, 2011, a shareholder filed a putative derivative action purportedly on behalf of the Company in the Circuit Court of Lee County, Mississippi, against certain current and past executive officers and the members of the Board of Directors of the Company. The plaintiff in this shareholder derivative lawsuit asserts that the individual defendants violated their fiduciary duties by allegedly issuing materially false and misleading statements regarding the Company’s business and financial results. The plaintiff is seeking to recover alleged damages in an unspecified amount and equitable and/or injunctive relief, and attorneys’ fees. A motion to dismiss filed by the defendants was granted by the Court on January 5, 2015, and the plaintiff filed a notice of appeal of that decision on February 2, 2015. Although it is not possible to predict the ultimate resolution or financial liability with respect to this litigation, management is currently of the opinion that the outcome of this lawsuit will not have a material adverse effect on the Company’s business, consolidated financial position or results of operations.

On May 18, 2010, the Bank was named as a defendant in a purported class action lawsuit filed by an Arkansas customer of the Bank in the U.S. District Court for the Northern District of Florida. The suit challenges the manner in which overdraft fees were charged and the policies related to posting order of debit card and ATM transactions. The suit also makes a claim under Arkansas' consumer protection statute. The plaintiff is seeking to recover damages in an unspecified amount and equitable relief. The case was transferred to pending multi-district litigation in the U.S. District Court for the Southern District of Florida wherein an order was entered certifying a class in this case. The consolidated pretrial proceedings in the multi-district litigation court have concluded and the case has been remanded to the U.S. District Court for the Northern District of Florida for further proceedings. There are significant uncertainties involved in any purported class action litigation. Although it is not possible to predict the ultimate resolution or financial liability with respect to this litigation, management is currently of the opinion that the outcome of this lawsuit will not have a material adverse effect on the Company's business, consolidated financial position or results of operations. However, there can be no assurance that an adverse outcome or settlement would not have a material adverse effect on the Company's consolidated results of operations for a given fiscal period.

On July 31, 2014, the Company and its Chief Executive Officer and Chief Financial Officer were named in a purported class-action lawsuit filed in the U.S. District Court for the Middle District of Tennessee on behalf of certain purchasers of the Company's common stock. The complaint has subsequently been amended to add the former President and Chief Operating officer. The complaint alleges that the defendants made materially false and misleading statements regarding the Company's procedures, systems and process related to certain of its compliance programs. The plaintiff seeks class certification, an unspecified amount of damages and awards of costs and attorneys' fees and such other equitable relief as the Court may deem just and proper. No class has been certified and, at this stage of the lawsuit, management cannot determine the probability of an unfavorable outcome to the Company. Although it is not possible to predict the ultimate resolution or financial liability with respect to this litigation, management is currently of the opinion that the outcome of this lawsuit will not have a material adverse effect on the Company's business, consolidated financial position or results of operations.

Recent Pronouncements

In July 2012, the FASB issued an ASU regarding indefinite-lived intangible assets impairment. This ASU permits companies to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test on that asset. This ASU is effective for interim and annual periods beginning after September 15, 2012. Early adoption is permitted. This ASU did not have a material impact on the financial position and results of operations of the Company.

In January 2013, the FASB issued an ASU regarding clarification of the scope of disclosures about offsetting assets and liabilities. This ASU limits the scope of the new balance sheet offsetting disclosures in the original ASU issued in 2011 with respect to derivatives, repurchase agreements and securities lending transactions to the extent that they are (1) offset in the financial statements or (2) subject to an enforceable master netting arrangement or similar agreement. This ASU is effective for interim and annual periods beginning on or after January 1, 2013. The adoption of this ASU affected disclosures only and did not have an impact on the financial position and results of operations of the Company.

In February 2013, the FASB issued an ASU regarding the reporting of amounts reclassified out of accumulated other comprehensive income. This ASU requires entities to present information about reclassification adjustments from accumulated other comprehensive income in their interim and annual financial statements in a single note or on the face of the financial statements. This ASU is effective for interim and annual periods beginning after December 15, 2012. The adoption of this ASU affected disclosures only and did not have an impact on the financial position and results of operations of the Company.

In December 2014, the FASB issued an ASU regarding accounting for share-based payments. This ASU requires the entities to apply existing guidance in Topic 718 to any performance target that affects vesting and that could be achieved after the requisite service period to be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. The amendments in this update are effective for interim and annual periods beginning after December 15, 2015. This ASU is not expected to have a material impact on the financial position and results of operations of the Company.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Market risk reflects the risk of economic loss resulting from changes in interest rates and other relevant market prices. This risk of loss can be reflected in either reduced potential net interest revenue in future periods or diminished market values of financial assets.

The Company's market risk arises primarily from interest rate risk that is inherent in its lending, investment and deposit taking activities. Financial institutions derive their income primarily from the excess of interest collected over interest paid. The rates of interest the Company earns on certain of its assets and owes on certain of its liabilities are established contractually for a period of time. Because market interest rates change over time, the Company is exposed to lower profit margins (or losses) if it cannot adapt to interest rate changes. Several techniques might be used by a financial institution to minimize interest rate risk. One approach used by the Company is to periodically analyze its assets and liabilities and make future financing and investing decisions based on payment streams, interest rates, contractual maturities, repricing opportunities and estimated sensitivity to actual or potential changes in market interest rates. Such activities fall under the broad definition of asset/liability management. The Company's primary asset/liability management technique is the measurement of its asset/liability gap, that is, the difference between the amounts of interest-sensitive assets and liabilities that will be refinanced (repriced) during a given period. If the asset amount to be repriced exceeds the corresponding liability amount for a certain day, month, year or longer period, the Company is in an asset-sensitive gap position. In this situation, net interest revenue would increase if market interest rates rose or decrease if market interest rates fell. If, alternatively, more liabilities than assets will reprice, the Company is in a liability-sensitive position. Accordingly, net interest revenue would decline when rates rose and increase when rates fell. These examples assume that interest-rate changes for assets and liabilities are of the same magnitude, whereas actual interest-rate changes generally differ in magnitude for assets and liabilities.

Management seeks to manage interest rate risk through the utilization of various tools that include matching repricing periods for new assets and liabilities and managing the composition and size of the investment portfolio so as to reduce the risk in the deposit and loan portfolios, while at the same time maximizing the yield generated from the portfolio.

MSRs are sensitive to changes in interest rates. Changes in the fair value of the Company's MSRs are generally a result of changes in mortgage interest rates from the previous reporting date. An increase in mortgage interest rates typically results in an increase in the fair value of the MSRs while a decrease in mortgage interest rates typically results in a decrease in the fair value of MSRs. The Company does not hedge the change in fair value of its MSRs and is susceptible to significant fluctuations in their value in changing interest rate environments.

The Company enters into interest rate swaps (derivative financial instruments) to meet the financing, interest rate and equity risk management needs of its customers. Upon entering into these instruments to meet customer needs, the Company enters into offsetting positions to minimize interest rate and equity risk to the Company. These instruments are reported at fair value and the value of these positions, which are offsetting, are recorded in other assets and other liabilities on the consolidated balance sheets.

The table below provides information about the Company's financial instruments that are sensitive to changes in interest rates as of December 31, 2014. The expected maturity categories take into account repricing opportunities as well as contractual maturities. For core deposits without contractual maturities (e.g., interest bearing checking, savings and money market accounts), the table presents cash flows based on management's judgment concerning their most likely runoff or repricing behaviors. The fair value of loans, deposits and other borrowings are based on the discounted value of expected cash flows using a discount rate that is commensurate with the maturity. The fair value of securities is based on market prices or dealer quotes.

	Principal Amount Maturing/Repricing in:							Fair value December 31,
	2015	2016	2017	2018	2019	Thereafter	Total	2014
Rate-sensitive assets:	(Dollars in thousands)							
Fixed interest rate loans and leases	$ 1,279,660	$ 661,626	$ 784,677	$ 833,157	$ 636,125	$ 1,773,294	$ 5,968,539	$ 6,168,576
Average interest rate	4.18%	4.63%	4.47%	4.27%	3.94%	4.20%	4.26%	
Variable interest rate loans and leases	$ 2,755,680	$ 80,319	$ 137,027	$ 312,890	$ 569,671	$ 29,825	$ 3,885,412	4,181,827
Average interest rate	3.98%	4.39%	4.29%	4.23%	4.28%	3.87%	4.06%	
Fixed interest rate securities	$ 493,014	$ 390,031	$ 520,517	$ 295,323	$ 177,073	$ 248,609	$ 2,124,567	$ 2,156,927
Average interest rate	2.01%	2.32%	1.93%	2.01%	4.31%	4.29%	2.51%	
Other interest bearing assets	$ 153,019	-	-	-	-	-	$ 153,019	$ 153,019
Average interest rate	0.25%	-	-	-	-	-	0.25%	
Mortgage servicing rights (1)	-	-	-	-	-	-	$ 51,296	$ 51,296
Rate-sensitive liabilities:								
Savings and interest bearing checking	$ 6,200,017	-	-	-	-	-	$ 6,200,017	$ 6,200,017
Average interest rate	0.16%	-	-	-	-	-	0.16%	
Fixed interest rate time deposits	$ 1,191,767	$ 314,836	$ 185,858	$ 113,533	$ 170,331	$ 17,311	$ 1,993,636	$ 2,005,023
Average interest rate	0.73%	0.89%	1.06%	1.07%	1.26%	1.68%	0.86%	
Fixed interest rate borrowings	3,500	$ -	-	-	30,000	$ -	$ 33,500	$ 36,716
Average interest rate	4.85%	-	-	-	4.08%	-	4.16%	
Variable interest rate borrowings	$ 388,191	$ -	-	48,148	$ -	$ 23,199	$ 459,538	$ 461,245
	0.08%	-	-	2.05%	-	2.79%	0.42%	

Average interest rate								
Rate-sensitive off balance sheet items:								
Commitments to extend credit for single family mortgage loans	$ 85,183	-	-	-	-	-	$ 85,183	$ 85,183
Average interest rate	3.89%	-	-	-	-	-	3.89%	
Forward contracts to sell individual fixed rate mortgage loans	$ 155,820	-	-	-	-	-	$ 155,820	$ 155,820
Average interest rate	3.30%	-	-	-	-	-	3.30%	
Interest rate swap position to receive	$ 324,184	-	-	-	-	-	$ 324,184	$ 21,653
Average interest rate	2.51%	-	-	-	-	-	2.51%	
Interest rate swap position to pay	$ 324,184	-	-	-	-	-	$ 324,184	$ (22,004)
Average interest rate	5.59%	-	-	-	-	-	5.59%	

(1) MSRs represent a non-financial asset that is rate-sensitive in that its value is dependent upon the underlying mortgage loans being serviced that are rate-sensitive.

For additional information about the Company’s market risk and its strategies for minimizing this risk, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Interest Rate Sensitivity” and “– Interest Rate Risk Management” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition – Securities.”

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

SELECTED QUARTERLY FINANCIAL DATA

Summary of Quarterly Results

	Quarter Ended			
	March 31	June 30	Sept. 30	Dec. 31
2014	(In thousands, except per share amounts)			
Interest revenue	$ 110,599	$ 111,499	$ 113,922	$ 114,237
Net interest revenue	101,523	103,081	105,613	106,445
Provision for credit losses	-	-	-	-
Income before income taxes	41,333	44,965	41,192	39,912
Income tax expense	12,889	14,097	12,414	11,252
Net income	28,444	30,868	28,778	28,660
Earnings per share: Basic	0.30	0.32	0.30	0.30
Diluted	0.30	0.32	0.30	0.30
Dividends per share	0.05	0.05	0.075	0.075
2013				
Interest revenue	$ 113,027	$ 112,009	$ 111,961	$ 112,510
Net interest revenue	98,078	98,213	100,241	102,417
Provision for credit losses	4,000	3,000	500	-
Income before income taxes	30,025	29,071	32,858	39,712
Income tax expense	9,220	8,316	8,001	12,014
Net income	20,805	20,755	24,857	27,698
Earnings per share: Basic	0.22	0.22	0.26	0.29
Diluted	0.22	0.22	0.26	0.29
Dividends per share	0.01	0.01	0.05	0.05

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. The Company’s internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (1992).

Based on management’s assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2014.

The Company’s independent registered public accounting firm has issued a report on the effectiveness of the Company’s internal control over financial reporting. That report appears on page 81 of this Report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

BancorpSouth, Inc.:

We have audited BancorpSouth, Inc.’s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). BancorpSouth, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, BancorpSouth, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of BancorpSouth, Inc. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2014, and our report dated February 24, 2015 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Jackson, Mississippi

February 24, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

BancorpSouth, Inc.:

We have audited the accompanying consolidated balance sheets of BancorpSouth, Inc. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BancorpSouth, Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), BancorpSouth, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 24, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Jackson, Mississippi

February 24, 2015

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Consolidated Balance Sheets
BancorpSouth, Inc. and Subsidiaries

	December 31, 2014	December 31, 2013
	(Dollars in thousands, except per share amounts)	
ASSETS		
Cash and due from banks	$ 204,231	$ 208,961
Interest bearing deposits with other banks	153,019	319,462
Available-for-sale securities, at fair value (amortized cost of $2,124,567 and $2,460,608, respectively)	2,156,927	2,466,989
Loans and leases	9,749,540	8,993,888
Less: Unearned income	36,604	35,873
Allowance for credit losses	142,443	153,236
Net loans and leases	9,570,493	8,804,779
Loans held for sale	141,015	69,593
Premises and equipment, net	304,943	315,260
Accrued interest receivable	41,985	42,150
Goodwill	291,498	286,800
Other identifiable intangibles	24,508	26,079
Bank-owned life insurance	247,076	239,434
Other real estate owned	33,984	69,338
Other assets	156,690	180,888
TOTAL ASSETS	$ 13,326,369	$ 13,029,733
LIABILITIES		
Deposits:		
Demand: Noninterest bearing	$ 2,778,686	$ 2,644,592
Interest bearing	4,868,054	4,582,450
Savings	1,331,963	1,234,130
Other time	1,993,636	2,312,664
Total deposits	10,972,339	10,773,836
Federal funds purchased and securities sold under agreement to repurchase	388,166	421,028
Short-term borrowings	3,500	-
Accrued interest payable	3,400	4,836
Junior subordinated debt securities	23,198	31,446
Long-term debt	78,148	81,714
Other liabilities	251,559	203,743
TOTAL LIABILITIES	11,720,310	11,516,603
SHAREHOLDERS' EQUITY		
Common stock, $2.50 par value per share Authorized - 500,000,000 shares; Issued - 96,254,903 and 95,231,691 shares, respectively	240,637	238,079
Capital surplus	324,271	312,900

Accumulated other comprehensive loss	(43,686)	(29,959)
Retained earnings	1,084,837	992,110
TOTAL SHAREHOLDERS' EQUITY	1,606,059	1,513,130
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 13,326,369	$ 13,029,733

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income
BancorpSouth, Inc. and Subsidiaries

	Year Ended December 31,		
	2014	2013	2012
INTEREST REVENUE:	(In thousands, except per share amounts)		
Loans and leases	$ 404,559	$ 396,441	$ 425,611
Deposits with other banks	532	1,694	1,711
Federal funds sold and securities purchased under agreement to resell	-	-	3
Available-for-sale securities:			
Taxable	27,755	33,286	39,408
Tax-exempt	14,462	15,547	16,658
Loans held for sale	2,949	2,539	3,033
Total interest revenue	450,257	449,507	486,424
INTEREST EXPENSE:			
Deposits:			
Interest bearing demand	7,851	9,645	16,111
Savings	1,614	1,705	2,697
Other time	20,675	29,729	39,797
Federal funds purchased and securities sold under agreement to repurchase	331	297	274
Long-term debt	2,463	1,803	1,446
Junior subordinated debt	659	7,376	11,502
Other	2	3	6
Total interest expense	33,595	50,558	71,833
Net interest revenue	416,662	398,949	414,591
Provision for credit losses	-	7,500	28,000
Net interest revenue, after provision for credit losses	416,662	391,449	386,591
NONINTEREST REVENUE:			
Mortgage lending	22,671	44,977	56,919
Credit card, debit card and merchant fees	35,303	33,005	31,705
Deposit service charges	50,622	52,905	56,877
Security gains, net	37	46	442
Insurance commissions	114,842	97,700	90,138
Wealth management	23,531	22,966	20,872
Other	22,140	23,467	23,196
Total noninterest revenue	269,146	275,066	280,149
NONINTEREST EXPENSE:			
Salaries and employee benefits	307,828	306,696	304,624
Occupancy, net of rental income	41,345	41,109	42,140
Equipment	16,869	18,386	20,849

Deposit insurance assessments	8,190	11,755	16,478
Voluntary early retirement expense	-	10,850	-
Write-off and amortization of bond issue cost	48	2,995	153
Other	144,126	143,058	164,949
Total noninterest expense	518,406	534,849	549,193
Income before income taxes	167,402	131,666	117,547
Income tax expense	50,652	37,551	33,252
Net income	$ 116,750	$ 94,115	$ 84,295
Earnings per share: Basic	$ 1.22	$ 0.99	$ 0.90
Diluted	$ 1.21	$ 0.99	$ 0.90

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
BancorpSouth, Inc. and Subsidiaries

	Year Ended December 31,		
	2014	2013	2012
	(In thousands)		
Net income	$ 116,750	$ 94,115	$ 84,295
Other comprehensive loss, net of tax			
Unrealized gains (losses) on securities	16,028	(38,065)	1,599
Pension and other postretirement benefits	(29,755)	16,752	(7,984)
Other comprehensive loss	(13,727)	(21,313)	(6,385)
Comprehensive income	$ 103,023	$ 72,802	$ 77,910

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity
BancorpSouth, Inc. and Subsidiaries
Years Ended December 31, 2014, 2013 and 2012

	Common Stock Shares	Amount	Capital Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	(Dollars in thousands, except per share amounts)					
Balance, December 31, 2011	83,483,796	208,709	227,567	(2,261)	828,897	1,262,912
Net income	-	-	-	-	84,295	84,295
Change in fair value of available-for-sale securities, net of tax effect of $1,002	-	-	-	1,599	-	1,599
Change in pension funding status, net of tax effect of ($4,946)	-	-	-	(7,984)	-	(7,984)
Comprehensive income						77,910
Issuance of stock	10,952,381	27,381	81,296	-	-	108,677
Exercise of stock options	6,533	17	67	-	-	84
Income tax expense from exercise of stock options	-	-	(32)	-	-	(32)
Recognition of stock compensation	112,315	281	3,073	-	-	3,354
Repurchase of stock	(5,158)	(13)	(62)	-	-	(75)
Cash dividends declared, $0.04 per share	-	-	-	-	(3,778)	(3,778)
Balance, December 31, 2012	94,549,867	236,375	311,909	(8,646)	909,414	1,449,052
Net income	-	-	-	-	94,115	94,115
Change in fair value of available-for-sale securities, net of tax effect of ($23,621)	-	-	-	(38,065)	-	(38,065)
Change in pension funding status, net of tax effect of $10,376	-	-	-	16,752	-	16,752
Comprehensive income						72,802
Exercise of stock options	58,982	147	765	-	-	912
Income tax expense from exercise of stock options	-	-	139	-	-	139
Recognition of stock compensation	622,842	1,557	87	-	-	1,644
Cash dividends declared, $0.12 per share	-	-	-	-	(11,419)	(11,419)

Balance, December 31, 2013	95,231,691	238,079	312,900	(29,959)	992,110	1,513,130
Net income	-	-	-	-	116,750	116,750
Change in fair value of available-for-sale securities, net of tax effect of $9,951	-	-	-	16,028	-	16,028
Change in pension funding status, net of tax effect of ($18,432)	-	-	-	(29,755)	-	(29,755)
Comprehensive income						103,023
Exercise of stock options	667,739	1,669	9,914	-	-	11,583
Income tax expense from exercise of stock options	-	-	1,856	-	-	1,856
Recognition of stock compensation	385,113	963	238	-	-	1,201
Repurchase of stock	(29,640)	(74)	(637)	-	-	(711)
Cash dividends declared, $0.25 per share	-	-	-	-	(24,023)	(24,023)
Balance, December 31, 2014	96,254,903	240,637	324,271	(43,686)	1,084,837	$ 1,606,059

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows
BancorpSouth, Inc. and Subsidiaries

	Year Ended December 31,		
	2014	2013	2012
Operating Activities:	(In thousands)		
Net income	$ 116,750	$ 94,115	$ 84,295
Adjustment to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	-	7,500	28,000
Depreciation and amortization	27,272	26,544	27,720
Deferred taxes	(7,563)	3,358	(3,749)
Amortization of intangibles	4,443	2,979	3,222
Amortization of debt securities premium and discount, net	13,089	15,062	13,422
Share-based compensation expense	1,201	1,644	1,886
Security gains, net	(37)	(46)	(442)
Net deferred loan origination expense	(6,809)	(7,639)	(7,944)
Excess tax benefit from exercise of stock options	(1,856)	(139)	32
Decrease in interest receivable	165	2,206	6,910
Decrease in interest payable	(1,436)	(1,304)	(2,504)
Realized gain on mortgages sold	(31,941)	(49,304)	(68,114)
Proceeds from mortgages sold	914,084	1,530,589	2,019,225
Origination of mortgages held for sale	(920,689)	(1,424,983)	(1,996,479)
Loss on other real estate owned, net	14,545	7,385	30,172
Increase in bank-owned life insurance	(8,848)	(8,314)	(8,074)
Decrease (increase) in prepaid pension asset	26,263	(3,705)	16,795
Decrease in prepaid deposit insurance assessments	-	-	11,086
Other, net	3,496	7,784	5,198
Net cash provided by operating activities	142,129	203,732	160,657
Investing Activities:			
Proceeds from calls and maturities of available-for-sale securities	584,260	584,926	520,952
Proceeds from sales of available-for-sale securities	-	-	3,628
Purchases of available-for-sale securities	(252,467)	(718,432)	(430,819)
Net (increase) decrease in loans and leases	(803,858)	(361,383)	150,225
Purchases of premises and equipment	(17,211)	(25,459)	(24,680)
Proceeds from sale of premises and equipment	527	3,084	1,136
Acquisition of businesses, net of cash acquired	(7,060)	(17,360)	(5,971)
Proceeds from sale of other real estate owned	35,264	54,475	73,660
Purchases of bank-owned life insurance, net of proceeds from death benefits	1,206	-	(22,961)
Other, net	(20)	117	(23)
Net cash (used in) provided by investing activities	(459,359)	(480,032)	265,147
Financing Activities:			
Net increase (decrease) in deposits	198,503	(314,310)	132,957
	(32,877)	6,403	39,165

Net (decrease) increase in short-term debt and other liabilities			
Redemption of junior subordinated debt securities	(8,248)	(128,866)	-
Advances of long-term debt	8,000	50,000	-
Repayment of long-term debt	(8,066)	(1,786)	-
Issuance of common stock	11,583	912	110,229
Repurchase of common stock	(711)	-	(75)
Excess tax (benefit) expense from exercise of stock options	1,856	139	(32)
Payment of cash dividends	(23,983)	(11,383)	(3,778)
Net cash provided by (used in) financing activities	146,057	(398,891)	278,466
(Decrease) increase in Cash and Cash Equivalents	(171,173)	(675,191)	704,270
Cash and Cash Equivalents at Beginning of Year	528,423	1,203,614	499,344
Cash and Cash Equivalents at End of Year	$ 357,250	$ 528,423	$ 1,203,614

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

BancorpSouth, Inc. and Subsidiaries

December 31, 2014, 2013 and 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of BancorpSouth, Inc. (the "Company") have been prepared in conformity with U.S. GAAP. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheets and revenues and expenses for the periods reported. Actual results could differ significantly from those estimates. The Company's subsidiaries are engaged in the business of banking, insurance, brokerage and other activities closely related to banking. The Company and its subsidiaries are subject to the regulations of certain federal and state regulatory agencies and undergo periodic examinations by those regulatory agencies. The following is a summary of the Company's more significant accounting and reporting policies. Certain 2013 and 2012 amounts have been reclassified to conform with the 2014 presentation.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, BancorpSouth Bank and its wholly owned subsidiaries (the "Bank") and Gumtree Wholesale Insurance Brokers, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash Flow Statements

Cash equivalents include cash and amounts due from banks, including interest bearing deposits with other banks. The Company paid interest of $35.0 million, $51.9 million and $74.3 million and income taxes of $50.7 million, $39.5 million and $28.1 million for the years ended December 31, 2014, 2013 and 2012, respectively. Loans and leases of $25.0 million, $42.2 million and $89.4 million were charged-off during 2014, 2013 and 2012, respectively. Unsettled purchases of securities were $10.0 million, $1.2 million and $24.9 million at December 31, 2014, 2013 and 2012, respectively. Loans foreclosed and transferred to OREO were $14.7 million, $29.3 million and $32.4 million during 2014, 2013 and 2012, respectively. Loans to facilitate the sale of other real estate owned were $4.4 million, $13.7 million and $3.7 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Securities

Securities are classified as either held-to-maturity, trading or available-for-sale. Held-to-maturity securities are debt securities for which the Company has the ability and management has the intent to hold to maturity. They are reported at amortized cost. Trading securities are debt and equity securities that are bought and held principally for the purpose of selling them in the near term. They are reported at fair value, with unrealized gains and losses included in earnings. Available-for-sale securities are debt and equity securities not classified as either held-to-maturity securities or trading securities. They are reported at fair value, with unrealized gains and losses excluded from earnings and reported, net of tax, as a separate component of shareholders' equity until realized. Gains and losses on securities are determined on the identified certificate basis. Amortization of premium and accretion of discount are computed using the interest method.

Securities are evaluated periodically to determine whether a decline in their value is other-than-temporary. The term "other-than-temporary" is not intended to indicate a permanent decline in value. Rather, it means that the prospects for near term recovery of value are not necessarily favorable, or that there is a lack of evidence to support fair values equal to, or greater than, the carrying value of the investment. Management reviews criteria such as the magnitude and duration of the decline, as well as the reasons for the decline, and whether the Company would be required to sell the securities before a full recovery of costs in order to predict whether the loss in value is other-than-temporary. Once a decline in value is determined to be other-than-temporary, the impairment is separated into (a) the amount of the impairment related to the credit loss and (b) the amount of the impairment related to all other factors. The value of the security is reduced by the other-than-temporary impairment with the amount of the impairment related to credit loss recognized as a charge to earnings and the amount of the impairment related to all other factors recognized in other comprehensive income.

Securities Purchased and Sold Under Agreements to Resell or Repurchase

Securities purchased under agreements to resell are accounted for as short-term investments and securities sold under agreements to repurchase are accounted for as collateralized financing transactions and are recorded at the amounts at which the securities were acquired or sold plus accrued interest. The securities pledged as collateral are generally U.S. government and federal agency securities.

Loans and Leases

Loans and leases are recorded at the face amount of the notes reduced by collections of principal. Loans and leases include net unamortized deferred origination costs and fees. Net deferred origination costs and fees are recognized as a component of income using the effective interest method. In the event of a loan pay-off, the remaining net deferred origination costs and fees are automatically recognized into income and/or expense. Where doubt exists as to the collectibility of the loans and leases, interest income is recorded as payment is received. Interest is recorded monthly as earned on all other loans.

Loans of $500,000 or more that become 60 or more days past due are identified for review by the impairment group of the Bank, which decides whether an impairment exists and to what extent a specific allowance for credit loss should be made. Loans that do not meet these requirements may also be identified by management for impairment review, particularly if the loan is a small loan that is part of a larger relationship. Loans subject to such review are evaluated as to collateral dependency, current collateral value, guarantor or other financial support and likely disposition. Each such loan is individually evaluated for impairment. The impairment evaluation of real estate loans generally focuses on the fair value of underlying collateral obtained from appraisals, as the repayment of these loans may be dependent on the liquidation of the collateral. In certain circumstances, other information such as comparable sales data is deemed to be a more reliable indicator of fair value of the underlying collateral than the most recent appraisal. In these instances, such information is used in determining the impairment recorded for the loan. As the repayment of commercial and industrial loans is generally dependent upon the cash flow of the borrower or guarantor support, the impairment evaluation generally focuses on the discounted future cash flows of the borrower or guarantor support, as well as the projected liquidation of any pledged collateral. The Bank's impairment group reviews the results of each evaluation and approves the final impairment amounts, which are then included in the analysis of the adequacy of the allowance for credit losses in accordance with FASB ASC 310. Loans identified for impairment are placed in non-accrual status.

The Company's policy is to obtain an appraisal at the time of loan origination for real estate collateral securing a loan of $250,000 or more, consistent with regulatory guidelines. The Company's policy is to obtain an updated appraisal when certain events occur, such as the refinancing of the debt, the renewal of the debt or events that indicate potential impairment. A new appraisal is generally ordered for loans greater than $500,000 that have characteristics of potential impairment, such as delinquency or other loan-specific factors identified by management, when a current appraisal (dated within the prior 12 months) is not available or when a current appraisal uses assumptions that are not consistent with the expected disposition of the loan collateral. In order to measure impairment properly at the time that a loan is deemed to be impaired, a staff appraiser may estimate the collateral fair value based upon earlier appraisals, sales contracts, approved foreclosure bids, comparable sales, officer estimates or current market conditions until a new appraisal is received. This estimate can be used to determine the extent of the impairment on the loan. After a loan is deemed to be impaired, it is management's policy to obtain an updated appraisal on at least an annual basis. Management performs a review of the pertinent facts and circumstances of each impaired loan, such as changes in outstanding balances, information received from loan officers, and receipt of re-appraisals, on a monthly basis. As of each review date, management considers whether additional impairment should be recorded based on recent activity related to the loan-specific collateral as well as other relevant comparable assets. Any adjustment to reflect further impairments, either as a result of management's periodic review or as a result of an updated appraisal, are made through recording additional loan loss provisions or charge-offs.

At December 31, 2014, impaired loans totaled $28.1 million, which was net of cumulative charge-offs of $5.5 million. Additionally, the Company had specific reserves of $1.5 million included in the allowance for credit losses. Impaired loans at December 31, 2014 were primarily from the Company's commercial real estate portfolio. Impaired loan charge-offs are determined necessary when management does not anticipate any future recovery of collateral values. The loans were evaluated for impairment based on the fair value of the underlying collateral securing the loan. As part of the impairment review process, appraisals are used to determine the property values. The appraised values that are used are generally based on the disposition value of the property, which assumes Bank ownership of the property "as-is" and a 180- 360 day marketing period. If a current appraisal or one with an inspection date within the past 12 months using the necessary assumptions is not available, a new third-party appraisal is ordered. In cases where an impairment exists and a current appraisal is not available at the time of review, a staff appraiser may determine an estimated value based upon earlier appraisals, the sales contract, approved foreclosure bids, comparable sales, comparable appraisals, officer estimates or current market conditions until a new appraisal is received. After a new appraisal is received, the value used in the review will be updated and any adjustments to reflect further impairments are made. Appraisals are obtained from state-certified appraisers based on certain assumptions which may include foreclosure status, bank ownership, OREO marketing period of 180 days, costs to sell, construction or development status and the highest and best use of the property. A staff appraiser may make adjustments to appraisals based on sales contracts, comparable sales and other pertinent information if an appraisal does not incorporate the effect of these assumptions.

When a guarantor is relied upon as a source of repayment, the Company analyzes the strength of the guaranty. This analysis varies based on circumstances, but may include a review of the guarantor's personal and business financial statements and credit history, a review of the guarantor's tax returns and the preparation of a cash flow analysis of the guarantor. Management will continue to update its analysis on individual guarantors as circumstances change. Because of the continued weakness in the economy, subsequent analyses may result in the identification of the inability of some guarantors to perform under the agreed upon terms.

The Bank's policy 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 the loan or lease is both well-secured and in the process of collection. Once placed in non-accrual status, all accrued but uncollected interest related to the current fiscal year is reversed against the appropriate interest and fee income on loans and leases account with any accrued but uncollected interest related to prior fiscal years reversed against the allowance for credit losses account.

In the normal course of business, management grants concessions to borrowers, which would not otherwise be considered, where the borrowers 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 time, 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. 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. TDR loans may be returned to accrual status in years after the restructure if there has been at least a six-month sustained period of repayment performance under the restructured loan terms by the borrower and the interest rate at the time of restructure was at or above market for a comparable loan. During 2014, the most common concessions 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.

Provision and Allowance for Credit Losses

The provision for credit losses is the periodic cost of providing an allowance or reserve for estimated probable losses on loans and leases. The Bank's Board of Directors has appointed a Credit Committee, composed of senior management and loan administration staff, which meets on at least a quarterly basis and more frequently if necessary to review the recommendations of several internal working groups developed for specific purposes including the allowance for loans and lease losses, impairments and charge-offs. The allowance for loan and lease losses group ("ALLL group") bases its estimates of credit losses on three primary components: (1) estimates of inherent losses that may exist in various segments of performing loans and leases; (2) specifically identified losses in individually analyzed credits; and (3) qualitative factors that may impact the performance of the loan and lease portfolio. Factors such as financial condition of the borrower and guarantor, recent credit performance, delinquency, liquidity, cash flows, collateral type and value are used to assess credit risk. Expected loss estimates are influenced by the historical losses experienced by the Bank for loans and leases of comparable creditworthiness and structure. Specific loss assessments are performed for loans and leases of significant size and delinquency based upon the collateral protection and expected future cash flows to determine the amount of impairment under FASB ASC 310. In addition, qualitative factors such as changes in economic and business conditions, portfolio concentrations of risk, loan and lease growth, acquisitions and changes in portfolio risk resulting from regulatory changes are considered in determining the adequacy of the level of the allowance for credit losses.

Attention is paid to the quality of the loan and lease portfolio through a formal loan review process. An independent loan review department of the Bank is responsible for reviewing the credit rating and classification of individual credits and assessing trends in the portfolio, adherence to internal credit policies and procedures and other factors that may affect the overall adequacy of the allowance for credit losses. The ALLL group is responsible for ensuring that the allowance for credit losses provides coverage of both known and inherent losses. The ALLL group meets at least quarterly to determine the amount of adjustments to the allowance for credit losses. The ALLL group is composed of senior management from the Bank's loan administration and finance departments.

In 2010, the Bank established a real estate risk management group and an impairment group. The real estate risk management group oversees compliance with regulations and U.S. GAAP related to lending activities where real estate is the primary collateral. The impairment group is responsible for evaluating loans that have been specifically identified through various channels, including examination of the Bank's watch list, past due listings, findings of the internal loan review department, loan officer assessments and loans to borrowers or industries known to be experiencing problems. For all loans identified, the responsible loan officer in conjunction with his credit administrator is required to prepare an impairment analysis to be reviewed by the impairment group. The impairment group deems that a loan is impaired if it is probable that the Company will be unable to collect the contractual principal and interest on the loan. The impairment group also evaluates the circumstances surrounding the loan in order to determine if the loan officer used the most appropriate method for assessing the impairment of the loan (i.e., present value of expected future cash flows, observable market price or fair value of the underlying collateral). The impairment group meets on a monthly basis.

If concessions are granted to a borrower as a result of its financial difficulties, the loan is classified as a TDR and analyzed for possible impairment as part of the credit approval process. TDRs determined to be impaired are reserved in accordance with FASB ASC 310 in the same manner as impaired loans which are not TDRs. Should the borrower's financial condition, collateral protection or performance deteriorate, warranting reassessment of the loan rating or impairment, additional reserves may be required.

Any loan or portion thereof which is classified as "loss" by regulatory examiners or which is determined by management to be uncollectible, because of factors such as the borrower's failure to pay interest or principal, the borrower's financial condition, economic conditions in the borrower's industry or the inadequacy of underlying collateral, is charged off. In addition, bank regulatory agencies periodically review the Bank's allowance for credit losses and may require an increase in the provision for credit losses or the recognition of further loan charge-offs, based on judgments different than those of management.

Loans Held for Sale

In the second quarter of 2014 the Company elected to carry loans held for sale at fair value. The fair value of loans held for sale is based on commitments outstanding from investors as well as what secondary markets are currently offering for portfolios with similar characteristics. Loans held for sale are subjected to recurring fair value adjustments. Loan sales are recognized when the transaction closes, the proceeds are collected, ownership is transferred and, through the sales agreement, continuing involvement consists of the right to service the loan for a fee for the life of the loan, if applicable. Gains on the sale of loans held for sale are recorded as part of mortgage lending revenue on the statement of income.

In the course of conducting the Company's mortgage lending activities of originating mortgage loans and selling those loans in the secondary market, various representations and warranties are made to the purchasers of the mortgage loans. Every loan closed by the Bank's mortgage center is run through a government agency automated underwriting system. Any exceptions noted during this process are remedied prior to sale. These representations and warranties also apply to underwriting the real estate appraisal opinion of value for the collateral securing these loans. Under the representations and warranties, failure by the Company to comply with the underwriting and/or appraisal standards could result in the Company being required to repurchase the mortgage loan or to reimburse the investor for losses incurred (i.e., make whole requests) if such failure cannot be cured by the Company within the specified period following discovery. During 2014, 21 mortgage loans totaling $2.3 million were repurchased or otherwise settled as a result of underwriting and appraisal standard exceptions or make whole requests. Losses of approximately $913,000 were recognized related to these repurchased and make whole loans. During 2013, 16 loans totaling approximately $931,000 were repurchased or otherwise settled as a result of underwriting and appraisal standard exceptions or make whole requests. Losses of approximately $661,000 were recognized related to these repurchased and make whole loans. During 2012, 14 mortgage loans totaling approximately $2.1 million were repurchased or otherwise settled as a result of underwriting and appraisal standard exceptions or make whole requests. Losses of approximately $782,000 were recognized related to these repurchased and make whole loans. At December 31, 2014, the Company had reserved $1.1 million for potential losses from representation and warranty obligations.

Government National Mortgage Association ("GNMA") optional repurchase programs allow financial institutions to buy back individual delinquent mortgage loans that meet certain criteria from the securitized loan pool for which the institution provides servicing. At the servicer's option and without GNMA's prior authorization, the servicer may repurchase such a delinquent loan for an amount equal to 100% of the remaining principal balance of the loan. Under FASB ASC 860, this buy-back option is considered a conditional option until the delinquency criteria are met, at which time the option becomes unconditional. When the Company is deemed to have regained effective control over these loans under the unconditional buy-back option, the loans can no longer be reported as sold and must be brought back onto the balance sheet as loans held for sale, regardless of whether the Company intends to exercise the buy-back option. These loans are reported as held for sale in accordance with U.S. GAAP with the offsetting liability being reported as other liabilities. At December 31, 2014, the amount of loans subject to buy back was $23.5 million.

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation and amortization. Provisions for depreciation and amortization, computed using straight-line methods, are charged to expense over the shorter of the lease term or the estimated useful lives of the assets. Costs of major additions and improvements are capitalized. Expenditures for routine maintenance and repairs are charged to expense as incurred.

Other Real Estate Owned

Real estate acquired through foreclosure, consisting of properties obtained through foreclosure proceedings or acceptance of a deed in lieu of foreclosure, is reported on an individual asset basis at the lower of cost or fair value, less estimated selling costs. Fair value is determined on the basis of current appraisals, comparable sales and other estimates of value obtained principally from independent sources. Any excess of the loan balance at the time of foreclosure over the fair value of the real estate held as collateral is charged to the allowance for credit losses. Based upon management's evaluation of the real estate acquired through foreclosure, additional expense may be recorded and included in other noninterest expense when necessary in an amount sufficient to reflect any declines in estimated fair value. Gains and losses realized on the disposition of the properties are included in other noninterest expense.

Goodwill and Other Intangible Assets

Goodwill represents costs in excess of the fair value of net assets acquired in connection with purchase business combinations. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually in accordance with the provisions of FASB ASC 350, Intangibles – Goodwill and Other. Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with FASB ASC 360, Property, Plant and Equipment. Goodwill and other intangible assets are reviewed annually within the fourth quarter for possible impairment, or sooner if a goodwill impairment indicator is identified. If impaired, the asset is written down to its estimated fair value. No impairment charges have been recognized through December 31, 2014. See Note 9, Goodwill and Other Intangible Assets, for additional information.

Mortgage Servicing Rights

The Company recognizes as assets the rights to service mortgage loans for others, known as MSRs. The Company records MSRs at fair value on a recurring basis with subsequent remeasurement of MSRs based on change in fair value in accordance with FASB ASC 860. An estimate of the fair value of the Company's MSRs is determined utilizing assumptions about factors such as mortgage interest rates, discount rates, mortgage loan prepayment speeds, market trends and industry demand. Because the valuation is determined by using discounted cash flow models, the primary risk inherent in valuing the MSRs is the impact of fluctuating interest rates on the estimated life of the servicing revenue stream. The use of different estimates or assumptions could also produce different fair values. The

Company does not hedge the change in fair value of MSRs and, therefore, the Company is susceptible to significant fluctuations in the fair value of its MSRs in changing interest rate environments. MSRs are included in the other assets category of the consolidated balance sheet. Changes in the fair value of MSRs are recorded as part of mortgage lending noninterest revenue on the consolidated statement of income.

Pension and Postretirement Benefits Accounting

The Company accounts for its defined benefit pension plans using an actuarial model as required by FASB ASC 715. This model uses an approach that allocates pension costs over the service period of employees in the plan. The Company also accounts for its other postretirement benefits using the requirements of FASB ASC 715. FASB ASC 715 requires the Company to recognize net periodic postretirement benefit costs as employees render the services necessary to earn their postretirement benefits. The principle underlying the accounting as required by FASB ASC 715 is that employees render service ratably over the service period and, therefore, the income statement effects of the Company's defined benefit pension and postretirement benefit plans should follow the same pattern. The Company accounts for the over-funded or under-funded status of its defined benefit and other postretirement plans as an asset or liability in its consolidated balance sheets and recognizes changes in that funded status in the year in which the changes occur through comprehensive income, as required by FASB ASC 715.

The discount rate is the rate used to determine the present value of the Company's future benefit obligations for its pension and other postretirement benefit plans. The Company determines the discount rate to be used to discount plan liabilities at the measurement date with the assistance of its actuary using the actuary's proprietary model. The Company developed a level equivalent yield using its actuary's model as of December 31, 2014 and the expected cash flows from the BancorpSouth, Inc. Retirement Plan (the "Basic Plan"), the BancorpSouth, Inc. Restoration Plan (the "Restoration Plan") and the BancorpSouth, Inc. Supplemental Executive Retirement Plan (the "Supplemental Plan"). Based on this analysis, the Company established its discount rate assumptions for determination of the projected benefit obligation at 4.10% for the Basic Plan, 3.90% for the Restoration Plan and 3.10% for the Supplemental Plan based on a December 31, 2014 measurement date.

The Company measured benefit obligations using the most recent RP-2014 mortality tables and MP-2014 mortality improvement scale in selecting mortality assumptions as of December 31, 2014.

Stock-Based Compensation

At December 31, 2014, the Company had three stock-based employee compensation plans. The Company recognizes compensation costs related to these stock-based employee compensation plans in accordance with FASB ASC 718, Compensation – Stock Compensation ("FASB ASC 718"). See Note 16, Stock Incentive and Stock Option Plans, for further disclosures regarding stock-based compensation.

Derivative Instruments

The derivative instruments held by the Company include commitments to fund fixed-rate mortgage loans to customers and forward commitments to sell individual, fixed-rate mortgage loans. The Company's objective in obtaining the forward commitments is to mitigate the interest rate risk associated with the commitments to fund the fixed-rate mortgage loans. Both the commitments to fund fixed-rate mortgage loans and the forward commitments to sell individual fixed-rate mortgage loans are reported at fair value, with adjustments being recorded in current period earnings, and are not accounted for as hedges.

The Company also enters into derivative financial instruments to meet the financing, interest rate and equity risk management needs of its customers. Upon entering into these instruments to meet customer needs, the Company enters into offsetting positions to minimize interest rate and equity risk to the Company. These derivative financial instruments are reported at fair value with any resulting gain or loss recorded in current period earnings. These instruments and their offsetting positions are recorded in other assets and other liabilities on the consolidated balance sheets. As of December 31, 2014, the notional amount of customer related derivative financial instruments was $324.2 million with an average maturity of 49.5 months, an average interest receive rate of 2.5% and an average interest pay rate of 5.6%.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Deferred tax assets and liabilities are included in the other assets and other liabilities category of the consolidated balance sheet as applicable.

Insurance Commissions

Commission income is recorded as of the effective date of insurance coverage or the billing date, whichever is later. Contingent commissions and commissions on premiums billed and collected directly by insurance companies are recorded as revenue when received, which is our first notification of amounts earned. The income effects of subsequent premium and fee adjustments are recorded when the adjustments become known.

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Recent Pronouncements

In July 2012, the FASB issued an ASU regarding indefinite-lived intangible assets impairment. This ASU permits companies to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test on that asset. This ASU is effective for interim and annual periods beginning after September 15, 2012. Early adoption is permitted. This ASU did not have a material impact on the financial position and results of operations of the Company.

In January 2013, the FASB issued an ASU regarding clarification of the scope of disclosures about offsetting assets and liabilities. This ASU limits the scope of the new balance sheet offsetting disclosures in the original ASU issued in 2011 with respect to derivatives, repurchase agreements and securities lending transactions to the extent that they are (1) offset in the financial statements or (2) subject to an enforceable master netting arrangement or similar agreement. This ASU is effective for interim and annual periods beginning on or after January 1, 2013. The adoption of this ASU affected disclosures only and did not have an impact on the financial position and results of operations of the Company.

In February 2013, the FASB issued an ASU regarding the reporting of amounts reclassified out of accumulated other comprehensive income. This ASU requires entities to present information about reclassification adjustments from accumulated other comprehensive income in their interim and annual financial statements in a single note or on the face of the financial statements. This ASU is effective for interim and annual periods beginning after December 15, 2012. The adoption of this ASU affected disclosures only and did not have an impact on the financial position and results of operations of the Company.

In December 2014, the FASB issued an ASU regarding accounting for share-based payments. This ASU requires the entities to apply existing guidance in Topic 718 to any performance target that affects vesting and that could be achieved after the requisite service period to be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. The amendments in this update are effective for interim and annual periods beginning after December 15, 2015. This ASU is not expected to have a material impact on the financial position and results of operations of the Company.

(2) BUSINESS COMBINATIONS

On April 10, 2014, the Company purchased certain assets of Knox Insurance Group, LLC ("Knox"), an independent insurance agency located in Lafayette, Louisiana. Consideration paid to complete this transaction consisted of cash paid to Knox shareholders in the aggregate amount of $7.0 million. The provisions of the related purchase agreement also provide for additional aggregate consideration of up to $2.4 million in cash to be paid in three annual installments if certain performance criteria are met. This acquisition was not material to the financial position or results of operations of the Company.

On December 18, 2013, the Company announced the purchase of certain assets of GEM Insurance Agencies, LP ("GEM"), an independent insurance agency located in Houston, Texas. Consideration paid to complete this transaction consisted of cash paid to GEM in the aggregate amount of $20.7 million. The provisions of the related purchase agreement also provide for additional aggregate consideration of up to $6.2 million in cash to be paid in three annual installments if certain performance criteria are met. This acquisition was not material to the financial position or results of operations of the Company.

On July 2, 2012, the Company purchased certain assets of The Securance Group, Inc., an independent insurance agency with locations in Brewton, Montgomery and Troy, Alabama. Consideration paid to complete this transaction consisted of cash paid to The Securance Group shareholders in the aggregate amount of $6.7 million. The provisions of the related purchase agreement also provide for additional aggregate consideration of up to $2.0 million in cash to be paid in three annual installments if certain performance criteria are met. This acquisition was not material to the financial position or results of operations of the Company.

(3) HELD-TO-MATURITY SECURITIES

The Company had no held to maturity securities as of December 31, 2014, 2013 and 2012.

(4) AVAILABLE-FOR-SALE SECURITIES

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

	2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
U.S. Government agencies	$ 1,213,310	$ 4,093	$ 2,349	$ 1,215,054
Government agency issued residential mortgage-backed securities	204,918	4,751	439	209,230
Government agency issued commercial mortgage-backed securities	241,449	2,319	3,200	240,568
Obligations of states and political subdivisions	458,026	25,986	148	483,864
Other	6,864	1,347	-	8,211
Total	$ 2,124,567	$ 38,496	$ 6,136	$ 2,156,927

	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

At December 31, 2014, the Company's available-for-sale securities included FHLB stock with a carrying value of $6.8 million compared to a required investment of $6.6 million. FHLB stock is carried at amortized cost in the financial statements.

Gross gains of approximately $49,000 and gross losses of approximately $12,000 were recognized in 2014, gross gains of approximately $72,000 and gross losses of approximately $26,000 were recognized in 2013 and gross gains of approximately $480,000 and gross losses of approximately $38,000 were recognized in 2012 on available-for-sale securities. No other-than-temporary impairment was recorded in 2014, 2013 or 2012.

Available-for-sale securities with a carrying value of $1.7 billion at December 31, 2014 were pledged to secure public and trust funds on deposit and for other purposes. Included in available-for-sale securities at December 31, 2014, were securities with a carrying value of $238.1 million issued by a political subdivision within the State of Mississippi and securities with a carrying value of $98.4 million issued by a political subdivision within the State of Arkansas.

The amortized cost and estimated fair value of available-for-sale securities at December 31, 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.

	Amortized Cost	Estimated Fair Value	Weighted Average Yield
	(Dollars in thousands)		
Maturing in one year or less	$ 305,125	$ 306,995	1.44 %
Maturing after one year through five years	1,036,760	1,038,685	1.30
Maturing after five years through ten years	53,547	55,447	4.90
Maturing after ten years	282,768	306,002	6.00
Mortgage-backed securities	446,367	449,798	2.07
Total	$ 2,124,567	$ 2,156,927	

A summary of temporarily impaired available-for-sale investments with continuous unrealized loss positions at December 31, 2014 and 2013 follows:

	2014					
	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	$ 237,891	$ 471	$ 283,643	$ 1,878	$ 521,534	$ 2,349
Government agency issued residential mortgage-backed securities	-	-	24,565	439	24,565	439
Government agency issued commercial mortgage-backed securities	3,822	24	203,520	3,176	207,342	3,200
Obligations of states and political subdivisions	17,317	62	10,616	86	27,933	148
Total	$ 259,030	$ 557	$ 522,344	$ 5,579	$ 781,374	$ 6,136

	2013					
	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	$ 533,326	$ 6,133	$ -	$ -	$ 533,326	$ 6,133
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 in 2014.

(5) 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. A summary of gross loans and leases by segment and class at December 31, 2014 and 2013 follows:

	2014	2013
	(In thousands)	
Commercial and industrial	$ 1,753,041	$ 1,538,302
Real estate		
Consumer mortgages	2,257,726	1,976,073
Home equity	531,374	494,339
Agricultural	239,616	234,576
Commercial and industrial-owner occupied	1,522,536	1,473,320
Construction, acquisition and development	853,623	741,458
Commercial real estate	1,961,977	1,846,039
Credit cards	113,426	111,328
All other	516,221	578,453
Total gross loans and leases	$ 9,749,540	$ 8,993,888

The following table shows the Company’s loans and leases, net of unearned income, as of December 31, 2014 by geographical location:

	Alabama and Florida Panhandle (In thousands)	Arkansas*	Mississippi*	Missouri	Greater Memphis Area	Tennessee*	Texas Louisi
Commercial and industrial	$ 75,919	$ 172,894	$ 303,524	$ 29,734	$ 24,457	$ 89,683	$
Real estate							
Consumer mortgages	183,605	283,462	710,307	69,501	115,178	175,401	556,4
Home equity	73,380	39,546	174,587	21,661	68,777	88,505	62,87
Agricultural	6,814	73,413	56,016	2,747	12,678	11,115	73,07
Commercial and industrial-owner occupied	172,813	172,026	454,432	61,393	90,734	87,524	337,4
Construction, acquisition and development	129,955	83,645	227,979	21,800	73,944	98,067	180,6
Commercial real estate	285,105	327,703	294,254	200,352	98,403	126,197	436,5
Credit cards**	-	-	-	-	-	-	-
All other	28,728	38,680	131,704	2,726	35,142	33,101	67,26
Total	$ 956,319	$ 1,191,369	$ 2,352,803	$ 409,914	$ 519,313	$ 709,593	$ 2

*Excludes the Greater Memphis Area

**Credit card receivables are spread across all geographic regions but are not viewed by the Company's management as part of the geographic breakdown.

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 made after

March 2010. Certain of the construction, acquisition and development loans were structured with interest-only terms. A portion of the consumer mortgage and commercial real estate portfolios originated through the permanent financing of construction, acquisition and development loans. Future economic distress could negatively impact additional borrowers' and guarantors' ability to repay their debt which will make more of the Company's loans collateral dependent.

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

	2014						
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Outstanding	90+ Days Past Due still Accruing
	(In thousands)						
Commercial and industrial	$ 2,322	$ 544	$ 601	$ 3,467	$ 1,743,019	$ 1,746,486	$ 41
Real estate							
Consumer mortgages	10,725	3,797	11,167	25,689	2,232,037	2,257,726	1,828
Home equity	1,834	397	658	2,889	528,485	531,374	-
Agricultural	365	1	130	496	239,120	239,616	-
Commercial and industrial-owner occupied	1,005	463	3,337	4,805	1,517,731	1,522,536	39
Construction, acquisition and development	4,547	278	1,568	6,393	847,230	853,623	387
Commercial real estate	4,722	1	1,545	6,268	1,955,709	1,961,977	137
Credit cards	447	312	379	1,138	112,288	113,426	327
All other	1,562	203	102	1,867	484,305	486,172	4
Total	$ 27,529	$ 5,996	$ 19,487	$ 53,012	$ 9,659,924	$ 9,712,936	$ 2,763

	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	-
Commercial and industrial-owner occupied	4,256	1,230	4,585	10,071	1,463,249	1,473,320	-
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 FDIC, as well as other regulatory agencies. Loans may be classified as follows:

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

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

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

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

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

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

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

	December 31, 2014						
	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired	Total
	(In thousands)						
Commercial and industrial	$ 1,709,475	$ 978	$ 33,879	$ -	$ -	$ 2,154	$ 1,746,486
Real estate							
Consumer mortgage	2,167,965	-	84,975	-	-	4,786	2,257,726
Home equity	521,011	-	9,744	-	-	619	531,374
Agricultural	227,688	-	11,928	-	-	-	239,616
Commercial and industrial-owner occupied	1,450,158	-	64,420	491	-	7,467	1,522,536
Construction, acquisition and development	811,227	-	39,675	334	-	2,387	853,623
Commercial real estate	1,893,514	-	57,761	184	-	10,518	1,961,977
Credit cards	113,426	-	-	-	-	-	113,426
All other	471,662	-	14,340	-	-	170	486,172
Total	$ 9,366,126	$ 978	$ 316,722	$ 1,009	$ -	$ 28,101	$ 9,712,936

	December 31, 2013						
	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired	Total
	(In thousands)						
Commercial and industrial	$ 1,495,972	$ 978	$ 30,886	$ 99	$ -	$ 1,314	$ 1,529,249
Real estate							
Consumer mortgage	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

Loans considered impaired under 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 December 31, 2014 and 2013 was $28.1 million and $54.9 million, respectively. At December 31, 2014 and 2013, $6.1 million and $11.0 million, respectively, of those impaired loans had a valuation allowance of $1.5 million and $4.1 million, respectively. The remaining balance of impaired loans of $22.0 million and $44.0 million at December 31, 2014 and 2013, respectively, were charged down to the underlying collateral's fair value, less estimated selling costs, which approximated net realizable value. Therefore, such loans did not have an associated valuation allowance. Impaired loans that were characterized as TDRs totaled $4.6 million and $19.1 million at December 31, 2014 and 2013, respectively. The average recorded investment in impaired loans during 2014 and 2013 was $33.9 million and $103.5 million, respectively.

The following tables provide details regarding impaired loans and leases, net of unearned income, by segment and class at December 31, 2014 and 2013:

	December 31, 2014				
	Recorded Investment in Impaired Loans	Unpaid Principal Balance of Impaired Loans	Related Allowance for Credit Losses	Average Recorded Investment	Interest Income Recognized
	(In thousands)				
With no related allowance:					
Commercial and industrial	$ 1,235	$ 1,583	$ -	$ 1,271	$ 43
Real estate					
Consumer mortgage	3,503	4,356	-	4,282	72
Home equity	209	209	-	215	6
Agricultural	-	-	-	370	2
Commercial and industrial-owner occupied	6,503	7,634	-	4,687	70
Construction, acquisition and development	2,387	3,654	-	5,796	66
Commercial real estate	7,975	9,275	-	7,935	128
All other	170	314	-	187	8
Total	$ 21,982	$ 27,025	$ -	$ 24,743	$ 395
With an allowance:					
Commercial and industrial	$ 919	$ 919	$ 215	$ 328	$ 19
Real estate					
Consumer mortgage	1,283	1,658	123	1,376	30
Home equity	410	410	70	-	-
Agricultural	-	-	-	43	-
Commercial and industrial-owner occupied	964	1,094	89	1,203	21
Construction, acquisition and development	-	-	-	542	-
Commercial real estate	2,543	2,543	1,022	5,706	87
All other	-	-	-	6	-
Total	$ 6,119	$ 6,624	$ 1,519	$ 9,204	$ 157
Total:					
Commercial and industrial	$ 2,154	$ 2,502	$ 215	$ 1,599	$ 62
Real estate					
Consumer mortgage	4,786	6,014	123	5,658	102
Home equity	619	619	70	215	6

Agricultural	-	-	-	413	2
Commercial and industrial-owner occupied	7,467	8,728	89	5,890	91
Construction, acquisition and development	2,387	3,654	-	6,338	66
Commercial real estate	10,518	11,818	1,022	13,641	215
All other	170	314	-	193	8
Total	$ 28,101	$ 33,649	$ 1,519	$ 33,947	$ 552

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	December 31, 2013				
	Recorded Investment in Impaired Loans	Unpaid Principal Balance of Impaired Loans	Related Allowance for Credit Losses	Average Recorded Investment	Interest Income Recognized
	(In thousands)				
With no related allowance:					
Commercial and industrial	$ 1,314	$ 1,314	$ -	$ 2,578	$ 16
Real estate					
Consumer mortgage	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 mortgage	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 mortgage	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
Construction, acquisition and development	15,712	18,890	1,599	33,866	170
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

The following tables provide details regarding impaired loans and leases, net of unearned income, which include accruing TDRs, by segment and class at December 31, 2014 and 2013:

	December 31, 2014				
	Recorded Investment in Impaired Loans	Unpaid Principal Balance of Impaired Loans	Related Allowance for Credit Losses	Average Recorded Investment	Interest Income Recognized
	(In thousands)				
With no related allowance:					
Commercial and industrial	$ 1,235	$ 1,583	$ -	$ 1,271	$ 43
Real estate					
Consumer mortgage	3,503	4,356	-	4,282	72
Home equity	209	209	-	215	5
Agricultural	-	-	-	370	2
Commercial and industrial-owner occupied	6,503	7,634	-	4,687	71
Construction, acquisition and development	2,387	3,654	-	5,796	66
Commercial real estate	7,975	9,275	-	7,935	128
All other	170	314	-	187	8
Total	$ 21,982	$ 27,025	$ -	$ 24,743	$ 395
With an allowance:					
Commercial and industrial	$ 1,275	$ 1,276	$ 239	$ 1,208	$ 63
Real estate					
Consumer mortgage	4,832	5,549	875	4,278	140
Home equity	427	438	70	18	1
Agricultural	8	8	1	305	11
Commercial and industrial-owner occupied	5,520	5,856	404	6,571	243
Construction, acquisition and development	1,488	1,752	241	2,410	70
Commercial real estate	3,957	4,200	1,290	8,135	195
Credit cards	1,109	1,109	64	1,374	137
All other	154	195	46	143	5
Total	$ 18,770	$ 20,383	$ 3,230	$ 24,442	$ 865
Total:					
Commercial and industrial	$ 2,510	$ 2,859	$ 239	$ 2,479	$ 106
Real estate					
Consumer mortgage	8,335	9,905	875	8,560	212
Home equity	636	647	70	233	6
Agricultural	8	8	1	675	13
Commercial and industrial-owner occupied	12,023	13,490	404	11,258	314
	3,875	5,406	241	8,206	136

Construction, acquisition and development					
Commercial real estate	11,932	13,475	1,290	16,070	323
Credit cards	1,109	1,109	64	1,374	137
All other	324	509	46	330	13
Total	$ 40,752	$ 47,408	$ 3,230	$ 49,185	$ 1,260

	December 31, 2013				
	Recorded Investment in Impaired Loans	Unpaid Principal Balance of Impaired Loans	Related Allowance for Credit Losses	Average Recorded Investment	Interest Income Recognized
	(In thousands)				
With no related allowance:					
Commercial and industrial	$ 1,314	$ 1,314	$ -	$ 2,579	$ 16
Real estate					
Consumer mortgage	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 mortgage	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 mortgage	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

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 because of the borrower's weakened financial condition. The following table presents information concerning NPLs at December 31, 2014 and 2013:

	2014	2013
	(In thousands)	
Non-accrual loans and leases	$ 58,052	$ 92,173
Loans and leases 90 days or more past due, still accruing	2,763	1,226
Restructured loans and leases still accruing	10,920	27,007
Total	$ 71,735	$ 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 the loan or lease is both well-secured and in the process of collection. At December 31, 2014, the Company’s geographic NPL distribution was concentrated primarily in its 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 at December 31, 2014 and 2013:

	2014	2013
	(In thousands)	
Commercial and industrial	$ 3,934	$ 3,079
Real estate		
Consumer mortgages	23,668	25,645
Home equity	2,253	3,695
Agricultural	291	1,260
Commercial and industrial-owner occupied	11,190	18,568
Construction, acquisition and development	4,162	17,567
Commercial real estate	11,915	20,972
Credit cards	133	119
All other	506	1,268
Total	$ 58,052	$ 92,173

The total amount of interest earned on NPLs was $3.9 million, $6.2 million and $4.3 million in 2014, 2013 and 2012, respectively. The gross interest income which would have been recorded under the original terms of those loans and leases amounted to $5.3 million, $7.3 million and $15.6 million in 2014, 2013 and 2012, respectively.

In the normal course of business, management will sometimes grant concessions, which normally would not otherwise be considered, to borrowers that are experiencing financial difficulty. Restructured 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. 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. TDR loans recorded as non-accrual may be returned to accrual status in years after the restructure if there has been at least a six-month period of sustained repayment performance by the borrower under the restructured loan terms and the interest rate at the time of restructure was at or above market for a comparable loan.

The following tables summarize the financial effect of TDRs for the years ended December 31, 2014 and 2013:

	December 31, 2014		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
	(Dollars in thousands)		
Commercial and industrial	5	$ 613	$ 613
Real estate			
Consumer mortgages	33	4,823	4,263
Home equity	2	31	30
Agricultural	1	10	10
Commercial and industrial-owner occupied	8	2,103	1,810
Construction, acquisition and development	3	924	924
Commercial real estate	7	1,426	1,519
All other	14	290	286
Total	73	$ 10,220	$ 9,455

:

	December 31, 2013		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
	(Dollars in thousands)		
Commercial and industrial	3	$ 919	$ 919
Real estate			
Consumer mortgages	23	1,843	1,840
Home Equity	2	25	10
Commercial and industrial-owner occupied	8	3,821	3,815
Construction, acquisition and development	15	3,071	2,826
Commercial real estate	4	1,574	1,570
All other	5	1,160	1,161
Total	60	$ 12,413	$ 12,141

The following tables summarize TDRs modified within 2014 and 2013 for which there was a payment default during the indicated year (i.e., 30 days or more past due at any given time during 2014 or 2013):

	Year Ended December 31, 2014		
	Number of Contracts	Recorded Investment	
	(Dollars in thousands)		
Real estate			
Consumer mortgages	8	$	540
Commercial and industrial-owner occupied	2	784	
Construction, acquisition and development	2	279	
Commercial real estate	5	901	
All other	6	65	
Total	23	$	2,569

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

During 2014, 2013 and 2012, the most common concessions 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.

(6) ALLOWANCE FOR CREDIT LOSSES

The following table summarizes the changes in the allowance for credit losses for the years ended December 31, 2014, 2013 and 2012:

	2014	2013	2012
	(In thousands)		
Balance at beginning of year	$ 153,236	$ 164,466	$ 195,118
Provision charged to expense	-	7,500	28,000
Recoveries	14,234	23,462	30,746
Loans and leases charged off	(25,027)	(42,192)	(89,398)
Balance at end of year	$ 142,443	$ 153,236	$ 164,466

The following tables summarize the changes in the allowance for credit losses by segment and class for the years ended December 31, 2014 and 2013:

2014	
Balance, Beginning of Period	Balance, End of