

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

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2015

OR

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

For the transition period from _____ to _____

Commission File Number: 001-12991

BANCORPSOUTH, INC.

(Exact name of registrant as specified in its charter)

Mississippi

(State or other jurisdiction of incorporation or organization)

64-0659571

(I.R.S. Employer Identification No.)

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One Mississippi Plaza, 201 South Spring Street

Tupelo, Mississippi
(Address of principal executive offices)

38804
(Zip Code)

Registrant's telephone number, including area code: (662) 680-2000

NOT APPLICABLE

(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One): Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 30, 2015, the registrant had outstanding 96,546,902 shares of common stock, par value \$2.50 per share.

BANCORPSOUTH, INC.

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PART I.

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

BANCORPSOUTH, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

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

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

(1) Derived from audited financial statements.

See accompanying notes to consolidated financial statements.

BANCORPSOUTH, INC. AND SUBSIDIARIES

Consolidated Statements of Income

(Unaudited)

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

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

See accompanying notes to consolidated financial statements.

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

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

See accompanying notes to consolidated financial statements.

BANCORPSOUTH, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)

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

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

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

(Unaudited)

NOTE 1 – BASIS OF FINANCIAL STATEMENT PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The accompanying unaudited interim consolidated financial statements of BancorpSouth, Inc. (the “Company”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and follow general practices within the industries in which the Company operates. For further information, refer to the audited consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014. In the opinion of management, all adjustments necessary for a fair presentation of the consolidated financial statements have been included and all such adjustments were of a normal, recurring nature. The results of operations for the three-month period ended March 31, 2015 are not necessarily indicative of the results to be expected for the full year. Certain 2014 amounts have been reclassified to conform with the 2015 presentation.

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, BancorpSouth Bank (the “Bank”) and Gumtree Wholesale Insurance Brokers, Inc., and the Bank’s wholly-owned subsidiaries, BancorpSouth Insurance Services, Inc., BancorpSouth Municipal Development Corporation and BancorpSouth Bank Securities Corporation.

NOTE 2 – LOANS AND LEASES

The Company’s loan and lease portfolio is disaggregated into the following segments: commercial and industrial; real estate; credit card; and all other loans and leases. The real estate segment is further disaggregated into the following classes: consumer mortgages; home equity; agricultural; commercial and industrial-owner occupied; construction, acquisition and development; and commercial real estate. A summary of gross loans and leases by segment and class as of the dates indicated follows:

March 31, 2015	2014	December 31, 2014
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(In thousands)

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

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

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

The Company's loan concentrations which exceed 10% of total loans are reflected in the preceding tables. A substantial portion of construction, acquisition and development loans are secured by real estate in markets in which the Company is located. The Company's loan policy generally prohibits the use of interest reserves on loans originated after March 2010. Certain of the construction, acquisition and development loans were structured with interest-only terms. A portion of the consumer mortgage and commercial real estate portfolios originated through the permanent financing of construction, acquisition and development loans. Future economic distress could negatively impact borrowers' and guarantors' ability to repay their debt which would make more of the Company's loans collateral dependent.

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

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March 31, 2015

	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Outstanding	90+ Days Past Due still Accruing
(In thousands)							
Commercial and industrial	\$ 2,112	\$ 1,389	\$ 834	\$ 4,335	\$ 1,672,031	\$ 1,676,366	\$ 30
Real estate							
Consumer mortgages	10,123	2,558	9,415	22,096	2,279,016	2,301,112	1,256
Home equity	2,453	212	677	3,342	534,700	538,042	-
Agricultural	186	18	1	205	236,693	236,898	-
Commercial and industrial-owner occupied	2,639	1,080	1,475	5,194	1,512,959	1,518,153	-
Construction, acquisition and development	5,052	751	2,905	8,708	884,022	892,730	-
Commercial real estate	2,716	483	3,697	6,896	1,986,577	1,993,473	-
Credit cards	376	240	352	968	105,319	106,287	329
All other	940	179	78	1,197	462,712	463,909	-
Total	\$ 26,597	\$ 6,910	\$ 19,434	\$ 52,941	\$ 9,674,029	\$ 9,726,970	\$ 1,615

December 31, 2014

	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Outstanding	90+ Days Past Due still Accruing
(In thousands)							
Commercial and industrial	\$ 2,322	\$ 544	\$ 601	\$ 3,467	\$ 1,743,019	\$ 1,746,486	\$ 41
Real estate							
Consumer mortgages	10,725	3,797	11,167	25,689	2,232,037	2,257,726	1,828
Home equity	1,834	397	658	2,889	528,485	531,374	-
Agricultural	365	1	130	496	239,120	239,616	-
Commercial and industrial-owner occupied	1,005	463	3,337	4,805	1,517,731	1,522,536	39
Construction, acquisition and development	4,547	278	1,568	6,393	847,230	853,623	387
Commercial real estate	4,722	1	1,545	6,268	1,955,709	1,961,977	137

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

The Company utilizes an internal loan classification system to grade loans according to certain credit quality indicators. These credit quality indicators include, but are not limited to, recent credit performance, delinquency, liquidity, cash flows, debt coverage ratios, collateral type and loan-to-value ratio. The Company's internal loan classification system is compatible with classifications used by the Federal Deposit Insurance Corporation, as well as other regulatory agencies. Loans may be classified as follows:

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

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

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

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

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

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

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

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

December 31, 2014

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

(1) Impaired loans are shown exclusive of accruing troubled debt restructurings ("TDRs")

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The following tables provide details regarding impaired loans and leases, net of unearned income, by segment and class as of and for the three months ended March 31, 2015 and as of and for the year ended December 31, 2014:

	March 31, 2015					
	Recorded Investment in Impaired Loans	Unpaid Principal Balance of Impaired Loans	Related Allowance for Credit Losses	Average Recorded Investment	Interest Income Recognized	
	(In thousands)					
With no related allowance:						
Commercial and industrial	\$ 1,214	\$ 1,562	\$ -	\$ 1,221	\$ 5	
Real estate:						
Consumer mortgages	2,613	3,316	-	3,410	18	
Home equity	205	205	-	206	2	
Agricultural	-	-	-	-	-	
Commercial and industrial-owner occupied	5,456	6,337	-	4,027	30	
Construction, acquisition and development	3,160	3,280	-	3,178	6	
Commercial real estate	10,017	12,256	-	8,244	64	
All other	164	306	-	166	1	
Total	\$ 22,829	\$ 27,262	\$ -	\$ 20,452	\$ 126	
With an allowance:						
Commercial and industrial	\$ 626	\$ 626	\$ 79	\$ 767	\$ 7	
Real estate:						
Consumer mortgages	552	552	123	963	9	
Home equity	405	405	74	-	-	
Agricultural	-	-	-	-	-	
Commercial and industrial-owner occupied	425	425	112	2,561	19	
Construction, acquisition and development	-	-	-	221	-	
Commercial real estate	-	-	-	6,100	9	
All other	-	-	-	-	-	
Total	\$ 2,008	\$ 2,008	\$ 388	\$ 10,612	\$ 44	
Total:						

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

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

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

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

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

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

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

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

Loans considered impaired under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 310, Receivables (“FASB ASC 310”), are loans for which, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. The Company’s recorded investment in loans considered impaired

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exclusive of accruing TDRs at March 31, 2015 and December 31, 2014 was \$24.8 million and \$28.1 million, respectively. At March 31, 2015 and December 31, 2014, \$2.0 million and \$6.1 million, respectively, of those impaired loans had a valuation allowance of approximately \$388,000 and \$1.5 million, respectively. The remaining balance of impaired loans of \$22.8 million and \$22.0 million at March 31, 2015 and December 31, 2014, respectively, were charged down to fair value, less estimated selling costs which approximated net realizable value. Therefore, such loans did not have an associated valuation allowance. Impaired loans that were characterized as TDRs totaled \$4.8 million and \$4.6 million at March 31, 2015 and December 31, 2014, respectively. The average recorded investment in impaired loans was \$31.1 million for the three months ended March 31, 2015 and \$33.9 million for the year ended December 31, 2014.

Non-performing loans and leases (“NPLs”) consist of non-accrual loans and leases, loans and leases 90 days or more past due and still accruing, and loans and leases that have been restructured (primarily in the form of reduced interest rates and modified payment terms) because of the borrower’s weakened financial condition or bankruptcy proceedings. The following table presents information concerning NPLs as of the dates indicated:

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

The Bank’s policy for all loan classifications provides that loans and leases are generally placed in non-accrual status if, in management’s opinion, payment in full of principal or interest is not expected or payment of principal or interest is more than 90 days past due, unless such loan or lease is both well-secured and in the process of collection. At March 31, 2015, the Company’s geographic NPL distribution was concentrated primarily in its Louisiana, Mississippi and Tennessee markets. The following table presents the Company’s nonaccrual loans and leases by segment and class as of the dates indicated:

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

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

In the normal course of business, management will sometimes grant concessions, which would not otherwise be considered, to borrowers that are experiencing financial difficulty. Loans identified as meeting the criteria set out in FASB ASC 310 are identified as TDRs. The concessions granted most frequently for TDRs involve reductions or delays in required payments of principal and interest for a specified period, the rescheduling of payments in accordance with a bankruptcy plan or the charge-off of a portion of the loan. In most cases, the conditions of the credit also warrant nonaccrual status, even after the restructure occurs. Other conditions that warrant a loan being considered a TDR include reductions in interest rates to below market rates due to bankruptcy

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plans or by the bank in an attempt to assist the borrower in working through liquidity problems. As part of the credit approval process, the restructured loans are evaluated for adequate collateral protection in determining the appropriate accrual status at the time of restructure. TDRs recorded as nonaccrual loans may generally be returned to accrual status in periods after the restructure if there has been at least a six-month period of sustained repayment performance by the borrower in accordance with the terms of the restructured loan and the interest rate at the time of restructure was at or above market for a comparable loan. During the first quarter of 2015, the most common concessions that were granted involved rescheduling payments of principal and interest over a longer amortization period, granting a period of reduced principal payment or interest only payment for a limited time period, or the rescheduling of payments in accordance with a bankruptcy plan.

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

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

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

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

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The tables below summarize TDRs within the previous 12 months for which there was a payment default during the period indicated (i.e., 30 days or more past due at any given time during the period indicated).

	Three months ended March 31, 2015	
	Number of Contracts	Recorded Investment
	(Dollars in thousands)	
Real estate		
Consumer mortgages	3	\$ 207
Total	3	\$ 207

	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

NOTE 3 – ALLOWANCE FOR CREDIT LOSSES

The following tables summarize the changes in the allowance for credit losses by segment and class for the periods indicated:

	Three months ended March 31, 2015				Balance, End of Period
	Balance, Beginning of Period	Charge-offs	Recoveries	Provision	
	(In thousands)				
Commercial and industrial Real estate	\$ 21,419	\$ (383)	\$ 502	\$ (517)	\$ 21,021
Consumer mortgages	40,015	(892)	612	(664)	39,071
Home equity	9,542	(498)	241	261	9,546
Agricultural	3,420	(8)	269	(535)	3,146
Commercial and industrial-owner occupied	16,325	(394)	550	(817)	15,664
Construction, acquisition and development	9,885	(343)	604	(233)	9,913
Commercial real estate	23,562	(1,007)	720	(1,773)	21,502
Credit cards	6,514	(676)	153	(672)	5,319
All other	11,761	(579)	346	(50)	11,478
Total	\$ 142,443	\$ (4,780)	\$ 3,997	\$ (5,000)	\$ 136,660

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

	Three months ended March 31, 2014				Balance, End of Period
	Balance, Beginning of Period	Charge-offs	Recoveries	Provision	Balance, End of Period
	(In thousands)				
Commercial and industrial	\$ 18,376	\$ (201)	\$ 1,076	\$ (337)	\$ 18,914
Real estate					
Consumer mortgages	39,525	(1,945)	538	210	38,328
Home equity	5,663	(318)	184	183	5,712
Agricultural	2,800	(696)	9	721	2,834
Commercial and industrial-owner occupied	17,059	(1,206)	358	350	16,561
Construction, acquisition and development	11,828	(1,666)	1,637	(1,479)	10,320
Commercial real estate	43,853	(901)	323	1,496	44,771
Credit cards	3,782	(559)	131	(868)	2,486
All other	10,350	(583)	287	(276)	9,778
Total	\$ 153,236	\$ (8,075)	\$ 4,543	\$ -	\$ 149,704

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

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

	December 31, 2014			
	Recorded Balance of Impaired Loans	Allowance for Impaired Loans and Leases	Allowance for All Other Loans and Leases	Total Allowance
	(In thousands)			
Commercial and industrial Real estate	\$ 2,154	\$ 215	\$ 21,204	\$ 21,419
Consumer mortgages	4,786	123	39,892	40,015
Home equity	619	70	9,472	9,542
Agricultural	-	-	3,420	3,420
Commercial and industrial-owner occupied	7,467	89	16,236	16,325
Construction, acquisition and development	2,387	-	9,885	9,885
Commercial real estate	10,518	1,022	22,540	23,562
Credit cards	-	-	6,514	6,514
All other	170	-	11,761	11,761
Total	\$ 28,101	\$ 1,519	\$ 140,924	\$ 142,443

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

NOTE 4 – OTHER REAL ESTATE OWNED

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

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

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

	March 31, 2015								
	Alabama and Florida								
	Panhandle	Arkansas	Louisiana	Mississippi	Missouri	Tennessee	Texas	Other	Total
	(In thousands)								
Commercial and industrial Real estate	\$ 84	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84
Consumer mortgages	264	79	25	1,289	-	38	4	-	1,699
Home equity	-	-	-	101	-	-	-	-	101
Agricultural	-	-	-	25	-	-	-	-	25
Commercial and industrial-owner occupied	199	-	-	1,424	-	307	60	-	1,990
Construction, acquisition and development	3,886	84	139	16,069	-	2,627	-	-	22,805
Commercial real estate	170	-	-	646	-	121	63	-	1,000
All other	-	27	-	99	-	59	-	-	185
Total	\$ 4,603	\$ 190	\$ 164	\$ 19,653	\$ -	\$ 3,152	\$ 127	\$ -	\$ 27,889

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December 31, 2014										
Alabama and Florida										
	Panhandle	Arkansas	Louisiana	Mississippi	Missouri	Tennessee	Texas	Other	Total	
(In thousands)										
Commercial and industrial Real estate	\$ 84	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84
Consumer mortgages	309	97	470	1,181	-	198	39	-	2,294	
Home equity	24	-	-	188	-	-	-	-	212	
Agricultural	-	-	-	25	-	-	-	-	25	
Commercial and industrial-owner occupied	-	-	-	1,162	-	223	60	-	1,445	
Construction, acquisition and development	7,302	84	140	17,152	-	3,006	56	-	27,740	
Commercial real estate	1,000	256	-	646	-	121	63	-	2,086	
All other	-	-	-	98	-	-	-	-	98	
Total	\$ 8,719	\$ 437	\$ 610	\$ 20,452	\$ -	\$ 3,548	\$ 218	\$ -	\$ 33,984	

March 31, 2014										
Alabama and Florida										
	Panhandle	Arkansas	Louisiana	Mississippi	Missouri	Tennessee	Texas	Other	Total	
(In thousands)										
Commercial and industrial Real estate	\$ 84	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84
Consumer mortgages	822	232	-	2,533	62	199	5	-	3,853	
Home equity	442	-	-	556	-	-	-	-	998	
Agricultural	907	-	-	216	-	1,083	-	-	2,206	
Commercial and industrial-owner occupied	33	33	-	1,804	-	751	105	-	2,726	
Construction, acquisition and development	15,035	94	257	27,512	861	7,327	-	-	51,086	
Commercial real estate	352	316	-	568	-	1,035	106	-	2,377	
All other	-	-	-	85	-	-	147	33	265	
Total	\$ 17,675	\$ 675	\$ 257	\$ 33,274	\$ 923	\$ 10,395	\$ 363	\$ 33	\$ 63,595	

The Company incurred total foreclosed property expenses of \$2.0 million and \$2.6 million for the three months ended March 31, 2015 and 2014, respectively. Realized net losses on dispositions and holding losses on valuations of these properties, a component of total foreclosed property expenses, were \$1.4 million and \$2.3 million for the three months ended March 31, 2015 and 2014, respectively.

NOTE 5 – SECURITIES

A comparison of amortized cost and estimated fair values of available-for-sale securities as of March 31, 2015 and 2014, respectively, and December 31, 2014 follows:

	March 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
U.S. Government agencies	\$ 1,280,055	\$ 6,947	\$ 21	\$ 1,286,981
Government agency issued residential mortgage-backed securities	196,712	3,897	228	200,381
Government agency issued commercial mortgage-backed securities	225,378	2,887	856	227,409
Obligations of states and political subdivisions	444,059	27,547	67	471,539
Other	6,790	1,273	-	8,063
Total	\$ 2,152,994	\$ 42,551	\$ 1,172	\$ 2,194,373

	December 31, 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

	March 31, 2014			
	Amortized	Gross Unrealized	Gross Unrealized	Estimated Fair

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	Cost (In thousands)	Gains	Losses	Value
U.S. Government agencies	\$ 1,416,273	\$ 7,899	\$ 4,903	\$ 1,419,269
Government agency issued residential mortgage-backed securities	238,887	3,898	1,189	241,596
Government agency issued commercial mortgage-backed securities	240,619	1,866	8,426	234,059
Obligations of states and political subdivisions	505,586	19,051	826	523,811
Other	6,947	1,076	-	8,023
Total	\$ 2,408,312	\$ 33,790	\$ 15,344	\$ 2,426,758

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Gross gains of approximately \$14,000 and no gross losses were recognized on available-for-sale securities during the first three months of 2015, while gross gains of approximately \$4,000 and gross losses of approximately \$8,000 were recognized during the first three months of 2014.

The amortized cost and estimated fair value of available-for-sale securities at March 31, 2015 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.

	March 31, 2015		
	Amortized Cost	Estimated Fair Value	Weighted Average Yield
	(Dollars in thousands)		
Maturing in one year or less	\$ 358,231	\$ 360,900	1.67 %
Maturing after one year through five years	1,042,374	1,048,727	1.22
Maturing after five years through ten years	50,915	52,965	4.90
Maturing after ten years	279,384	303,991	6.00
Mortgage-backed securities	422,090	427,790	2.08
Total	\$ 2,152,994	\$ 2,194,373	

The following tables summarize information pertaining to temporarily impaired available-for-sale securities with continuous unrealized loss positions at March 31, 2015 and December 31, 2014:

	March 31, 2015					
	Continuous Unrealized Loss Position					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. Government agencies	\$ 40,130	\$ 13	\$ 9,961	\$ 8	\$ 50,091	\$ 21
Government agency issued residential mortgage-backed securities	5,402	30	23,555	198	28,957	228
Government agency issued commercial mortgage-backed securities	93,708	252	80,341	604	174,049	856
Obligations of states and political subdivisions	11,502	37	4,118	30	15,620	67
Total	\$ 150,742	\$ 332	\$ 117,975	\$ 840	\$ 268,717	\$ 1,172

	December 31, 2014					
	Continuous Unrealized Loss		Position			
	Less Than 12 Months	12 Months or Longer	Total			
	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
	Value	Losses	Value	Losses	Value	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

Based upon a review of the credit quality of these securities, and considering that the issuers were in compliance with the terms of the securities, management had no intent to sell these securities, and it was more likely than not that the Company would not be required to sell the securities prior to recovery of costs. Therefore, the impairments related to these securities were determined to be temporary. No other-than-temporary impairment was recorded during the first three months of 2015.

NOTE 6 – PER SHARE DATA

Basic earnings per share (“EPS”) are calculated using the two-class method. The two-class method provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of basic EPS. Diluted EPS is computed using the weighted-average number of shares determined for the basic EPS computation plus the shares resulting from the assumed exercise of all outstanding share-based awards using the treasury stock method. Weighted-average antidilutive stock options to purchase approximately 670,000 shares of Company common stock with a weighted average exercise price of \$24.89 per share for the three months ended March 31, 2015 were excluded from diluted shares. Antidilutive other equity awards of approximately 79,000 shares of Company common stock for the three months ended March 31, 2015 were excluded from diluted shares. Weighted-average antidilutive stock options to purchase approximately 801,000 shares of Company common stock with a weighted average exercise price of \$23.84 per share for the three months ended March 31, 2014 were excluded from diluted shares. Antidilutive other equity awards of approximately 48,000 shares of Company common stock for the three months ended March 31, 2014 were also excluded from diluted shares. The following table provides a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the periods shown:

	Three months ended March 31, 2015			2014		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS	(In thousands, except per share amounts)					
Income available to common shareholders	\$ 32,266	96,360	\$ 0.33	\$ 28,444	95,630	\$ 0.30
Effect of dilutive share-based awards	-	293		-	323	
Diluted EPS						
Income available to common shareholders plus assumed exercise of all outstanding share-based awards	\$ 32,266	96,653	\$ 0.33	\$ 28,444	95,953	\$ 0.30

NOTE 7 – COMPREHENSIVE INCOME

The following tables present the components of other comprehensive income and the related tax effects allocated to each component for the periods indicated:

	Three months ended March 31, 2015			2014		
	Before tax amount	Tax effect	Net of tax amount	Before tax amount	Tax effect	Net of tax amount

Net unrealized (losses) gains on available-for-sale securities:	(In thousands)					
Unrealized gains arising during holding period	\$ 9,033	\$ (3,481)	\$ 5,552	\$ 12,062	\$ (4,621)	\$ 7,441
Reclassification adjustment for net (gains) losses realized in net income (1)	(14)	5	(9)	4	(2)	2
Recognized employee benefit plan net periodic benefit cost (2)	1,797	(687)	1,110	738	(282)	456
Other comprehensive income	\$ 10,816	\$ (4,163)	\$ 6,653	\$ 12,804	\$ (4,905)	\$ 7,899
Net income			32,266			28,444
Comprehensive income			\$ 38,919			\$ 36,343

(1) Reclassification adjustments for net gains (losses) on available-for-sale securities are reported as net security gains (losses) on the consolidated statements of income.

(2) Recognized employee benefit plan net periodic benefit cost include amortization of unrecognized transition amount, recognized prior service cost and recognized net loss. For more information, see Note 9 - Pension Benefits.

NOTE 8 – GOODWILL AND OTHER INTANGIBLE ASSETS

The carrying amounts of goodwill by operating segment for the three months ended March 31, 2015 were as follows:

	Community Banking	Insurance Agencies	Total
	(In thousands)		
Balance as of December 31, 2014	\$ 217,618	\$ 73,880	\$ 291,498
Goodwill recorded during the period	-	-	-
Balance as of March 31, 2015	\$ 217,618	\$ 73,880	\$ 291,498

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. No events occurred during the first three months of 2015 that indicated the necessity of an earlier goodwill impairment assessment.

In the current economic 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. As market conditions continue to be volatile and unpredictable, impairment of goodwill related to the Company's reporting segments may be necessary in future periods.

The following tables present information regarding the components of the Company's identifiable intangible assets for the dates and periods indicated:

	As of March 31, 2015		As of December 31, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(In thousands)			
Amortized intangible assets:				
Core deposit intangibles	\$ 27,801	\$ 22,875	\$ 27,801	\$ 22,782

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Customer relationship intangibles	49,639	32,647	49,639	31,821
Non-solicitation intangibles	1,650	780	1,650	667
Total	\$ 79,090	\$ 56,302	\$ 79,090	\$ 55,270

Unamortized intangible assets:

Trade names	\$ 688	\$ -	\$ 688	\$ -
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Three months ended
March 31,
2015 2014

Aggregate amortization expense for:	(In thousands)	
Core deposit intangibles	\$ 93	\$ 137
Customer relationship intangibles	826	834
Non-solicitation intangibles	113	87
Total	\$ 1,032	\$ 1,058

The following table presents information regarding estimated amortization expense on the Company's amortizable identifiable intangible assets for the year ending December 31, 2015 and the succeeding four years:

	Core Deposit Intangibles	Customer Relationship Intangibles	Non- Solicitation Intangibles	Total
Estimated Amortization Expense:	(In thousands)			
For year ending December 31, 2015	\$ 487	\$ 3,134	\$ 375	\$ 3,996
For year ending December 31, 2016	451	2,673	225	3,349
For year ending December 31, 2017	419	2,380	200	2,999
For year ending December 31, 2018	390	2,009	183	2,582
For year ending December 31, 2019	363	1,689	-	2,052

NOTE 9 – PENSION BENEFITS

The following table presents the components of net periodic benefit costs for the periods indicated:

	Three months ended March 31,	
	2015	2014
	(In thousands)	
Service cost	\$ 2,615	\$ 2,234
Interest cost	2,588	2,339
Expected return on assets	(2,694)	(2,634)
Amortization of unrecognized transition amount	-	5
Recognized prior service cost	(179)	(192)
Recognized net loss	1,976	926
Net periodic benefit costs	\$ 4,306	\$ 2,678

NOTE 10 – RECENT PRONOUNCEMENTS

There are currently no new accounting standards that have been issued that will have a significant impact on the Company's financial position, results of operations or cash flows upon adoption.

NOTE 11 - SEGMENT REPORTING

The Company is a financial holding company with subsidiaries engaged in the business of banking and activities closely related to banking. The Company determines reportable segments based upon the services offered, the significance of those services to the Company's financial condition and operating results and management's regular review of the operating results of those services. The Company's primary segment is Community Banking, which includes providing a full range of deposit products, commercial loans and consumer loans. The Company has also designated two additional reportable segments -- Insurance Agencies and General Corporate and Other. The Company's insurance agencies serve as agents in the sale of commercial lines of insurance and full lines of property and casualty, life, health and employee benefits products and services. The General Corporate and Other operating segment includes mortgage lending, trust services, credit card activities, investment services and other activities not allocated to the Community Banking or Insurance Agencies operating segments.

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Results of operations and selected financial information by operating segment for the three-month periods ended March 31, 2015 and 2014 were as follows:

	Community Banking (In thousands)	Insurance Agencies	General Corporate and Other	Total
Three months ended March 31, 2015:				
Results of Operations				
Net interest revenue	\$ 96,867	\$ 32	\$ 9,174	\$ 106,073
Provision for credit losses	(3,967)	-	(1,033)	(5,000)
Net interest revenue after provision for credit losses	100,834	32	10,207	111,073
Noninterest revenue	16,031	33,198	24,086	73,315
Noninterest expense	86,184	25,316	25,433	136,933
Income before income taxes	30,681	7,914	8,860	47,455
Income tax expense (benefit)	10,589	1,677	2,923	15,189
Net income	\$ 20,092	\$ 6,237	\$ 5,937	\$ 32,266
Selected Financial Information				
Total assets at end of period	\$ 9,931,629	\$ 209,434	\$ 3,489,259	\$ 13,630,322
Depreciation and amortization	5,959	1,265	531	7,755
Three months ended March 31, 2014:				
Results of Operations				
Net interest revenue	\$ 93,315	\$ 28	\$ 8,180	\$ 101,523
Provision for credit losses	1,024	-	(1,024)	-
Net interest revenue after provision for credit losses	92,291	28	9,204	101,523
Noninterest revenue	23,927	31,620	10,970	66,517
Noninterest expense	81,467	24,315	20,925	126,707
Income (loss) before income taxes	34,751	7,333	(751)	41,333
Income tax expense (benefit)	11,182	2,918	(1,211)	12,889
Net income (loss)	\$ 23,569	\$ 4,415	\$ 460	\$ 28,444
Selected Financial Information				
Total assets at end of period	\$ 9,745,120	\$ 201,625	\$ 3,196,810	\$ 13,143,555
Depreciation and amortization	5,216	1,277	1,138	7,631

The increase in income for the General, Corporate and Other division for the three months ended March 31, 2015 compared to the same periods in 2014 is mainly due to an increase in mortgage lending revenue.

NOTE 12 – MORTGAGE SERVICING RIGHTS

Mortgage servicing rights (“MSRs”), which are recognized as a separate asset on the date the corresponding mortgage loan is sold, are recorded at fair value as determined at each accounting period end. 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. Data and assumptions used in the fair value calculation related to MSRs as of the dates indicated were as follows:

	March 31, 2015	2014	December 31, 2014
	(Dollars in thousands)		
	\$	\$	\$
Unpaid principal balance	5,705,638	5,568,829	5,686,756
Weighted-average prepayment speed (CPR)	12.4	10.9	11.6
Discount rate (annual percentage)	9.8	10.3	9.8
Weighted-average coupon interest rate (percentage)	4.1	4.2	4.1
Weighted-average remaining maturity (months)	315.0	312.0	314.0
Weighted-average servicing fee (basis points)	26.5	26.6	26.5

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.

The Company has only one class of mortgage servicing asset comprised of closed end loans for one-to-four family residences, secured by first liens. The following table presents the activity in this class for the periods indicated:

	2015	2014
	(In thousands)	
Fair value as of January 1	\$ 51,296	\$ 54,662
Additions:		
Origination of servicing assets	2,499	1,460
Changes in fair value:		
Due to payoffs/paydowns	(1,564)	(1,138)
Due to change in valuation inputs or assumptions used in the valuation model	(3,039)	(1,547)
Other changes in fair value	(2)	(1)
Fair value as of March 31	\$ 49,190	\$ 53,436

All of the changes to the fair value of the MSRs are recorded as part of mortgage lending noninterest revenue on the income statement. As part of mortgage lending noninterest revenue, the Company recorded contractual servicing fees of \$3.9 million and \$3.7 million and late and other ancillary fees of approximately \$348,000 and \$334,000 for the three months ended March 31, 2015 and 2014, respectively.

NOTE 13 – DERIVATIVE INSTRUMENTS AND OFFSETTING ASSETS AND LIABILITIES

The derivatives 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. At March 31, 2015, the notional amount of forward commitments to sell individual fixed-rate mortgage loans was \$256.8 million with a carrying value and fair value reflecting a loss of \$1.5 million. At March 31, 2014, the notional amount of forward commitments to sell individual fixed-rate mortgage loans was \$90.9 million with a carrying value and fair value reflecting a loss of approximately \$159,000. At March 31, 2015, the notional amount of commitments to fund individual fixed-rate mortgage loans was \$174.8 million with a carrying value and fair value reflecting a gain of \$5.2 million. At March 31, 2014, the notional amount of commitments to fund individual fixed-rate mortgage loans was \$79.9 million with a carrying value and fair value reflecting a gain of \$1.2 million.

The Company also enters into derivative financial instruments in the form of interest rate swaps to meet the financing, interest rate and equity risk management needs of its customers. Upon entering into these interest rate swaps 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 March 31, 2015, the notional amount of customer related derivative financial instruments was \$309.1 million with an average maturity of 46 months, an average interest receive rate of 2.5% and an average interest pay rate of 5.6%. As of March 31, 2014, the notional amount of customer related derivative financial instruments was \$382.4 million with an average maturity of 54 months, an average interest receive rate of 2.5% and an average interest pay rate of 5.6%.

Certain financial instruments such as derivatives, may be eligible for offset in the consolidated balance sheet and/or subject to master netting arrangements or similar agreements. The Bank's derivative transactions with upstream financial institution counterparties are generally executed under International Swaps and Derivative Association master agreements which include "right of set-off" provisions. In such cases there is generally a legally enforceable right to offset recognized amounts and there may be an intention to settle such amounts on a net basis. Nonetheless, the Bank does not generally offset such financial instruments for financial reporting purposes.

The following tables present components of financial instruments eligible for offsetting for the periods indicated:

March 31, 2015

			Gross Amounts Not Offset in the Consolidated Balance Sheet		
Gross Amount Recognized	Gross Amount Offset	Net Amount Recognized	Financial Instruments	Financial Collateral Pledged	Net Amount

(In thousands)

Financial assets:										
Derivatives:										
Forward commitments	\$	5,319	\$	-	\$	5,319	\$	-	\$	5,319
Loan/lease interest rate swaps		22,178		-		22,178		-		22,178
Total financial assets	\$	27,497	\$	-	\$	27,497	\$	-	\$	27,497
Financial liabilities:										
Derivatives:										
Forward commitments	\$	1,546	\$	-	\$	1,546	\$	-	\$	1,546
Loan/lease interest rate swaps		22,178		-		22,178		(22,178)		-
Repurchase arrangements		384,829		-		384,829		(384,829)		-

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Total financial liabilities	\$	408,553	\$	-	\$	408,553	\$	(384,829)	\$	(22,178)	\$	1,546
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December 31, 2014

Gross Amount Recognized	Gross Amount Offset	Net Amount Recognized	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Amount
			Financial Instruments	Financial Collateral Pledged	

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Loan/lease interest rate swaps	27,081	-	27,081	-	-	27,081
Total financial assets	\$ 28,275	\$ -	\$ 28,275	\$ -	\$ -	\$ 28,275
Financial liabilities:						
Derivatives:						
Forward commitments	\$ 163	\$ -	\$ 163	\$ -	\$ -	\$ 163
Loan/lease interest rate swaps	27,081	-	27,081	-	(27,081)	-
Repurchase arrangements	456,303	-	456,303	(456,303)	-	-
Total financial liabilities	\$ 483,547	\$ -	\$ 483,547	\$ (456,303)	\$ (27,081)	\$ 163

NOTE 14 – FAIR VALUE DISCLOSURES

“Fair value” is defined by FASB ASC 820, Fair Value Measurements and Disclosure (“FASB ASC 820”), as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. The hierarchy is broken down into the following three levels, based on the reliability of inputs:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Determination of Fair Value

The Company uses the valuation methodologies listed below to measure different financial instruments at fair value. An indication of the level in the fair value hierarchy in which each instrument is generally classified is included. Where appropriate, the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

Available-for-sale securities. Available-for-sale securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are determined by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities. The Company's available-for-sale securities that are traded on an active exchange, such as the New York Stock Exchange, are classified as Level 1. Available-for-sale securities valued using matrix pricing are classified as Level 2. Available-for-sale securities valued using matrix pricing that has been adjusted to compensate for the present value of expected cash flows, market liquidity, credit quality and volatility are classified as Level 3.

Mortgage servicing rights. The Company records MSRs at fair value on a recurring basis with subsequent remeasurement of MSRs based on change in fair value. An estimate of the fair value of the Company's MSRs is determined by utilizing assumptions about factors such as mortgage interest rates, discount rates, mortgage loan prepayment speeds, market trends and industry demand. All of the Company's MSRs are classified as Level 3. For additional information about the Company's valuation of MSRs, see Note 12, Mortgage Servicing Rights.

Derivative instruments. The Company's derivative instruments consist of commitments to fund fixed-rate mortgage loans to customers and forward commitments to sell individual fixed-rate mortgage loans. Fair value of these derivative instruments is measured on a recurring basis using recent observable market prices. The Company also enters into interest rate swaps to meet the financing, interest rate and equity risk management needs of its customers. The fair value of these instruments is either an observable market price or a discounted cash flow valuation using the terms of swap agreements but substituting original interest rates with prevailing interest rates ranging from 1.5% to 3.7%. The Company also considers the associated counterparty credit risk when determining the fair value of these instruments. The Company's interest rate swaps, commitments to fund fixed-rate mortgage loans to customers and forward commitments to sell individual fixed-rate mortgage loans are classified as Level 3.

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. Therefore, loans held for sale are subjected to recurring fair value adjustments and are classified as Level 2. The Company obtains quotes, bids or pricing indications on all or part of these loans directly from the buyers. Premiums and discounts received or to be received on the quotes, bids or pricing indications are indicative of the fact that the cost is lower or higher than fair value. Loans held for sale prior to the second quarter of 2014 were carried at the lower of cost or estimated fair value and were subject to nonrecurring fair value adjustments.

Impaired loans. 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. Impaired loans are subject to nonrecurring fair value adjustments to reflect (1) partial write-downs that are based on the observable market price or current appraised value of the collateral, or (2) the full charge-off of the loan carrying value. All of the Company's impaired loans are classified as Level 3.

Other real estate owned. OREO is carried at the lower of cost or estimated fair value, less estimated selling costs and is subject to nonrecurring fair value adjustments. Estimated fair value is determined on the basis of independent appraisals and other relevant factors less an average of 7% for estimated selling costs. All of the Company's OREO is classified as Level 3.

Off-Balance sheet financial instruments. The fair value of commitments to extend credit and standby letters of credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreement and the present creditworthiness of the counterparties. The Company has reviewed the unfunded portion of commitments to extend credit as well as standby and other letters of credit, and has determined that the fair value of such financial instruments is not material. The Company classifies the estimated fair value of credit-related

financial instruments as Level 3.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following tables present the balances of the assets and liabilities measured at fair value on a recurring basis as of March 31, 2015 and 2014:

	March 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets:	(In thousands)			
Available-for-sale securities:				
U.S. Government agencies	\$ -	\$ 1,286,981	\$ -	\$ 1,286,981
Government agency issued residential				

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mortgage-backed securities	-	200,381	-	200,381
Government agency issued commercial mortgage-backed securities	-	227,409	-	227,409
Obligations of states and political subdivisions	-	471,539	-	471,539
Other	1,214	6,849	-	8,063
Mortgage servicing rights	-	-	49,190	49,190
Derivative instruments	-	-	27,145	27,145
Loans held for sale	-	186,510	-	186,510
Total	\$ 1,214	\$ 2,379,669	\$ 76,335	\$ 2,457,218
Liabilities:				
Derivative instruments	\$ -	\$ -	\$ 23,724	\$ 23,724

	March 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets:	(In thousands)			
Available-for-sale securities:				
U.S. Government agencies	\$ -	\$ 1,419,269	\$ -	\$ 1,419,269
Government agency issued residential mortgage-backed securities	-	241,596	-	241,596
Government agency issued commercial mortgage-backed securities	-	234,059	-	234,059
Obligations of states and political subdivisions	-	523,811	-	523,811
Other	1,029	6,994	-	8,023
Mortgage servicing rights	-	-	53,436	53,436
Derivative instruments	-	-	27,859	27,859
Total	\$ 1,029	\$ 2,425,729	\$ 81,295	\$ 2,508,053
Liabilities:				
Derivative instruments	\$ -	\$ -	\$ 27,244	\$ 27,244

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The following tables present the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the three-month periods ended March 31, 2015 and 2014:

	Mortgage Servicing Rights	Derivative Instruments	Available- for-sale Securities
	(In thousands)		
Balance at December 31, 2014	\$ 51,296	\$ 623	\$ -
Year to date net gains included in:			
Net (loss) gain	(4,605)	2,798	-
Other comprehensive income	-	-	-
Additions	2,499	-	-
Transfers in and/or out of Level 3	-	-	-

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Balance at March 31, 2015	\$	49,190	\$	3,421	\$	-
Net unrealized (losses) gains included in net income for the quarter relating to assets and liabilities held at March 31, 2015	\$	(3,039)	\$	2,798	\$	-

	Mortgage Servicing Rights	Derivative Instruments	Available-for-sale Securities
	(In thousands)		
Balance at December 31, 2013	\$ 54,662	\$ 878	\$ -
Year to date net gains (losses) included in:			
Net gain (loss)	(2,686)	(263)	-
Other comprehensive income	-	-	-
Additions	1,460	-	-
Transfers in and/or out of Level 3	-	-	-
Balance at March 31, 2014	\$ 53,436	\$ 615	\$ -
Net unrealized losses included in net income for the quarter relating to assets and liabilities held at March 31, 2014	\$ (1,547)	\$ (263)	\$ -

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

The following tables present the balances of assets and liabilities measured at fair value on a nonrecurring basis as of March 31, 2015 and 2014:

	March 31, 2015				Total	Total Losses
	Level 1	Level 2	Level 3	Total		
Assets:	(In thousands)					
Impaired loans	\$ -	\$ -	\$ 24,837	24,837	\$	(388)
Other real estate owned	-	-	27,889	27,889	(11,725)	

March 31, 2014

	Level 1	Level 2	Level 3	Total	Total Losses
Assets:	(In thousands)				
Loans held for sale	\$ -	\$ 62,867	\$ -	\$ 62,867	\$ -
Impaired loans	-	-	41,466	41,466	(1,588)
Other real estate owned	-	-	63,595	63,595	(17,730)

Fair Value of Financial Instruments

FASB ASC 825, Financial Instruments (“FASB ASC 825”), requires that the Company disclose estimated fair values for its financial instruments. Fair value estimates, methods and assumptions are set forth below for the Company's financial instruments.

Cash and Due From Banks. The carrying amounts for cash and due from banks approximate fair values due to their immediate and shorter-term maturities.

Loans and Leases. Fair values are estimated for portfolios of loans and leases with similar financial characteristics. The fair value of loans and leases is calculated by discounting scheduled cash flows through the estimated maturity

using rates the Company would currently offer customers based on the credit and interest rate risk inherent in the loan or lease. Assumptions regarding credit risk, cash flows and discount rates are judgmentally determined using available market and borrower information. Estimated maturity represents the expected average cash flow period, which in some instances is different than the stated maturity. This entrance price approach results in a calculated fair value that would be different than an exit or estimated actual sales price approach and such differences could be significant. All of the Company's loans and leases are classified as Level 3.

Deposit Liabilities. Under FASB ASC 825, the fair value of deposits with no stated maturity, such as noninterest bearing demand deposits, interest bearing demand deposits and savings, is equal to the amount payable on demand as of the reporting date. The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the prevailing rates offered for deposits of similar maturities. The Company's noninterest bearing demand deposits, interest bearing demand deposits and savings are classified as Level 1. Certificates of deposit are classified as Level 2.

Debt. The carrying amounts for federal funds purchased and repurchase agreements approximate fair value because of their short-term maturity. The fair value of the Company's fixed-term Federal Home Loan Bank ("FHLB") advances is based on the discounted value of contractual cash flows. The discount rate is estimated using the prevailing rates available for advances of similar maturities. The fair value of the Company's long-term borrowings with U.S. Bank is based on the LIBOR rates plus an interest rate spread. The fair value of the Company's junior subordinated debt is based on market prices or dealer quotes. The Company's federal funds purchased, repurchase agreements and junior subordinated debt are classified as Level 1. FHLB and U.S. Bank advances are classified as Level 2.

Lending Commitments. The Company's lending commitments are negotiated at prevailing market rates and are relatively short-term in nature. As a matter of policy, the Company generally makes commitments for fixed-rate loans for relatively short periods of time. Therefore, the estimated value of the Company's lending commitments approximates the carrying amount and is immaterial to the financial statements. The Company's lending commitments are classified as Level 2. The Company's off-balance sheet commitments including letters of credit, which totaled \$101.3 million at March 31, 2015, are funded at current market rates at the date they are drawn upon. It is management's opinion that the fair value of these commitments would approximate their carrying value, if drawn upon.

The following table presents carrying and fair value information of financial instruments at March 31, 2015 and December 31, 2014:

March 31, 2015		December 31, 2014	
Carrying Value	Fair Value	Carrying Value	Fair Value

Assets:

(In thousands)

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Cash and due from banks	\$ 199,337	\$ 199,337	\$ 204,231	\$ 204,231
Interest bearing deposits with other banks	360,469	360,469	153,019	153,019
Available-for-sale securities	2,194,373	2,194,373	2,156,927	2,156,927
Net loans and leases	9,590,310	10,026,808	9,570,493	10,066,945
Loans held for sale	186,510	186,510	141,015	141,015
Liabilities:				
Noninterest bearing deposits	2,914,949	2,914,949	2,778,686	2,778,686
Savings and interest bearing deposits	6,375,567	6,375,567	6,200,017	6,200,017
Other time deposits	1,962,138	1,976,830	1,993,636	2,005,023
Federal funds purchased and securities sold under agreement to repurchase and other short-term borrowings	386,329	386,370	391,666	391,743
Long-term debt and other borrowings	99,274	105,643	101,372	106,218

Derivative instruments:

Forward commitments to sell fixed rate mortgage loans	(1,469)	(1,469)	(1,163)	(1,163)
Commitments to fund fixed rate mortgage loans	5,241	5,241	2,137	2,137
Interest rate swap position to receive	21,827	21,827	21,653	21,653
Interest rate swap position to pay	(22,178)	(22,178)	(22,004)	(22,004)

NOTE 15 – OTHER NONINTEREST REVENUE AND EXPENSE

The following table details other noninterest revenue for the three months ended March 31, 2015 and 2014:

	Three months ended March 31,	
	2015	2014
	(In thousands)	
Bank-owned life insurance	\$ 1,899	\$ 1,849
Other miscellaneous income	3,341	3,384
Total other noninterest income	\$ 5,240	\$ 5,233

The following table details other noninterest expense for the three months ended March 31, 2015 and 2014:

	Three months ended March 31,	
	2015	2014
	(In thousands)	
Amortization of bond issue cost	\$ 12	\$ 12
Advertising	781	632
Foreclosed property expense	1,971	2,555
Telecommunications	1,922	2,248
Public relations	570	822
Data processing	5,393	5,230
Computer software	2,606	2,423

Amortization of intangibles	1,032	1,058
Legal fees	7,681	1,878
Merger expense	-	560
Postage and shipping	1,172	1,287
Other miscellaneous expense	16,135	12,733
Total other noninterest expense	\$ 39,275	\$ 31,438

NOTE 16 – COMMITMENTS AND CONTINGENT LIABILITIES

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 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 accrual of \$16.7 million as of March 31, 2015 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 May 18, 2010, the Bank was named as a defendant in a 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 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 to the Company in an unspecified amount, 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

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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 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.

NOTE 17 – LONG-TERM DEBT

On August 8, 2013, the Company entered into a 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 \$46.1 million at March 31, 2015 and \$48.2 million at December 31, 2014. The Company also had long-term borrowings from FHLB of \$30.0 million at both March 31, 2015 and December 31, 2014.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this report may not be based upon historical facts and are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements may be identified by their reference to a future period or periods or by the use of forward-looking terminology such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “foresee,” “hope,” “intend,” “may,” “might,” “plan,” “will,” or “would” or future or conditional verb tense variations or negatives of such terms. These forward-looking statements include, without limitation, those relating to the terms, timing and closings of the proposed mergers with Ouachita Bancshares Corp. and Central Community Corporation, the Company’s ability to operate its regulatory compliance programs consistent with federal, state and local laws, including its Bank Secrecy Act (“BSA”) and anti-money laundering (“AML”) compliance programs, the findings and results of the joint investigation by the Consumer Financial Protection Bureau (the “CFPB”) and the United States Department of Justice (“DOJ”) of the Company’s fair lending practices, the acceptance by customers of Ouachita Bancshares Corp. and Central Community Corporation of the Company’s products and services if the proposed mergers close, the outcome of any instituted, pending or threatened material litigation, amortization expense for intangible assets, goodwill impairments, loan impairment, utilization of appraisals and inspections for real estate loans, maturity, renewal or extension of construction, acquisition and development loans, net interest revenue, fair value determinations, the amount of the Company’s non-performing loans and leases, additions to OREO, credit quality, credit losses, liquidity, off-balance sheet commitments and arrangements, valuation of mortgage servicing rights, allowance and provision for credit losses, continued weakness in the economic environment, early identification and resolution of credit issues, utilization of non-GAAP financial measures, the ability of the Company to collect all amounts due

according to the contractual terms of loan agreements, the Company's reserve for losses from representation and warranty obligations, the Company's foreclosure process related to mortgage loans, the resolution of non-performing loans that are collaterally dependent, real estate values, fully-indexed interest rates, interest rate risk, interest rate sensitivity, calculation of economic value of equity, impaired loan charge-offs, troubled debt restructurings, diversification of the Company's revenue stream, liquidity needs and strategies, sources of funding, net interest margin, declaration and payment of dividends, cost saving initiatives, improvement in the Company's efficiencies, operating expense trends, future acquisitions and consideration to be used therefore, the impact of litigation regarding debit card fees and the impact of certain claims and ongoing, pending or threatened litigation, administrative and investigatory matters.

The Company cautions readers 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 as a result of a variety of factors. These factors may include, but are not limited to, the Company's ability to operate its regulatory compliance programs consistent with federal, state and local laws, including its BSA/AML compliance programs, the findings and results of the CFPB in its review of the Company's fair lending practices, the ability of the Company, Ouachita Bancshares Corp. and Central Community Corporation to obtain regulatory approval of and close the proposed mergers, the potential impact upon the Company of the delay in the closings of these proposed mergers, the impact of any ongoing, pending or threatened litigation, administrative and investigatory matters involving the Company, conditions in the financial markets and economic conditions generally, the adequacy of the Company's provision and allowance for credit losses to cover actual credit losses, the credit risk associated with real estate construction, acquisition and development loans, losses resulting from the significant amount of the Company's OREO, limitations on the Company's ability to declare and pay dividends, the availability of capital on favorable terms if and when needed, liquidity risk, governmental regulation, including the Dodd-Frank Act, and supervision of the Company's operations, the short-term and long-term impact of changes to banking capital standards on the Company's regulatory capital and liquidity, the impact of regulations on service charges on the Company's core deposit accounts, the susceptibility of the Company's business to local economic and environmental conditions, the soundness of other financial institutions, changes in interest rates, the impact of monetary policies and economic factors on the Company's ability to attract deposits or make loans, volatility in capital and credit markets, reputational risk, the impact of the loss of any key Company personnel, the impact of hurricanes or other adverse weather events, any requirement that the Company write down goodwill or other intangible assets, diversification in the types of financial services the Company offers, the Company's ability to adapt its products and services to evolving industry standards and consumer preferences, competition with other financial services companies, risks in connection with completed or potential acquisitions, the Company's growth strategy, interruptions or breaches in the Company's information system security, the failure of certain third-party vendors to perform, unfavorable ratings by rating agencies, dilution caused by the Company's issuance of any additional shares of its common stock to raise capital or acquire other banks, bank holding companies, financial holding companies and insurance agencies, other factors generally understood to affect the assets, business, cash flows, financial condition, liquidity, prospects and/or results of operations of financial services companies and other factors detailed from time to time in the Company's press and news releases, reports and other filings with the Securities and Exchange Commission ("SEC") Forward-looking statements speak only as of the date that they were made, and, except as required by law, the Company does not undertake any obligation to update or revise forward-looking statements to reflect events or circumstances that occur after the date of this report.

OVERVIEW

BancorpSouth, Inc. (the "Company") is a regional financial holding company headquartered in Tupelo, Mississippi with \$13.6 billion in assets at March 31, 2015. BancorpSouth Bank (the "Bank"), the Company's wholly-owned banking subsidiary, has commercial banking operations in Mississippi, Tennessee, Alabama, Arkansas, Texas, Louisiana,

Florida and Missouri. The Bank's insurance agency subsidiary also operates an office in Illinois. 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.

Management's discussion and analysis provides a narrative discussion of the Company's financial condition and results of operations. For a complete understanding of the following discussion, please refer to the unaudited consolidated financial statements for the three-month periods ended March 31, 2015 and 2014 and as of December 31, 2014 and the notes to such financial statements found under "Part I, Item 1. Financial Statements" of this report. This discussion and analysis is based on such reported financial information.

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. However, the Company's financial condition has improved the past two years and continued to improve during the first three months of 2015 as reflected by decreases in the allowance for credit losses, gross charge-offs and recoveries, total NPLs and total non-performing assets ("NPAs"), when compared to prior periods.

Management believes that the Company is better positioned with respect to overall credit quality as evidenced by the continued improvement in credit quality metrics especially when comparing the three-month period ended March 31, 2015 to the periods ended December 31, 2014 and March 31, 2014, respectively. 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 DATA

	Three months ended March 31,	
	2015	2014
	(Dollars in thousands, except per share data)	
Earnings Summary:		
Total interest revenue	\$ 113,497	\$ 110,599
Total interest expense	7,424	9,076
Net interest income	106,073	101,523
Provision for credit losses	(5,000)	-
Noninterest revenue	73,315	66,517
Noninterest expense	136,933	126,707
Income before income taxes	47,455	41,333
Income tax expense	15,189	12,889
Net income	\$ 32,266	\$ 28,444
Balance Sheet - Period-end balances:		
Total assets	\$ 13,630,322	\$ 13,143,555
Total securities	2,194,373	2,426,758

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Loans and leases, net of unearned income	9,726,970	9,068,376
Total deposits	11,252,654	10,811,790
Long-term debt	76,055	85,835
Total shareholders' equity	1,645,208	1,554,676

Balance Sheet-Average Balances:

Total assets	\$ 13,457,668	\$ 13,087,128
Total securities	2,190,989	2,452,178
Loans and leases, net of unearned income	9,670,987	9,022,155
Total deposits	11,126,210	10,825,308
Long-term debt	76,078	87,767
Total shareholders' equity	1,624,496	1,537,897

Common Share Data:

Basic earnings per share	\$ 0.33	\$ 0.30
Diluted earnings per share	0.33	0.30
Cash dividends per share	0.075	0.05
Book value per share	17.04	16.19
Tangible book value per share	13.78	12.95

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Dividend payout ratio	22.40	%	16.80	%
Financial Ratios (Annualized):				
Return on average assets	0.97	%	0.88	%
Return on average shareholders' equity	8.06		7.50	
Total shareholders' equity to total assets	12.07		11.83	
Tangible shareholders' equity to tangible assets	9.99		9.69	
Net interest margin-fully taxable equivalent	3.56		3.54	
Credit Quality Ratios (Annualized):				
Net charge-offs to average loans and leases	0.03	%	0.16	%
Provision for credit losses to average loans and leases	(0.21)		-	
Allowance for credit losses to net loans and leases	1.40		1.65	
Allowance for credit losses to NPLs	222.33		160.53	
Allowance for credit losses to NPAs	152.94		95.44	
NPLs to net loans and leases	0.63		1.03	
NPAs to net loans and leases	0.92		1.73	
Capital Adequacy:				
Common equity Tier 1 capital	12.60	%	NA	%
Tier 1 capital	12.60		13.18	
Total capital	13.83		14.44	
Tier 1 leverage capital	10.30		10.04	

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 shareholders' equity, tangible assets and tangible book value per share as presented above to U.S. GAAP financial measures as reflected in the Company's unaudited consolidated financial statements:

	March 31, 2015	2014
(Dollars in thousands, except per share data)		
Tangible Assets:		
Total assets	\$ 13,630,322	\$ 13,143,555
Less: Goodwill	291,498	286,800
Other identifiable intangible assets	23,476	25,021

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Total tangible assets	\$ 13,315,348	\$ 12,831,734		
Tangible Shareholders' Equity:				
Total shareholders' equity	\$ 1,645,208	\$ 1,554,676		
Less: Goodwill	291,498	286,800		
Other identifiable intangible assets	23,476	25,021		
Total tangible shareholders' equity	\$ 1,330,234	\$ 1,242,855		
Total common shares outstanding	96,544,502	96,004,679		
Tangible shareholders' equity to tangible assets	9.99	% 9.69		%

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Tangible book value per share	\$	13.78	\$	12.95
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FINANCIAL HIGHLIGHTS

The Company reported net income of \$32.3 million for the first quarter of 2015, compared to net income of \$28.4 million for the same quarter of 2014. A factor contributing to the increase in net income for the three months ended March 31, 2015 was the increase in net interest income, as net interest revenue was \$106.1 million for the first quarter of 2015, compared to \$101.5 million for the first quarter of 2014. The increase in net interest revenue for the comparable three month periods is a result of the increase in loan and lease revenue coupled with the decrease in interest expense associated with other time deposits. The negative provision for credit losses reflected the impact of a decrease in NPL formation during the first three months of 2015, as NPLs decreased from \$71.7 million at December 31, 2014 to \$61.5 million at March 31, 2015. Net charge-offs decreased to approximately \$783,000, or 0.03% of average loans and leases, during the first quarter of 2015, compared to \$3.5 million, or 0.16% of average loans and leases, during the first quarter of 2014.

The primary source of revenue for the Company is the 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 was \$106.1 million for the first quarter of 2015, an increase of \$4.6 million, or 4.5%, from \$101.5 million for the first quarter of 2014. 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. The Company's objective is to manage those assets and liabilities to maximize net interest revenue, while balancing interest rate, credit, liquidity and capital risks. The increase in net interest revenue for the first three months of 2015 compared to the first three months of 2014 was primarily a result of the decrease in interest expense as the rates paid on interest-bearing liabilities declined by 8 basis points coupled with the increase in average earning assets, which offset the 5 basis point decline in the yields on earning assets. The decline in earning asset yields was primarily a result of the declining loan yields as interest rates maintained their historically low levels. Rates paid on interest bearing liabilities decreased as a result of reduced average balances and rates on other time deposits.

Interest revenue increased \$2.9 million, or 2.6%, in the first quarter of 2015 compared to the first quarter of 2014. The Company has managed to increase loans as new loan production more than offset loan runoff in several loan categories during 2015. The decrease in interest expense was the result of a decrease in other time deposits and the corresponding rates, which resulted in a decrease in total interest expense of \$1.7 million, or 18.2%, in the first quarter of 2015 compared to the first quarter of 2014.

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 increased \$6.8 million, or 10.2%, for the first quarter of 2015 compared to the first quarter of 2014. One of the primary contributors to the increase in noninterest revenue was the increase in mortgage lending revenue to \$8.6 million for the first quarter of 2015 compared to \$3.4 million for the first quarter of 2014. Mortgage origination volume increased 57.8% to \$311.1 million for the first quarter of 2015 compared to \$197.1 million for the first quarter of 2014. The increase in mortgage origination volume contributed to an increase in mortgage origination revenue to \$8.9 million during the first quarter of 2015 compared to \$2.0 million for the first quarter of 2014.

The increase in insurance commissions also contributed to the increase in noninterest revenue as insurance commissions increased \$1.9 million or 6.0% to \$33.5 million during the first three months of 2015 compared to \$31.6 million during the first three months of 2014. The increase in insurance commissions that are received from insurance

carriers are primarily a result of new policies and growth from existing customers coupled with the revenue contributed by the acquisition of certain assets of Knox Insurance Group, LLC (“Knox”) in April 2014. There were no significant non-recurring noninterest revenue items during the first three months of 2015 or 2014.

Total noninterest expense increased 8.1% to \$136.9 million for the first quarter of 2015 compared to \$126.7 million for the first quarter of 2014. The increase in noninterest expense during the first three months of 2015 compared to the first three months of 2014 was primarily a result of increases in salaries and employee benefits and other noninterest expenses. Salaries and employee benefits increased as a result of increases in pension expenses due to annual revisions to actuarial assumptions, including updates to the Society of Actuaries pension plan mortality tables. The increase in other noninterest expenses was primarily a result of additional litigation reserves related to various legal matters recorded during the first three months of 2015. The Company continues to focus

attention on controlling noninterest expense. The major components of net income are discussed in more detail below.

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. The Company's long-term objective 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 months ended March 31, 2015 and 2014:

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	Three months ended March 31, 2015			2014		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
ASSETS						
(Dollars in millions, yields on taxable equivalent basis)						
Loans and leases (net of unearned income) (1)(2)	\$ 9,671.0	\$ 103.0	4.32%	\$ 9,022.2	\$ 99.6	4.48%
Loans held for sale	109.3	0.9	3.36%	35.3	0.3	3.64%
Available-for-sale securities:						
Taxable	1,800.9	6.8	1.54%	2,036.6	7.5	1.50%
Non-taxable (3)	390.1	5.2	5.40%	415.5	5.7	5.58%
Federal funds sold, securities purchased under agreement to resell and short-term investments	426.8	0.2	0.22%	449.2	0.3	0.25%
Total interest earning assets and revenue	12,398.1	116.1	3.80%	11,958.8	113.4	3.85%
Other assets	1,200.9			1,281.9		
Less: Allowance for credit losses	(141.3)			(153.6)		
Total	\$ 13,457.7			\$ 13,087.1		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits:						
Demand - interest bearing	\$ 4,985.6	\$ 2.2	0.18%	\$ 4,657.8	\$ 1.9	0.17%
Savings	1,358.6	0.4	0.12%	1,260.8	0.4	0.13%
Other time	1,974.2	4.0	0.82%	2,259.3	5.9	1.06%
Federal funds purchased, securities sold under agreement to repurchase, short-term FHLB borrowings and other short term borrowings	401.3	0.1	0.12%	458.5	0.1	0.07%
Junior subordinated debt securities	23.2	0.2	2.84%	23.7	0.2	2.86%
Long-term debt	76.1	0.5	2.88%	87.8	0.6	2.91%
Total interest bearing liabilities and expense	8,819.0	7.4	0.34%	8,747.9	9.1	0.42%
Demand deposits - noninterest bearing	2,807.8			2,647.4		
Other liabilities	206.4			153.9		
Total liabilities	11,833.2			11,549.2		
Shareholders' equity	1,624.5			1,537.9		
Total	\$ 13,457.7			\$ 13,087.1		
Net interest revenue-FTE		\$ 108.7			\$ 104.3	
Net interest margin-FTE			3.56%			3.54%
Net interest rate spread			3.46%			3.43%
Interest bearing liabilities to interest earning assets			71.13%			73.15%

(1) Includes taxable equivalent adjustment to interest of \$0.9 million and \$0.8 million for the three months ended March 31, 2015 and 2014, respectively, using an effective tax rate of 35%.

(2) Includes non-accrual loans.

(3) Includes taxable equivalent adjustment to interest of \$1.9 million and \$2.0 million for the three months ended March 31, 2015 and 2014, respectively, using an effective tax rate of 35%.

Net interest revenue-FTE for the three-month period ended March 31, 2015 increased \$4.4 million, or 4.2%, compared to the same period in 2014. The increase in net interest revenue-FTE for the comparable three month periods was primarily a result of an increase in interest revenue-FTE related to the increase in average earning assets along with a decrease in interest expense as the yields on interest-bearing liabilities decreased slightly for the comparable three-month periods. The increase in earning assets was a result of loan run-off being replaced

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with lower yielding loans. The slight decrease in earning asset yields was primarily a result of declining loan yields as interest rates continue to be at historically low levels. Yields on interest-bearing liabilities decreased as a result of decreases in the average balance and rates paid on other time deposits.

Interest revenue-FTE for the three-month period ended March 31, 2015 increased \$2.7 million, or 2.4%, compared to the same period in 2014. The increase in interest revenue-FTE for these periods was a result of the decline in yields on interest-earning assets of 5 basis points being more than offset by the increase in average interest-earning assets as average interest-earning assets increased \$439.3 million, or 3.7% for the three-month period ended March 31, 2015, compared to the same period in 2014. The increase in earning assets and the decline in yields on those assets is a result of loan run-off being replaced by lower yielding loans.

Interest expense for the three-month period ended March 31, 2015 decreased \$1.7 million, or 18.7%, compared to the same period in 2014. The decrease in interest expense for these periods was a result of the decrease in other time deposits and their corresponding rates. Average rates paid on interest-bearing liabilities decreased 8 basis points for the first three months of 2015 compared to the same period in 2014. Average interest bearing liabilities increased \$71.1 million, or 0.8%, for the three-month period ended March 31, 2015 compared to the same period in 2014. The slight increase in average interest bearing liabilities for these periods was a result of increases in average interest bearing demand deposits.

Net interest margin was 3.56% for the three months ended March 31, 2015, an increase of 2 basis points from 3.54% for the three months ended March 31, 2014. The increase in the net interest margin for these periods was due to the yield on earning assets decreasing by 5 basis points for the comparable three-month periods being more than offset by the decline in the yield on interest-bearing liabilities of 8 basis points for the comparable three-month periods coupled with a larger increase in average earning assets than the increase in average interest bearing liabilities as average earning assets increased slightly during the first quarter of 2015.

Interest Rate Sensitivity

The interest rate sensitivity gap is the difference between the maturity or re-pricing opportunities of interest sensitive assets and interest sensitive liabilities for a given period of time. A prime objective of the Company's 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 March 31, 2015:

Interest Rate Sensitivity - Maturing or Repricing Opportunities

	0 to 90 Days	91 Days to One Year	Over One Year to Five Years	Over Five Years
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(In thousands)

Interest earning assets:				
Interest bearing deposits with banks	\$ 360,469	\$ -	\$ -	\$ -
Available-for-sale and trading securities	133,778	448,879	1,441,172	170,544
Loans and leases, net of unearned income	3,244,192	1,665,187	3,976,952	840,639
Loans held for sale	186,510	-	-	-
Total interest earning assets	3,924,949	2,114,066	5,418,124	1,011,183
Interest bearing liabilities:				
Interest bearing demand and savings deposits	6,375,567	-	-	-
Other time deposits	323,375	831,575	796,284	10,904
Federal funds purchased and securities sold under agreement to repurchase, short-term FHLB borrowings and other short-term borrowings	384,829	1,500	-	-
Long-term debt and junior subordinated debt securities	-	-	76,055	23,198
Other	-	21	-	-
Total interest bearing liabilities	7,083,771	833,096	872,339	34,102
Interest rate sensitivity gap	\$ (3,158,822)	\$ 1,280,970	\$ 4,545,785	\$ 977,081
Cumulative interest sensitivity gap	\$ (3,158,822)	\$ (1,877,852)	\$ 2,667,933	\$ 3,645,014

In the event interest rates increase after March 31, 2015, 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 March 31, 2015, 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 March 31, 2015 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 March 31, 2015, the Bank had \$2.5 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 4.10%, an average maturity of 112 months and a fully-indexed interest rate of 3.84% at March 31, 2015. 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

March 31, 2015, the Company had \$589.9 million, \$2.3 billion and \$658.9 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 March 31, 2015 and 2014 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.

Rate Shock	Net Interest Income	
	% Variance from Base Case	
	Scenario	
	March 31, 2015	March 31, 2014
+400 basis points	7.9%	7.8%
+300 basis points	9.6%	9.2%
+200 basis points	9.3%	9.5%
+100 basis points	4.1%	4.5%
-100 basis points	NM	NM
-200 basis points	NM	NM
-300 basis points	NM	NM
-400 basis points	NM	NM

NM=not meaningful

Rate Shock	Economic Value of Equity % Variance from Base Case	
	Scenario	
	March 31, 2015	March 31, 2014
+400 basis points	30.6%	25.0%
+300 basis points	23.3%	19.4%
+200 basis points	14.3%	11.8%
+100 basis points	6.9%	5.9%
-100 basis points	NM	NM
-200 basis points	NM	NM
-300 basis points	NM	NM
-400 basis points	NM	NM

NM=not meaningful

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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	March 31, 2015	March 31, 2014
+200 basis points	3.6%	4.4%
-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, 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 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 or her 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 all 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 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.

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 March 31, 2015, impaired loans totaled \$24.8 million, which was net of cumulative charge-offs of \$4.4 million. Additionally, the Company had specific reserves for impaired loans of approximately \$388,000 included in the allowance for credit losses. Impaired loans at March 31, 2015 were primarily from the Company's commercial real estate and commercial and industrial-owner occupied portfolios. 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.

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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.

The following table provides an analysis of the allowance for credit losses for the periods indicated:

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	Three months ended	
	March 31,	
	2015	2014
	(Dollars in thousands)	
Balance, beginning of period	\$ 142,443	\$ 153,236
Loans and leases charged off:		
Commercial and industrial	(383)	(201)
Real estate		
Consumer mortgages	(892)	(1,945)
Home equity	(498)	(318)
Agricultural	(8)	(696)
Commercial and industrial-owner occupied	(394)	(1,206)
Construction, acquisition and development	(343)	(1,666)
Commercial real estate	(1,007)	(901)
Credit cards	(676)	(559)
All other	(579)	(583)
Total loans charged off	(4,780)	(8,075)
Recoveries:		
Commercial and industrial	502	1,076
Real estate		
Consumer mortgages	612	538
Home equity	241	184
Agricultural	269	9
Commercial and industrial-owner occupied	550	358
Construction, acquisition and development	604	1,637
Commercial real estate	720	323
Credit cards	153	131
All other	346	287
Total recoveries	3,997	4,543
Net charge-offs	(783)	(3,532)
Provision charged to operating expense	(5,000)	-
Balance, end of period	\$ 136,660	\$ 149,704
Average loans for period	\$ 9,670,987	\$ 9,022,155
Ratios:		
Net charge-offs to average loans (annualized)	0.03%	0.16%
Provision for credit losses to average		
loans and leases, net of unearned income (annualized)	(0.21%)	0.00%
Allowance for credit losses to loans		
and leases, net of unearned income	1.40%	1.65%

Net charge-offs decreased \$2.7 million, or 77.8%, in the first quarter of 2015 compared to the first quarter of 2014. Decreases in net charge-offs in the first three months of 2015, coupled with a decline in NPLs, improvement in criticized assets and nonaccrual loan formation, contributed to a negative provision for credit losses of \$5.0 million being recorded in the first three months of 2015. There was no provision for credit losses for the three-month period ended March 31, 2014.

Annualized net charge-offs as a percentage of average loans and leases decreased to 0.03% for the first quarter of 2015, compared to 0.16% for the first quarter of 2014. This decrease was primarily a result of decreased

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net losses within the real estate construction, acquisition and development and consumer real estate segment of the Company's loan and lease portfolio. Once it is determined a loan's repayment is dependent upon the underlying collateral versus the borrowers' ability to service their loan, the loan is determined to be collaterally dependent and is charged down to net realizable value or a specific reserve is allocated to the loan. The process of charging down a loan to net realizable value resulted in the decreased level of charge-offs in the first three months of 2015 compared to the first three months of 2014, as updated appraisals came in closer to loan carrying values. Total recoveries were \$4.0 million for the three-month period ended March 31, 2015, compared to \$4.5 million for the three-month period ended March 31, 2014 with 33.3% of the first quarter 2015 recoveries being noticed in the real estate commercial and consumer mortgages portfolios.

A \$5.0 million negative provision for credit losses was recorded for the first three months of 2015 while no provision was recorded for the first three months of 2014. The negative provision for credit losses for the first three months of 2015 was a result of improving credit trends, including the decrease in net charge-offs, fewer loans being identified for impairment, continued stabilization in values of previously impaired loans, and a significant decrease in NPLs. As of March 31, 2015 and 2014, 46% and 54%, 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 84% and 72% of their contractual principal balance at March 31, 2015 and 2014, respectively. Non-accrual 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 \$13.0 million to \$136.7 million at March 31, 2015 compared to \$149.7 million at March 31, 2014. The decrease was a result of improving credit metrics since March 31, 2014, including reductions in classified, non-performing and impaired loans and lower net charge-off levels.

The breakdown of the allowance by loan and lease category 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 or losses. The following table presents (i) the breakdown of the allowance for credit losses by segment and class and (ii) the percentage of each segment and class in the loan and lease portfolio to total loans and leases at the dates indicated:

	March 31, 2015		2014		December 31, 2014			
	Allowance for Credit	% of Total Loans	Allowance for Credit	% of Total Loans	Allowance for Credit	% of Total Loans and Leases		
	Losses (Dollars in thousands)	and Leases	Losses	and Leases	Losses	and Leases		
	\$		\$		\$			
Commercial and industrial Real estate	21,021	17.2%	\$ 18,914	17.5%	\$ 21,419	18.0	%	
Consumer mortgages	39,071	23.6%	38,328	22.5%	40,015	23.2	%	
Home equity	9,546	5.5%	5,712	5.4%	9,542	5.4	%	
Agricultural	3,146	2.4%	2,834	2.5%	3,420	2.5	%	
Commercial and industrial-owner occupied	15,664	15.5%	16,561	16.4%	16,325	15.6	%	

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Construction, acquisition and development	9,913	9.2%	10,320	8.2%	9,885	8.7	%
Commercial real estate	21,502	20.4%	44,771	20.3%	23,562	20.1	%
Credit cards	5,319	1.1%	2,486	1.2%	6,514	1.2	%
All other	11,478	5.1%	9,778	6.0%	11,761	5.3	%
	\$						
Total	136,660	100.0%	\$ 149,704	100.0%	\$ 142,443	100.0	%

Noninterest Revenue

The components of noninterest revenue for the three months ended March 31, 2015 and 2014 and the corresponding percentage changes are shown in the following tables:

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	Three months ended		% Change
	March 31,		
	2015	2014	
	(Dollars in thousands)		
Mortgage lending	\$ 8,567	\$ 3,394	152.4 %
Credit card, debit card and merchant fees	8,539	7,843	8.9
Deposit service charges	11,252	12,536	(10.2)
Securities gains (losses), net	14	(4)	NM
Insurance commissions	33,493	31,599	6.0
Trust income*	4,036	3,568	13.1
Annuity fees *	558	772	(27.7)
Brokerage commissions and fees*	1,616	1,576	2.5
Bank-owned life insurance	1,899	1,849	2.7
Other miscellaneous income	3,341	3,384	(1.3)
Total noninterest revenue	\$ 73,315	\$ 66,517	10.2 %

* Included in Wealth Management revenue on the Consolidated Statements of Income

NM= Not meaningful

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 of mortgage loans. Since the Company does not hedge the change in fair value of its MSR's, mortgage revenue can be significantly affected by changes in the valuation of MSR's 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 MSR's with the loan sold. The Company records MSR's at fair value on a recurring basis with subsequent remeasurement of MSR's based on change in fair value in accordance with FASB ASC 860, Transfers and Servicing.

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 the first three months of 2015, six mortgage loans totaling \$1.1 million were repurchased or otherwise settled as a result of underwriting and appraisal standard exceptions or make whole requests. A loss of approximately \$28,000 was recognized related to these repurchased or make whole loans. During the first three months of 2014, two mortgage loans totaling approximately \$66,000 were repurchased or otherwise settled as a result of underwriting and appraisal standard exceptions or make whole requests. A loss of approximately \$66,000 was recognized related to these repurchased or make whole loans.

At March 31, 2015, the Company had accrued \$1.1 million for its estimate of losses from representation and warranty obligations. The reserve was 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 and in compliance with all applicable laws. Before beginning the foreclosure process, a mortgage loan foreclosure working group 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 \$311.1 million and \$197.1 million produced origination revenue of \$8.9 million and \$2.0 million for the quarters ended March 31, 2015 and 2014, respectively. The increase in mortgage origination revenue for the three months ended March 31, 2015 compared to March 31, 2014 is a result of interest rate volatility during the quarter and the increase in origination volume.

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 \$4.3 million and \$4.1 million for the quarters ended March 31, 2015 and 2014, respectively.

Changes in the fair value of the Company's MSR's 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 MSR's while a decrease in mortgage interest rates typically results in a decrease in the fair value of MSR's. The fair value of MSR's is also impacted by principal payments, prepayments and payoffs on loans in the servicing portfolio. Decreases in value from principal payments, prepayments and payoffs were \$1.6 million and \$1.1 million for the quarters ended March 31, 2015 and 2014, respectively. The Company does not hedge the change in fair value of its MSR's and is susceptible to significant fluctuations in their value in a changing interest rate environment. Reflecting this sensitivity to interest rates, the fair value of MSR's decreased \$3.0 million and \$1.5 million for the quarters ended March 31, 2015 and 2014, respectively.

	Three months ended March 31,		% Change
	2015	2014	
	(Dollars in thousands)		
Mortgage revenue:			
Origination	\$ 8,914	\$ 1,964	353.9 %
Servicing	4,256	4,115	3.4
Payoffs/Paydowns	(1,564)	(1,138)	37.4
	11,606	4,941	134.9
MSR market value adjustment	(3,039)	(1,547)	96.4
Mortgage lending revenue	\$ 8,567	\$ 3,394	152.4 %
	(Dollars in millions)		
Origination volume	\$ 311	\$ 197	57.9 %
Mortgage loans serviced at period-end	\$ 5,706	\$ 5,569	2.5 %

Credit card, debit card and merchant fees increased slightly for the comparable three-month period as a result of new account volume noticed since March 31, 2014. Deposit service charge revenue decreased slightly when comparing the three-month periods ended March 31, 2015 and 2014 due to modifications made on the calculation and assessment of overdraft fees since March 31, 2014.

Net security gains of approximately \$14,000 for the three-month period ended March 31, 2015 and losses of approximately \$4,000 for the three-month period ended March 31, 2014 were a result of sales and calls of available-for-sale securities.

Insurance commissions increased for the first three months of 2015 compared to the first three months of 2014 as a result of new policies and growth from existing customers coupled with the revenue contributed by the acquisition of certain assets of Knox in April 2014. Trust income increased during the first three months of 2015 compared to the first three months of 2014 primarily as a result of increases in the assets under management or in custody combined with fees generated by customers added since March 31, 2014. Annuity fees decreased 27.7% for the first three

months of 2015 compared to the first three months of 2014 as a result of less annuity sales during 2015. Brokerage commissions and fees and bank-owned life insurance remained relatively stable for the comparable three-month period. Other miscellaneous income, which includes safe deposit box rental income, gain or loss on disposal of assets, and other non-recurring revenue items remained relatively stable for the comparable three-month periods ended March 31, 2015 and 2014.

Noninterest Expense

The components of noninterest expense for the three months ended March 31, 2015 and 2014 and the corresponding percentage changes are shown in the following tables:

	Three months ended March 31,		% Change
	2015	2014	
	(Dollars in thousands)		
Salaries and employee benefits	\$ 81,179	\$ 78,883	2.9 %
Occupancy, net	10,194	10,287	(0.9)
Equipment	3,974	4,499	(11.7)
Deposit insurance assessments	2,311	1,600	44.4
Amortization of bond issue cost	12	12	0.0
Advertising	781	632	23.6
Foreclosed property expense	1,971	2,555	(22.9)
Telecommunications	1,922	2,248	(14.5)
Public relations	570	822	(30.7)
Data processing	5,393	5,230	3.1
Computer software	2,606	2,423	7.6
Amortization of intangibles	1,032	1,058	(2.5)
Legal fees	7,681	1,878	309.0
Merger expense	-	560	NM
Postage and shipping	1,172	1,287	(8.9)
Other miscellaneous expense	16,135	12,733	26.7
Total noninterest expense	\$ 136,933	\$ 126,707	8.1 %

Salaries and employee benefit expense remained relatively stable for the three months ended 2015 compared to the same period in 2014 with the slight increase a result of an increase in pension expense, a component of salaries and employee benefits, due to annual revisions to actuarial assumptions, including updates to the Society of Actuaries pension plan mortality tables. Occupancy expense remained relatively stable for the comparable three-month period. Equipment expense decreased 11.7% during the first three months of 2015 compared to the first three months of 2014 as a result of decreases in depreciation expense. Deposit insurance assessments increased 44.4% for the comparable three-month period as a result of movement evidenced in several variables utilized by the FDIC in calculating the deposit insurance assessment.

Foreclosed property expense decreased 22.9% for the three months ended March 31, 2015 compared to the same period in 2014 as a result of the gains on the sale of real estate more than offsetting the increased writedowns of foreclosed property. During the first three months of 2015, the Company added \$2.8 million to OREO through foreclosures. Sales of OREO in the first three months of 2015 were \$6.7 million, resulting in a net gain of approximately \$779,000. The components of foreclosed property expense for the three months ended March 31, 2015 and 2014 and the percentage change between periods are shown in the following tables:

	Three months ended March 31,		% Change
	2015	2014	
	(Dollars in thousands)		
(Gain) loss on sale of other real estate owned	\$ (779)	\$ 466	NM
Writedown of other real estate owned	2,173	1,831	18.7

Other foreclosed property expense	577	258	123.6
Total foreclosed property expense	\$ 1,971	\$ 2,555	(22.9)%

NM=Not meaningful

While the Company experienced some fluctuations in various components of other noninterest expense, including advertising, telecommunications, public relations and data processing, the primary fluctuations included the increase in legal fees and other miscellaneous expense. The increase in legal fees is a result of additional litigation reserves related to various legal matters recorded in the first three months of 2015 with no additional litigation reserves recorded in the first three months 2014. The increase in other miscellaneous expense is a result of

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additional costs recorded during the first quarter of 2015 related to consulting and compliance services. These services are related to BSA and AML compliance remediation.

Income Tax

The Company recorded income tax expense of \$15.2 million for the first quarter of 2015, compared to income tax expense of \$12.9 million for the first quarter of 2014. The Company calculated the provision for income taxes for the three months ended March 31, 2015, by applying the estimated annual effective tax rate to year-to-date pre-tax income. For the three months ended March 31, 2014, the provision for income taxes was calculated based on actual year-to-date results of operations, including tax preference items through March 31, 2014. The primary differences between the Company's recorded expense for the first three months of 2015 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 primarily the effects of tax-exempt income and other tax preference items.

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 March 31, 2015 were \$12.5 billion, or 91.5% of total assets, compared with \$12.2 billion, or 91.3% of total assets, at December 31, 2014.

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 the first quarter of 2015. 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 both March 31, 2015 and December 31, 2014, respectively.

The following table shows the composition of the Company's gross loans and leases by segment and class at the dates indicated:

March 31, 2015	2014	December 31, 2014
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(In thousands)

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

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

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	Alabama and Florida Panhandle (In thousands)	Arkansas	Louisiana	Mississippi	Missouri	Tennessee	Texas
Commercial and industrial Real estate	\$ 189,823	\$ 208,990	\$ 217,749	\$ 555,594	\$ 77,274	\$ 135,672	\$ 200,000