

BANCORPSOUTH INC  
Form 10-Q  
August 07, 2012

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

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FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2012

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.)

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

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

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

As of August 1, 2012, the registrant had outstanding 94,436,377 shares of common stock, par value \$2.50 per share.

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BANCORPSOUTH, INC.  
TABLE OF CONTENTS

PART I.	Financial Information	Page
ITEM 1.	Financial Statements	
	Consolidated Balance Sheets June 30, 2012 and 2011 (Unaudited) and December 31, 2011	3
	Consolidated Statements of Operations (Unaudited) Three Months and Six Months Ended June 30, 2012 and 2011	4
	Consolidated Statements of Comprehensive Income Three Months and Six Months Ended June 30, 2012 and 2011	5
	Consolidated Statements of Cash Flows (Unaudited) Six Months Ended June 30, 2012 and 2011	6
	Notes to Consolidated Financial Statements (Unaudited)	7
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	38
ITEM 3.	Quantitative and Qualitative Disclosures About Market Risk	75
ITEM 4.	Controls and Procedures	76
PART II.	Other Information	
ITEM 1.	Legal Proceedings	76
ITEM 1A.	Risk Factors	77
ITEM 6.	Exhibits	78

PART I.  
FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS.

BANCORPSOUTH, INC. AND SUBSIDIARIES  
Consolidated Balance Sheets

	June 30, 2012 (Unaudited)	December 31, 2011 (1)	June 30, 2011 (Unaudited)
	(Dollars in thousands, except per share amounts)		
<b>ASSETS</b>			
Cash and due from banks	\$224,084	\$195,681	\$166,761
Interest bearing deposits with other banks	603,458	303,663	304,344
Available-for-sale securities, at fair value	2,462,831	2,513,518	2,560,824
Loans and leases	8,771,642	8,911,258	9,255,879
Less: Unearned income	39,247	40,947	41,326
Allowance for credit losses	175,847	195,118	197,627
Net loans	8,556,548	8,675,193	9,016,926
Loans held for sale	108,134	83,458	70,519
Premises and equipment, net	320,419	323,383	328,075
Accrued interest receivable	47,358	51,266	55,525
Goodwill	271,297	271,297	271,297
Bank-owned life insurance	202,620	200,085	197,028
Other real estate owned	143,615	173,805	151,204
Other assets	207,454	204,502	244,547
<b>TOTAL ASSETS</b>	<b>\$13,147,818</b>	<b>\$12,995,851</b>	<b>\$13,367,050</b>
<b>LIABILITIES</b>			
Deposits:			
Demand: Noninterest bearing	\$2,312,044	\$2,269,799	\$2,096,655
Interest bearing	4,782,243	4,706,825	4,939,553
Savings	1,083,255	991,702	944,993
Other time	2,778,795	2,986,863	3,327,262
Total deposits	10,956,337	10,955,189	11,308,463
Federal funds purchased and securities sold under agreement to repurchase	361,990	373,933	426,097
Short-term Federal Home Loan Bank and other short-term borrowings	1,500	1,500	703
Accrued interest payable	7,161	8,644	11,348
Junior subordinated debt securities	160,312	160,312	160,312
Long-term Federal Home Loan Bank borrowings	33,500	33,500	35,000
Other liabilities	208,707	199,861	178,424
<b>TOTAL LIABILITIES</b>	<b>11,729,507</b>	<b>11,732,939</b>	<b>12,120,347</b>
<b>SHAREHOLDERS' EQUITY</b>			

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Common stock, \$2.50 par value per share Authorized - 500,000,000 shares; Issued - 94,436,377, 83,483,796 and 83,488,962 shares, respectively	236,091	208,709	208,722
Capital surplus	310,388	227,567	226,362
Accumulated other comprehensive income (loss)	1,334	(2,261 )	6,289
Retained earnings	870,498	828,897	805,330
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,418,311</b>	<b>1,262,912</b>	<b>1,246,703</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$13,147,818</b>	<b>\$12,995,851</b>	<b>\$13,367,050</b>

(1) Derived from audited financial statements.

See accompanying notes to consolidated financial statements.

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

Three months ended                      Six months ended  
June 30,                                      June 30,  
2012                      2011                      2012                      2011  
(In thousands, except for per share amounts)

## INTEREST REVENUE:

Loans and leases	\$ 107,737	\$ 116,892	\$ 216,749	\$ 234,250
Deposits with other banks	382	124	783	246
Federal funds sold and securities purchased under agreement to resell	1	35	1	166
Held-to-maturity securities:				
Taxable	-	5,066	-	13,080
Tax-exempt	-	2,291	-	5,638
Available-for-sale securities:				
Taxable	10,188	10,451	21,350	19,036
Tax-exempt	4,210	1,871	8,466	2,695
Loans held for sale	686	505	1,230	952
Total interest revenue	123,204	137,235	248,579	276,063

## INTEREST EXPENSE:

Deposits:				
Interest bearing demand	4,185	6,039	8,634	12,585
Savings	691	810	1,405	1,636
Other time	10,275	16,285	21,566	33,768
Federal funds purchased and securities sold under agreement to repurchase	66	135	129	287
Federal Home Loan Bank borrowings	366	1,194	733	2,717
Junior subordinated debt	2,879	2,860	5,758	5,719
Other	1	-	3	2
Total interest expense	18,463	27,323	38,228	56,714
Net interest revenue	104,741	109,912	210,351	219,349
Provision for credit losses	6,000	32,240	16,000	85,719
Net interest revenue, after provision for credit losses	98,741	77,672	194,351	133,630

## NONINTEREST REVENUE:

Mortgage lending	11,040	2,003	26,182	9,584
Credit card, debit card and merchant fees	7,787	11,263	15,310	21,609
Service charges	13,697	16,556	28,813	31,924
Trust income	3,139	2,850	5,421	5,984
Security gains, net	177	10,045	251	10,062
Insurance commissions	22,964	22,941	46,117	45,490
Other	7,664	9,486	16,734	18,802

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Total noninterest revenue	66,468	75,144	138,828	143,455
<b>NONINTEREST EXPENSE:</b>				
Salaries and employee benefits	77,661	70,142	152,592	140,517
Occupancy, net of rental income	10,487	10,232	20,553	20,903
Equipment	5,124	5,595	10,457	11,253
Deposit insurance assessments	3,994	6,436	9,377	11,861
Prepayment penalty on FHLB borrowings	-	9,778	-	9,778
Other	39,240	34,886	79,207	72,767
Total noninterest expense	136,506	137,069	272,186	267,079
Income before income taxes	28,703	15,747	60,993	10,006
Income tax expense (benefit)	8,079	2,921	17,503	(2,326 )
Net income	\$20,624	\$12,826	\$43,490	\$12,332
Earnings per share: Basic	\$0.22	\$0.15	\$0.47	\$0.15
Diluted	\$0.22	\$0.15	\$0.47	\$0.15
Dividends declared per common share	\$0.01	\$0.01	\$0.02	\$0.12

See accompanying notes to consolidated financial statements.

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

	Three months ended		Six months ended	
	2012	June 30, 2011	2012	June 30, 2011
	(In thousands)			
Net income	\$20,624	\$12,826	\$43,490	\$12,332
Other comprehensive income, net of tax				
Unrealized gains on securities	5,076	22,477	2,123	19,960
Pension and other postretirement benefits	394	391	1,472	782
Other comprehensive income	5,470	22,868	3,595	20,742
Comprehensive income	\$26,094	\$35,694	\$47,085	\$33,074

See accompanying notes to consolidated financial statements.

BANCORPSOUTH, INC. AND SUBSIDIARIES  
Consolidated Statements of Cash Flows  
(Unaudited)

	Six months ended June 30,	
	2012	2011
	(In thousands)	
Operating Activities:		
Net income	\$43,490	\$12,332
Adjustment to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	16,000	85,719
Depreciation and amortization	13,540	14,789
Deferred taxes	-	(267 )
Amortization of intangibles	1,504	1,687
Amortization of debt securities premium and discount, net	6,562	13,936
Share-based compensation expense	1,524	1,285
Security gains, net	(251 )	(10,062 )
Net deferred loan origination expense	(4,085 )	(4,384 )
Excess tax benefit from exercise of stock options	-	(8 )
Decrease in interest receivable	3,908	5,500
Decrease in interest payable	(1,483 )	(2,988 )
Realized gain on mortgages sold	(27,693 )	(14,225 )
Proceeds from mortgages sold	441,930	483,065
Origination of mortgages held for sale	(444,051 )	(448,082 )
Increase in bank-owned life insurance	(2,535 )	(2,964 )
Decrease (increase) in prepaid pension asset	2,587	(186 )
Decrease in prepaid deposit insurance assessments	8,985	11,040
Other, net	(2,071 )	(1,035 )
Net cash provided by operating activities	57,861	145,152
Investing activities:		
Proceeds from calls and maturities of held-to-maturity securities	-	135,781
Proceeds from calls and maturities of available-for-sale securities	266,829	131,124
Proceeds from sales of available-for-sale securities	4,727	180,057
Purchases of held-to-maturity securities	-	(151,105 )
Purchases of available-for-sale securities	(223,716 )	(119,089 )
Net decrease in short-term investments	-	150,000
Net decrease in loans and leases	136,920	20,141
Purchases of premises and equipment	(11,362 )	(10,520 )
Proceeds from sale of premises and equipment	968	1,693
Contingency earn-out payment	-	(1,200 )
Other, net	(16 )	(31 )
Net cash provided by investing activities	174,350	336,851
Financing activities:		
Net increase (decrease) in deposits	1,147	(181,558 )
Net decrease in short-term debt and other liabilities	(11,950 )	(16,526 )
Repayment of long-term debt	-	(75,000 )
Issuance of common stock	108,678	110
Excess tax benefit from exercise of stock options	-	8

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Payment of cash dividends	(1,888 )	(10,018 )
Net cash provided by (used in) financing activities	95,987	(282,984 )
Increase in cash and cash equivalents	328,198	199,019
Cash and cash equivalents at beginning of period	499,344	272,086
Cash and cash equivalents at end of period	\$827,542	\$471,105

See accompanying notes to consolidated financial statements.

BANCORPSOUTH, INC. AND SUBSIDIARIES  
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, 2011. In the opinion of management, all adjustments necessary for a fair presentation of the consolidated financial statements have been included and all such adjustments were of a normal, recurring nature. The results of operations for the three-month and six-month period ended June 30, 2012 are not necessarily indicative of the results to be expected for the full year. Certain 2011 amounts have been reclassified to conform with the 2012 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, Century Credit Life Insurance Company, Personal Finance Corporation of Tennessee, BancorpSouth Insurance Services, Inc., BancorpSouth Investment Services, Inc., BancorpSouth Municipal Development Corporation and BancorpSouth Bank Securities Corporation.

## NOTE 2 – LOANS AND LEASES

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

	2012	June 30, 2011	December 31, 2011
	(In thousands)		
Commercial and industrial	\$ 1,507,382	\$ 1,540,048	\$ 1,484,967
Real estate			
Consumer mortgages	1,904,420	1,971,499	1,945,190
Home equity	496,245	531,787	514,362
Agricultural	251,975	255,310	239,487
Commercial and industrial-owner occupied	1,288,887	1,366,734	1,301,575
Construction, acquisition and development	835,022	1,060,675	908,362
Commercial real estate	1,748,748	1,764,648	1,754,022
Credit cards	101,085	101,955	106,281
All other	637,878	663,223	657,012
Total	\$ 8,771,642	\$ 9,255,879	\$ 8,911,258



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The following table shows the Company's loans and leases, net of unearned income, as of June 30, 2012 by segment, class and geographical location:

	Alabama and Florida Panhandle	Arkansas*	Mississippi*	Missouri	Greater Memphis Area	Tennessee*	Texas and Louisiana	Other	Total
	(In thousands)								
Commercial and industrial	\$57,950	\$191,231	\$340,454	\$56,176	\$17,036	\$83,517	\$248,738	\$502,576	\$1,497,678
Real estate									
Consumer mortgages	104,590	266,625	748,850	44,442	83,380	161,013	448,735	46,785	1,904,420
Home equity	59,969	38,511	168,552	24,417	66,302	74,942	61,547	2,005	496,245
Agricultural	6,632	81,867	68,990	3,439	9,497	14,043	62,527	4,980	251,975
Commercial and industrial-owner occupied	116,744	159,231	454,193	81,542	90,680	89,351	250,432	46,714	1,288,887
Construction, acquisition and development	95,278	60,747	251,977	44,756	91,437	88,684	174,818	27,325	835,022
Commercial real estate	190,195	346,586	360,704	204,377	115,061	101,883	377,008	52,934	1,748,748
Credit cards	-	-	-	-	-	-	-	101,085	101,085
All other	30,890	86,350	190,620	6,852	56,187	49,481	95,729	92,226	608,335
<b>Total</b>	<b>\$662,248</b>	<b>\$1,231,148</b>	<b>\$2,584,340</b>	<b>\$466,001</b>	<b>\$529,580</b>	<b>\$662,914</b>	<b>\$1,719,534</b>	<b>\$876,630</b>	<b>\$8,732,395</b>

\* Excludes the Greater Memphis Area.

The Company's loan concentrations which exceed 10% of total loans are reflected in the preceding tables. A substantial portion of construction, acquisition and development loans are secured by real estate in markets in which the Company is located. The Company's general loan policy prohibits the use of interest reserves on loans originated after March 2010. Certain of the construction, acquisition and development loans were structured with interest-only terms. A portion of the consumer mortgage and commercial real estate portfolios originated through the permanent financing of construction, acquisition and development loans. The prolonged economic downturn has negatively impacted many borrowers' and guarantors' ability to make payments under the terms of the loans as their liquidity has been depleted. Accordingly, the ultimate collectability of a substantial portion of these loans and the recovery of a substantial portion of the carrying amount of other real estate owned are susceptible to changes in real estate values in the corresponding market areas. Continued economic distress could negatively impact additional borrowers' and guarantors' ability to repay their debt which would make more of the Company's loans collateral dependent. The following tables provide details regarding the aging of the Company's loan and lease portfolio, net of unearned income, by segment and class at June 30, 2012 and December 31, 2011:

June 30, 2012

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	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due (In thousands)	Current	Total Outstanding	90+ Days Past Due still Accruing
Commercial and industrial	\$5,516	\$782	\$5,697	\$11,995	\$1,485,683	\$1,497,678	\$-
Real estate							
Consumer mortgages	12,472	3,849	15,421	31,742	1,872,678	1,904,420	1,141
Home equity	1,268	547	157	1,972	494,273	496,245	-
Agricultural	1,162	952	4,209	6,323	245,652	251,975	-
Commercial and industrial-owner occupied	2,888	1,609	7,209	11,706	1,277,181	1,288,887	-
Construction, acquisition and development	7,449	1,012	17,319	25,780	809,242	835,022	-
Commercial real estate	1,549	3,305	8,592	13,446	1,735,302	1,748,748	-
Credit cards	420	286	564	1,270	99,815	101,085	324
All other	2,597	289	440	3,326	605,009	608,335	167
Total	\$35,321	\$12,631	\$59,608	\$107,560	\$8,624,835	\$8,732,395	\$1,632

December 31, 2011

	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due (In thousands)	Current	Total Outstanding	90+ Days Past Due still Accruing
Commercial and industrial	\$5,571	\$4,209	\$4,193	\$13,973	\$1,459,755	\$1,473,728	\$12
Real estate							
Consumer mortgages	15,740	6,485	14,569	36,794	1,908,396	1,945,190	2,974
Home equity	1,837	265	594	2,696	511,666	514,362	-
Agricultural	666	54	719	1,439	238,048	239,487	-
Commercial and industrial-owner occupied	2,199	844	12,977	16,020	1,285,555	1,301,575	-
Construction, acquisition and development	4,826	4,955	33,584	43,365	864,997	908,362	-
Commercial real estate	3,778	2,702	9,397	15,877	1,738,145	1,754,022	-
Credit cards	595	303	697	1,595	104,686	106,281	299
All other	2,124	390	1,579	4,093	623,211	627,304	149
Total	\$37,336	\$20,207	\$78,309	\$135,852	\$8,734,459	\$8,870,311	\$3,434

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. Borrowers for these loans include well capitalized public corporations.

**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.



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The following tables provide details of the Company's loan and lease portfolio, net of unearned income, by segment, class and internally assigned grade at June 30, 2012 and December 31, 2011:

	June 30, 2012						Total
	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired	
	(In thousands)						
Commercial and industrial	\$1,426,787	\$12,480	\$46,512	\$959	\$34	\$10,906	\$1,497,678
Real estate							
Consumer mortgage	1,720,260	29,254	132,775	4,748	302	17,081	1,904,420
Home equity	472,291	3,476	17,759	908	243	1,568	496,245
Agricultural	225,886	2,989	15,687	20	-	7,393	251,975
Commercial and industrial-owner occupied	1,158,082	25,740	83,048	276	28	21,713	1,288,887
Construction, acquisition and development	607,942	26,947	99,471	589	20	100,053	835,022
Commercial real estate	1,515,262	48,217	144,301	71	199	40,698	1,748,748
Credit Cards	101,085	-	-	-	-	-	101,085
All other	572,073	18,060	16,425	803	9	965	608,335
<b>Total</b>	<b>\$7,799,668</b>	<b>\$167,163</b>	<b>\$555,978</b>	<b>\$8,374</b>	<b>\$835</b>	<b>\$200,377</b>	<b>\$8,732,395</b>

	December 31, 2011						Total
	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired	
	(In thousands)						
Commercial and industrial	\$1,415,731	\$4,947	\$43,549	\$1,263	\$405	\$7,833	\$1,473,728
Real estate							
Consumer mortgage	1,742,593	17,914	148,267	4,434	189	31,793	1,945,190
Home equity	492,235	2,775	17,050	1,134	493	675	514,362
Agricultural	213,280	3,795	19,296	20	-	3,096	239,487
Commercial and industrial-owner occupied	1,167,220	18,280	90,778	496	-	24,801	1,301,575
Construction, acquisition and development	619,497	23,429	136,412	845	-	128,179	908,362
Commercial real estate	1,501,196	37,409	179,295	-	-	36,122	1,754,022
Credit Cards	105,867	41	175	188	10	-	106,281
All other	587,970	16,104	20,263	470	73	2,424	627,304

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Total	\$7,845,589	\$124,694	\$655,085	\$8,850	\$1,170	\$234,923	\$8,870,311
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The following tables provide details regarding impaired loans and leases, net of unearned income, by segment and class at June 30, 2012 and December 31, 2011:

	Recorded Investment in Impaired Loans	Unpaid Principal Balance of Impaired Loans	Related Allowance for Credit Losses	June 30, 2012 Average Recorded Investment		Interest Income Recognized	
				Three months ended June 30, 2012	Six months ended June 30, 2012	Three months ended June 30, 2012	Six months ended June 30, 2012
(In thousands)							
With no related allowance:							
Commercial and industrial	\$2,527	\$2,882	\$-	\$2,366	\$2,916	\$2	\$11
Real estate							
Consumer mortgage	9,206	11,260	-	12,784	12,981	17	39
Home equity	868	1,011	-	869	790	2	2
Agricultural	6,192	7,606	-	4,548	3,075	3	7
Commercial and industrial-owner occupied							
Construction, acquisition and development	56,319	75,149	-	60,735	60,576	73	160
Commercial	22,330	33,569	-	18,708	17,415	27	65
All other	706	1,019	-	711	750	1	3
Total	\$111,176	\$150,193	\$-	\$111,860	\$108,792	\$151	\$338
With an allowance:							
Commercial and industrial	\$8,379	\$8,877	\$5,575	\$8,078	\$5,931	\$10	\$19
Real estate							
Consumer mortgage	7,875	8,657	2,002	12,623	15,046	30	72
Home equity	700	700	168	703	481	3	3
Agricultural	1,201	1,207	378	1,264	1,373	3	3
Commercial and industrial-owner occupied							
Construction, acquisition and development	43,734	58,264	10,641	47,429	54,153	101	226
Commercial	18,368	20,749	3,924	14,718	16,567	60	96
All other	259	330	232	265	296	1	2

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Total	\$89,201	\$109,510	\$23,939	\$97,465	\$108,207	\$224	\$455
Total:							
Commercial and industrial	\$10,906	\$11,759	\$5,575	\$10,444	\$8,847	\$12	\$30
Real estate							
Consumer							
mortgage	17,081	19,917	2,002	25,407	28,027	47	111
Home equity	1,568	1,711	168	1,572	1,271	5	5
Agricultural	7,393	8,813	378	5,812	4,448	6	10
Commercial and industrial-owner occupied							
	21,713	28,423	1,019	23,524	24,649	42	85
Construction, acquisition and development							
Commercial	40,698	54,318	3,924	33,426	33,982	87	161
All other	965	1,349	232	976	1,046	2	5
Total	\$200,377	\$259,703	\$23,939	\$209,325	\$216,999	\$375	\$793

December 31, 2011

	Recorded Investment in Impaired Loans	Unpaid Principal Balance of Impaired Loans	Related Allowance for Credit Losses (In thousands)	Average Recorded Investment	Interest Income Recognized
With no related allowance:					
Commercial and industrial	\$4,874	\$6,854	\$-	\$3,879	\$78
Real estate					
Consumer mortgage	16,883	19,538	-	19,628	397
Home equity	627	771	-	541	1
Agricultural	1,549	2,676	-	2,502	20
Commercial and industrial-owner occupied	6,973	9,191	-	11,598	185
Construction, acquisition and development	69,843	89,782	-	107,596	941
Commercial real estate	15,184	24,198	-	20,702	311
All other	1,284	1,668	-	1,169	67
Total	\$117,217	\$154,678	\$-	\$167,615	\$2,000
With an allowance:					
Commercial and industrial	\$2,959	\$3,301	\$4,071	\$3,558	\$49
Real estate					
Consumer mortgage	14,910	16,224	4,386	14,960	323
Home equity	48	276	48	504	3
Agricultural	1,547	1,547	380	3,164	18
Commercial and industrial-owner occupied	17,828	21,085	3,601	10,329	146
Construction, acquisition and development	58,336	67,426	21,581	80,957	1,651
Commercial real estate	20,938	21,422	5,324	27,210	851
All other	1,140	1,140	317	1,307	8
Total	\$117,706	\$132,421	\$39,708	\$141,989	\$3,049
Total:					
Commercial and industrial	\$7,833	\$10,155	\$4,071	\$7,437	\$127
Real estate					
Consumer mortgage	31,793	35,762	4,386	34,588	720
Home equity	675	1,047	48	1,045	4
Agricultural	3,096	4,223	380	5,666	38
Commercial and industrial-owner occupied	24,801	30,276	3,601	21,927	331
Construction, acquisition and development	128,179	157,208	21,581	188,553	2,592
Commercial real estate	36,122	45,620	5,324	47,912	1,162
All other	2,424	2,808	317	2,476	75
Total	\$234,923	\$287,099	\$39,708	\$309,604	\$5,049

The following tables provide details regarding impaired real estate construction, acquisition and development loans and leases, net of unearned income, by collateral type at June 30, 2012 and December 31, 2011:

	Unpaid			June 30, 2012 Average Recorded Investment		Interest Income Recognized	
	Recorded Investment in Impaired Loans	Principal Balance of Impaired Loans	Related Allowance for Credit Losses	Three months ended June 30, 2012	Six months ended June 30, 2012	Three months ended June 30, 2012	Six months ended June 30, 2012
(In thousands)							
With no related allowance:							
Multi-family construction	\$-	\$-	\$-	\$-	\$-	\$-	\$-
One-to-four family construction	8,577	12,623	-	8,616	7,660	7	21
Recreation and all other loans	359	532	-	362	365	1	3
Commercial construction	3,035	3,629	-	3,163	2,342	9	17
Commercial acquisition and development	14,324	19,560	-	12,666	12,756	14	33
Residential acquisition and development	30,024	38,805	-	35,928	37,453	42	86
<b>Total</b>	<b>\$56,319</b>	<b>\$75,149</b>	<b>\$-</b>	<b>\$60,735</b>	<b>\$60,576</b>	<b>\$73</b>	<b>\$160</b>
With an allowance:							
Multi-family construction	\$-	\$-	\$-	\$-	\$-	\$-	\$-
One-to-four family construction	6,002	7,545	1,219	3,440	4,495	6	14
Recreation and all other loans	-	-	-	-	-	-	-
Commercial construction	1,131	1,434	980	930	1,662	4	5
Commercial acquisition and development	6,076	6,387	1,122	11,804	11,075	21	40
Residential acquisition and development	30,525	42,898	7,320	31,255	36,921	70	167

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Total	\$43,734	\$58,264	\$10,641	\$47,429	\$54,153	\$101	\$226
Total:							
Multi-family construction	\$-	\$-	\$-	\$-	\$-	\$-	\$-
One-to-four family construction	14,579	20,168	1,219	12,056	12,155	13	35
Recreation and all other loans	359	532	-	362	365	1	3
Commercial construction	4,166	5,063	980	4,093	4,004	13	22
Commercial acquisition and development	20,400	25,947	1,122	24,470	23,831	35	73
Residential acquisition and development	60,549	81,703	7,320	67,183	74,374	112	253
Total	\$100,053	\$133,413	\$10,641	\$108,164	\$114,729	\$174	\$386

December 31, 2011

	Recorded Investment in Impaired Loans	Unpaid Principal Balance of Impaired Loans	Related Allowance for Credit Losses (In thousands)	Average Recorded Investment	Interest Income Recognized
With no related allowance:					
Multi-family construction	\$1,067	\$2,259	\$-	\$5,474	\$18
One-to-four family construction	7,931	9,313	-	9,269	94
Recreation and all other loans	372	545	-	491	9
Commercial construction	633	917	-	9,663	83
Commercial acquisition and development	17,130	19,855	-	20,640	99
Residential acquisition and development	42,710	56,893	-	62,059	638
Total	\$69,843	\$89,782	\$-	\$107,596	\$941

With an allowance:

Multi-family construction	\$-	\$-	\$-	\$571	\$-
One-to-four family construction	5,313	6,083	1,589	5,334	108
Recreation and all other loans	-	-	-	271	2
Commercial construction	4,387	5,128	886	7,289	126
Commercial acquisition and development	5,091	7,728	1,418	12,965	429
Residential acquisition and development	43,545	48,487	17,688	54,527	986
Total	\$58,336	\$67,426	\$21,581	\$80,957	\$1,651

Total:

Multi-family construction	\$1,067	\$2,259	\$-	\$6,045	\$18
One-to-four family construction	13,244	15,396	1,589	14,603	202
Recreation and all other loans	372	545	-	762	11
Commercial construction	5,020	6,045	886	16,952	209
Commercial acquisition and development	22,221	27,583	1,418	33,605	528
Residential acquisition and development	86,255	105,380	17,688	116,586	1,624
Total	\$128,179	\$157,208	\$21,581	\$188,553	\$2,592

Loans considered impaired under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 310, Receivables (“FASB ASC 310”), are loans for which, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. The Company’s recorded investment in loans considered impaired at June 30, 2012 and December 31, 2011 was \$200.4 million and \$234.9 million, respectively. At June 30, 2012 and December 31, 2011, \$89.2 million and \$117.7 million, respectively, of those impaired loans had a valuation allowance of \$23.9 million and \$39.7 million, respectively. The remaining balance of impaired loans of \$111.2 million and \$117.2 million at June 30, 2012 and December 31, 2011, respectively, were charged down to fair value, less estimated selling costs which approximated net realizable value. Therefore, such loans did not have an associated valuation allowance. Impaired loans that were characterized as troubled debt restructurings (“TDRs”) totaled \$59.3 million and \$58.0 million at June 30, 2012 and December 31, 2011, respectively. The average recorded investment in impaired loans was \$209.3 million and \$217.0 million for the three months and six months ended June 30, 2012, respectively, and \$309.6 million for the year ended December 31, 2011.

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 because of the borrower’s weakened financial condition. The following table presents information concerning NPLs as of the dates indicated:



	2012	June 30, 2011	December 31, 2011
	(In thousands)		
Non-accrual loans and leases	\$240,246	\$331,076	\$276,798
Loans and leases 90 days or more past due, still accruing	1,632	3,980	3,434
Restructured loans and leases still accruing	25,071	44,786	42,018
Total non-performing loans and leases	\$266,949	\$379,842	\$322,250

The Bank's policy for all loan classifications provides that loans and leases are generally placed in non-accrual status if, in management's opinion, payment in full of principal or interest is not expected or payment of principal or interest is more than 90 days past due, unless such loan or lease is both well-secured and in the process of collection. At June 30, 2012, the Company's geographic NPL distribution was concentrated primarily in its Alabama, Texas, Louisiana and Tennessee markets, including the greater Memphis, Tennessee area, a portion of which is in northwest Mississippi and Arkansas. The following table presents the Company's nonaccrual loans and leases by segment and class as of the dates indicated:

	2012	June 30, 2011	December 31, 2011
	(In thousands)		
Commercial and industrial	\$13,156	\$9,337	\$12,260
Real estate			
Consumer mortgages	35,660	34,174	47,878
Home equity	2,995	1,232	2,036
Agricultural	8,390	8,526	4,179
Commercial and industrial-owner occupied	26,957	26,387	33,112
Construction, acquisition and development	104,283	200,434	133,110
Commercial real estate	44,359	48,571	40,616
Credit cards	364	546	594
All other	4,082	1,869	3,013
Total	\$240,246	\$331,076	\$276,798

In the normal course of business, management will sometimes grant concessions, which would not otherwise be considered, to borrowers that are experiencing financial difficulty. Loans identified as meeting the criteria set out in FASB ASC 310 are identified as TDRs. The concessions granted most frequently for TDRs involve reductions or delays in required payments of principal and interest for a specified period, the rescheduling of payments in accordance with a bankruptcy plan or the charge-off of a portion of the loan. In most cases, the conditions of the credit also warrant nonaccrual status, even after the restructure occurs. Other conditions that warrant a loan being considered a TDR include reductions in interest rates to below market rates due to bankruptcy plans or by the bank in an attempt to assist the borrower in working through liquidity problems. As part of the credit approval process, the restructured loans are evaluated for adequate collateral protection in determining the appropriate accrual status at the time of restructure. TDRs recorded as nonaccrual loans may be returned to accrual status in years after the restructure if there has been at least a six-month period of sustained repayment performance by the borrower under the restructured loan terms and the interest rate at the time of restructure was at or above market for a comparable loan. During the second quarter and first six months of 2012, 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 for the periods indicated:

	Three months ended June 30, 2012		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment (Dollars in thousands)	Post-Modification Outstanding Recorded Investment (Dollars in thousands)
Commercial and industrial Real estate	2	\$ 658	\$ 656
Consumer mortgages	8	2,750	2,162
Agricultural	1	446	457
Commercial and industrial-owner occupied	9	3,837	3,254
Construction, acquisition and development	21	13,421	13,343
Commercial real estate	2	3,744	3,740
Total	43	\$ 24,856	\$ 23,612

	Six months ended June 30, 2012		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment (Dollars in thousands)	Post-Modification Outstanding Recorded Investment (Dollars in thousands)
Commercial and industrial Real estate	7	\$ 1,668	\$ 1,330
Consumer mortgages	21	6,016	5,373
Agricultural	2	853	861
Commercial and industrial-owner occupied	17	5,965	5,371
Construction, acquisition and development	32	20,701	20,299
Commercial	8	6,924	6,912
All other	5	639	637
Total	92	\$ 42,766	\$ 40,783

	Year ended December 31, 2011		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment (Dollars in thousands)	Post-Modification Outstanding Recorded Investment (Dollars in thousands)
Commercial and industrial Real estate	7	\$ 3,142	\$ 2,374
Consumer mortgages	35	6,901	6,424
Agricultural	4	2,650	1,479
Commercial and industrial-owner occupied	29	13,330	11,740
Construction, acquisition and development	30	23,863	19,228
Commercial real estate	24	16,121	15,046
All other	7	2,957	2,406

Total	136	\$ 68,964	\$ 58,697
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The following tables summarize TDRs within the previous 12 months for which there was a payment default during the period indicated (i.e., 30 days or more past due at any given time during the period indicated):

	Three months ended June 30, 2012	
	Number of Contracts	Recorded Investment (Dollars in thousands)
Real estate		
Consumer mortgages	4	\$850
Commercial and industrial-owner occupied	2	248
Construction, acquisition and development	10	4,248
Commercial real estate	1	1,011
Total	17	\$6,357
	Six months ended June 30, 2012	
	Number of Contracts	Recorded Investment (Dollars in thousands)
Commercial and industrial	1	\$129
Real estate		
Consumer mortgages	10	1,368
Agricultural	1	170
Commercial and industrial-owner occupied	5	1,610
Construction, acquisition and development	10	4,248
Commercial	3	2,525
Total	30	\$10,050
	Year ended December 31, 2011	
	Number of Contracts	Recorded Investment (Dollars in thousands)
Commercial and industrial	4	\$1,506
Real estate		
Consumer mortgages	4	1,563
Agricultural	3	1,382
Commercial and industrial-owner occupied	6	1,683
Construction, acquisition and development	13	3,622
Commercial real estate	3	2,946
All other	1	302
Total	34	\$13,004

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:

17

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	Balance, Beginning of Period	Six months ended June 30, 2012			Balance, End of Period
		Charge-offs	Recoveries (In thousands)	Provision	
Commercial and industrial	\$20,724	\$(5,854)	\$2,582	\$8,363	\$25,815
Real estate					
Consumer mortgage	36,529	(7,034)	761	4,175	34,431
Home equity	8,630	(1,387)	393	(300)	7,336
Agricultural	3,921	(482)	63	(243)	3,259
Commercial and industrial-owner occupied	21,929	(6,600)	1,865	165	17,359
Construction, acquisition and development	45,562	(20,954)	4,110	4,037	32,755
Commercial real estate	39,444	(6,069)	4,887	(1,096)	37,166
Credit Cards	4,021	(1,150)	239	49	3,159
All other	14,358	(1,196)	555	850	14,567
Total	\$195,118	\$(50,726)	\$15,455	\$16,000	\$175,847

	Balance, Beginning of Period	Year ended December 31, 2011			Balance, End of Period
		Charge-offs	Recoveries (In thousands)	Provision	
Commercial and industrial	\$22,479	\$(17,337)	\$1,567	\$14,015	\$20,724
Real estate					
Consumer mortgage	35,540	(10,186)	1,111	10,064	36,529
Home equity	7,305	(5,852)	185	6,992	8,630
Agricultural	4,997	(3,420)	123	2,221	3,921
Commercial and industrial-owner occupied	20,403	(10,302)	393	11,435	21,929
Construction, acquisition and development	59,048	(67,362)	3,951	49,925	45,562
Commercial real estate	33,439	(17,436)	1,045	22,396	39,444
Credit Cards	4,126	(3,072)	803	2,164	4,021
All other	9,576	(7,088)	1,001	10,869	14,358
Total	\$196,913	\$(142,055)	\$10,179	\$130,081	\$195,118

	Balance, Beginning of Period	Six months ended June 30, 2011			Balance, End of Period
		Charge-offs	Recoveries (In thousands)	Provision	
Commercial and industrial	\$22,479	\$(14,365 )	\$773	\$13,953	\$22,840
Real estate					
Consumer mortgage	35,540	(4,889 )	363	6,031	37,045
Home equity	7,305	(2,473 )	91	2,697	7,620
Agricultural	4,997	(965 )	47	630	4,709
Commercial and industrial-owner occupied	20,403	(4,944 )	194	8,991	24,644
Construction, acquisition and development	59,048	(49,126 )	2,057	41,941	53,920
Commercial real estate	33,439	(6,111 )	405	7,560	35,293
Credit Cards	4,126	(1,606 )	494	473	3,487
All other	9,576	(5,524 )	574	3,443	8,069
Total	\$196,913	\$(90,003 )	\$4,998	\$85,719	\$197,627

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

	Recorded Balance of Impaired Loans	June 30, 2012		Total Allowance
		Allowance for Impaired Loans and Leases	Allowance for All Other Loans and Leases	
Commercial and industrial	\$10,906	\$5,575	\$20,240	\$25,815
Real estate				
Consumer mortgage	17,081	2,002	32,429	34,431
Home equity	1,568	168	7,168	7,336
Agricultural	7,393	378	2,881	3,259
Commercial and industrial-owner occupied	21,713	1,019	16,340	17,359
Construction, acquisition and development	100,053	10,641	22,114	32,755
Commercial real estate	40,698	3,924	33,242	37,166
Credit Cards	-	-	3,159	3,159
All other	965	232	14,335	14,567
Total	\$200,377	\$23,939	\$151,908	\$175,847