

BANCORPSOUTH INC
Form 10-Q
November 07, 2013
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

OR

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

For the transition period from _____ to _____

Commission File Number: 001-12991

BANCORPSOUTH, INC.

(Exact name of registrant as specified in its charter)

Mississippi

(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 November 1, 2013, the registrant had outstanding 95,213,534 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

	September 30, 2013 (Unaudited)	December 31, 2012 (1)	September 30, 2012 (Unaudited)
(Dollars in thousands, except per share amounts)			
ASSETS			
Cash and due from banks	\$ 199,464	\$ 223,814	\$ 176,529
Interest bearing deposits with other banks	361,401	979,800	757,207
Available-for-sale securities, at fair value	2,554,156	2,434,032	2,483,606
Loans and leases	8,806,392	8,672,752	8,716,715
Less: Unearned income	33,277	35,763	36,746
Allowance for credit losses	153,974	164,466	169,019
Net loans and leases	8,619,141	8,472,523	8,510,950
Loans held for sale	77,114	129,138	129,408
Premises and equipment, net	314,441	319,456	321,068
Accrued interest receivable	43,034	44,356	48,314
Goodwill	275,173	275,173	275,173
Bank-owned life insurance	236,969	231,120	203,798
Other real estate owned	76,853	103,248	128,211
Other assets	158,407	184,538	201,473
TOTAL ASSETS	\$ 12,916,153	\$ 13,397,198	\$ 13,235,737
LIABILITIES			
Deposits:			
Demand: Noninterest bearing	\$ 2,597,762	\$ 2,545,169	\$ 2,492,508
Interest bearing	4,493,359	4,799,496	4,697,260
Savings	1,220,227	1,145,785	1,103,490
Other time	2,406,598	2,597,696	2,681,382
Total deposits	10,717,946	11,088,146	10,974,640
Federal funds purchased and securities sold under agreement to repurchase	418,623	414,611	377,676
Accrued interest payable	5,156	6,140	6,759
Junior subordinated debt securities	31,446	160,312	160,312
Long-term debt	83,500	33,500	33,500
Other liabilities	178,871	245,437	236,147
TOTAL LIABILITIES	11,435,542	11,948,146	11,789,034
SHAREHOLDERS' EQUITY			
Common stock, \$2.50 par value per share			

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Authorized - 500,000,000 shares; Issued - 95,211,602, 94,549,867 and 94,440,710 shares, respectively	238,029	236,375	236,102
Capital surplus	312,798	311,909	311,271
Accumulated other comprehensive (loss) income	(39,389)	(8,646)	5,952
Retained earnings	969,173	909,414	893,378
TOTAL SHAREHOLDERS' EQUITY	1,480,611	1,449,052	1,446,703
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 12,916,153	\$ 13,397,198	\$ 13,235,737

(1) Derived from audited financial statements.

See accompanying notes to consolidated financial statements.

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BANCORPSOUTH, INC. AND SUBSIDIARIES

Consolidated Statements of Income

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
(In thousands, except for per share amounts)				
INTEREST REVENUE:				
Loans and leases	\$ 98,836	\$ 105,937	\$ 296,452	\$ 322,686
Deposits with other banks	310	399	1,395	1,182
Federal funds sold and securities purchased under agreement to resell	-	2	-	3
Available-for-sale securities:				
Taxable	8,218	9,329	25,323	30,679
Tax-exempt	3,866	4,109	11,737	12,575
Loans held for sale	731	974	2,090	2,204
Total interest revenue	111,961	120,750	336,997	369,329
INTEREST EXPENSE:				
Deposits:				
Interest bearing demand	2,061	3,889	7,609	12,523
Savings	383	686	1,318	2,091
Other time	7,271	9,482	22,983	31,048
Federal funds purchased and securities sold under agreement to repurchase	80	73	213	202
Federal Home Loan Bank borrowings	350	364	1,047	1,097
Junior subordinated debt	1,424	2,875	7,141	8,633
Other	151	2	154	5
Total interest expense	11,720	17,371	40,465	55,599
Net interest revenue	100,241	103,379	296,532	313,730
Provision for credit losses	500	6,000	7,500	22,000
Net interest revenue, after provision for credit losses	99,741	97,379	289,032	291,730
NONINTEREST REVENUE:				
Mortgage lending	5,134	13,549	35,372	39,731
Credit card, debit card and merchant fees	8,834	8,270	24,681	23,580
Deposit service charges	13,679	14,189	39,335	43,002
Trust income	3,332	3,101	9,734	8,522
Security (losses) gains, net	(5)	39	17	290
Insurance commissions	23,800	23,519	76,303	69,636
Other	7,740	7,753	24,499	24,487
Total noninterest revenue	62,514	70,420	209,941	209,248
NONINTEREST EXPENSE:				
Salaries and employee benefits	73,532	74,829	231,230	227,421
Occupancy, net of rental income	10,360	10,944	31,174	31,497

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Equipment	4,555	5,083	14,088	15,540
Deposit insurance assessments	3,325	3,998	9,068	13,375
Voluntary early retirement expense	-	-	10,850	-
Write-off and amortization of bond issue cost	2,907	38	2,983	114
Other	34,718	38,896	107,626	118,027
Total noninterest expense	129,397	133,788	407,019	405,974
Income before income taxes	32,858	34,011	91,954	95,004
Income tax expense	8,001	10,186	25,537	27,689
Net income	\$ 24,857	\$ 23,825	\$ 66,417	\$ 67,315
Earnings per share: Basic	\$ 0.26	\$ 0.25	\$ 0.70	\$ 0.72
Diluted	\$ 0.26	\$ 0.25	\$ 0.70	\$ 0.72
Dividends declared per common share	\$ 0.05	\$ 0.01	\$ 0.07	\$ 0.03

See accompanying notes to consolidated financial statements.

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

	Three months ended September 30, 2013		2012		Nine months ended September 30, 2013		2012	
	(In thousands)							
Net income	\$	24,857	\$	23,825	\$	66,417	\$	67,315
Other comprehensive (loss) income, net of tax								
Unrealized (losses) gains on securities		(881)		4,183		(33,220)		6,306
Pension and other postretirement benefits		825		435		2,477		1,907
Other comprehensive (loss) income, net of tax		(56)		4,618		(30,743)		8,213
Comprehensive income	\$	24,801	\$	28,443	\$	35,674	\$	75,528

See accompanying notes to consolidated financial statements.

BANCORPSOUTH, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)

	Nine months ended September 30,	
	2013	2012
	(In thousands)	
Operating Activities:		
Net income	\$ 66,417	\$ 67,315
Adjustment to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	7,500	22,000
Depreciation and amortization	19,874	20,336
Deferred taxes	(3,002)	-
Amortization of intangibles	2,151	2,366
Amortization of debt securities premium and discount, net	11,514	9,794
Share-based compensation expense	2,017	2,363
Security gains, net	(17)	(290)
Net deferred loan origination expense	(5,845)	(6,088)
Excess tax benefit from exercise of stock options	68	-
Decrease in interest receivable	1,322	2,952
Decrease in interest payable	(984)	(1,885)
Realized gain on mortgages sold	(42,343)	(49,030)
Proceeds from mortgages sold	1,301,266	1,448,252
Origination of mortgages held for sale	(1,202,701)	(1,447,087)
Loss on other real estate owned, net	5,325	20,447
Increase in bank-owned life insurance	(5,849)	(3,713)
Decrease in prepaid pension asset	15,175	3,401
Decrease in prepaid deposit insurance assessments	-	11,086
Other, net	(11,985)	7,377
Net cash provided by operating activities	159,903	109,596
Investing activities:		
Proceeds from calls and maturities of available-for-sale securities	408,824	386,658
Proceeds from sales of available-for-sale securities	-	2,812
Purchases of available-for-sale securities	(617,203)	(348,905)
Net (increase) decrease in loans and leases	(169,671)	124,393
Purchases of premises and equipment	(18,077)	(18,815)
Proceeds from sale of premises and equipment	3,047	1,063
Proceeds from sale of other real estate owned	41,617	50,029
Other, net	108	(23)
Net cash (used in) provided by investing activities	(351,355)	197,212
Financing activities:		
Net (decrease) increase in deposits	(370,200)	19,452
Net increase in short-term debt and other liabilities	4,000	2,232
Advances of long-term debt	50,000	-
Redemption of Junior Subordinated Debt	(128,866)	-
Issuance of common stock	459	108,733
Excess tax benefit from exercise of stock options	(68)	-

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Payment of cash dividends	(6,622)	(2,833)
Net cash (used in) provided by financing activities	(451,297)	127,584
(Decrease) increase in cash and cash equivalents	(642,749)	434,392
Cash and cash equivalents at beginning of period	1,203,614	499,344
Cash and cash equivalents at end of period	\$ 560,865	\$ 933,736

See accompanying notes to consolidated financial statements, specifically Note 18.

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Notes to Consolidated Financial Statements

(Unaudited)

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

The accompanying unaudited interim consolidated financial statements of BancorpSouth, Inc. (the “Company”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and follow general practices within the industries in which the Company operates. For further information, refer to the audited consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012. In the opinion of management, all adjustments necessary for a fair presentation of the consolidated financial statements have been included and all such adjustments were of a normal, recurring nature. The results of operations for the three-month and nine-month periods ended September 30, 2013 are not necessarily indicative of the results to be expected for the full year. Certain 2012 amounts have been reclassified to conform with the 2013 presentation.

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

NOTE 2 – LOANS AND LEASES

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

September 30, 2013	2012	December 31, 2012
-----------------------	------	----------------------

(In thousands)

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Commercial and industrial Real estate	\$ 1,510,035	\$ 1,471,563	\$ 1,484,788
Consumer mortgages	1,931,171	1,888,783	1,873,875
Home equity	490,361	492,833	486,074
Agricultural	234,547	257,733	256,196
Commercial and industrial-owner occupied	1,422,077	1,309,631	1,333,103
Construction, acquisition and development	723,609	823,692	735,808
Commercial real estate	1,795,352	1,738,516	1,748,881
Credit cards	105,112	101,405	104,884
All other	594,128	632,559	649,143
Total	\$ 8,806,392	\$ 8,716,715	\$ 8,672,752

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The following table shows the Company's loans and leases, net of unearned income, as of September 30, 2013 by segment, class and geographical location:

	Alabama and Florida Panhandle (In thousands)	Arkansas*	Mississippi*	Missouri	Greater Memphis Area	Tennessee*	Texas and Louisiana
Commercial and industrial	\$ 82,158	\$ 167,672	\$ 280,961	\$ 30,080	\$ 22,350	\$ 81,512	\$ 25,000
Real estate							
Consumer mortgages	119,583	254,133	696,396	61,622	97,748	156,788	484,890
Home equity	64,712	39,351	164,095	21,443	67,668	68,951	61,879
Agricultural	8,570	74,355	55,503	3,918	15,212	11,869	60,186
Commercial and industrial-owner occupied	165,153	174,315	471,711	60,402	96,102	86,582	277,303
Construction, acquisition and development	91,974	67,271	185,174	26,834	79,615	104,400	135,489
Commercial real estate	264,623	303,769	276,522	195,627	101,268	96,988	408,417
Credit cards	-	-	-	-	-	-	-
All other	35,094	60,041	154,391	2,661	48,839	40,976	88,651
Total	\$ 831,867	\$ 1,140,907	\$ 2,284,753	\$ 402,587	\$ 528,802	\$ 648,066	\$ 1,770,000

* Excludes the Greater Memphis Area.

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

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The following tables provide details regarding the aging of the Company's loan and lease portfolio, net of unearned income, by segment and class at September 30, 2013 and December 31, 2012:

September 30, 2013							
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Outstanding	90+ Days Past Due still Accruing
(In thousands)							
Commercial and industrial	\$ 1,553	\$ 580	\$ 1,595	\$ 3,728	\$ 1,500,081	\$ 1,503,809	\$ 15
Real estate							
Consumer mortgages	11,488	2,928	13,004	27,420	1,903,751	1,931,171	1,178
Home equity	1,095	280	569	1,944	488,417	490,361	-
Agricultural	740	22	3,145	3,907	230,640	234,547	-
Commercial and industrial-owner occupied	1,355	3,619	1,440	6,414	1,415,663	1,422,077	-
Construction, acquisition and development	4,525	247	9,210	13,982	709,627	723,609	-
Commercial real estate	7,912	752	8,733	17,397	1,777,955	1,795,352	-
Credit cards	462	290	286	1,038	104,074	105,112	263
All other	1,600	223	455	2,278	564,799	567,077	23
Total	\$ 30,730	\$ 8,941	\$ 38,437	\$ 78,108	\$ 8,695,007	\$ 8,773,115	\$ 1,479

December 31, 2012							
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Outstanding	90+ Days Past Due still Accruing
(In thousands)							
Commercial and industrial	\$ 3,531	\$ 476	\$ 4,118	\$ 8,125	\$ 1,468,486	\$ 1,476,611	\$ 414
Real estate	11,308	3,643	13,821	28,772	1,845,103	1,873,875	512

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

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

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

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

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

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

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

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

The following tables provide details of the Company's loan and lease portfolio, net of unearned income, by segment, class and internally assigned grade at September 30, 2013 and December 31, 2012:

	September 30, 2013						
	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired	Total
	(In thousands)						
Commercial and industrial	\$ 1,461,578	\$ 7,774	\$ 31,596	\$ -	\$ -	\$ 2,861	\$ 1,503,809
Real estate							
Consumer mortgages	1,794,492	22,114	103,987	918	-	9,660	1,931,171
Home equity	471,418	2,569	15,069	-	-	1,305	490,361
Agricultural	210,065	3,044	17,816	-	-	3,622	234,547
Commercial and industrial-owner occupied	1,343,131	12,632	52,992	475	105	12,742	1,422,077
Construction, acquisition and development	637,448	8,450	53,498	1,027	-	23,186	723,609
Commercial real estate	1,668,562	17,266	83,226	412	-	25,886	1,795,352

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Credit cards	105,112	-	-	-	-	-	105,112
All other	548,402	4,497	13,695	-	-	483	567,077
Total	\$ 8,240,208	\$ 78,346	\$ 371,879	\$ 2,832	\$ 105	\$ 79,745	\$ 8,773,115

December 31, 2012

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

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

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The following tables provide details regarding impaired loans and leases, net of unearned income, by segment and class as of and for the three and nine months ended September 30, 2013 and as of and for the year ended December 31, 2012:

	September 30, 2013			Average Recorded Investment		Interest Income Recognized	
	Recorded Investment in Impaired Loans	Unpaid Principal Balance of Impaired Loans	Related Allowance for Credit Losses	Three months ended September 30, 2013	Nine months ended September 30, 2013	Three months ended September 30, 2013	Nine months ended September 30, 2013
(In thousands)							
With no related allowance:							
Commercial and industrial	\$ 2,861	\$ 3,244	\$ -	\$ 2,868	\$ 2,792	\$ 6	\$ -
Real estate:							
Consumer mortgages	7,917	10,698	-	9,779	10,041	20	48
Home equity	873	911	-	694	1,007	1	4
Agricultural	3,622	4,219	-	3,630	3,809	-	4
Commercial and industrial-owner occupied	9,714	12,173	-	7,514	8,306	23	60
Construction, acquisition and development	16,666	25,026	-	19,708	30,212	17	89
Commercial real estate	18,613	25,724	-	18,900	27,513	33	140
All other	483	776	-	489	786	2	6
Total	\$ 60,749	\$ 82,771	\$ -	\$ 63,582	\$ 84,466	\$ 102	\$ 300
With an allowance:							
Commercial and industrial	\$ -	\$ -	\$ 283	\$ 123	\$ 788	\$ -	\$ -
Real estate:							
Consumer mortgages	1,743	1,743	489	3,059	4,037	11	24
Home equity	432	432	23	337	593	-	2
Agricultural	-	-	-	39	439	-	2
Commercial and industrial-owner occupied	3,028	3,090	1,119	4,417	5,434	18	52
Construction, acquisition and development	6,520	6,666	1,637	5,087	8,692	9	63
	7,273	12,253	292	12,008	13,033	4	51

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Commercial real estate

All other

Total

-	-	-	-	-	-	-	-	-
\$ 18,996	\$ 24,184	\$ 3,843	\$ 25,070	\$ 33,016	\$ 42	\$		

Total:

Commercial and industrial

Real estate:

Consumer

mortgages

Home equity

Agricultural

Commercial and industrial-owner occupied

Construction, acquisition and development

Commercial real estate

All other

Total

\$ 2,861	\$ 3,244	\$ 283	\$ 2,991	\$ 3,580	\$ 6	\$		
9,660	12,441	489	12,838	14,078	31	72		
1,305	1,343	23	1,031	1,600	1	6		
3,622	4,219	-	3,669	4,248	-	6		
12,742	15,263	1,119	11,931	13,740	41	112		
23,186	31,692	1,637	24,795	38,904	26	152		
25,886	37,977	292	30,908	40,546	37	191		
483	776	-	489	786	2	6		
\$ 79,745	\$ 106,955	\$ 3,843	\$ 88,652	\$ 117,482	\$ 144	\$		

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

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Commercial and industrial						
Real estate:						
Consumer mortgages	15,107	19,378	1,103	22,085	165	
Home equity	1,380	1,524	111	1,427	11	
Agricultural	5,382	7,239	92	4,995	20	
Commercial and industrial-owner occupied	16,720	21,288	864	22,651	188	
Construction, acquisition and development	61,335	85,588	4,350	99,667	701	
Commercial real estate	50,413	62,431	2,720	36,777	403	
All other	1,546	2,167	60	1,172	12	
Total	\$ 156,728	\$ 206,072	\$ 10,541	\$ 196,921	\$ 1,550	

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

	September 30, 2013			Average Recorded Investment		Interest Income		Recognized	
	Recorded	Unpaid	Related	Three months	Nine months	Three months	Nine months	ended	ended
	Investment	Principal	Allowance	ended	ended	ended	ended	September	September
	in Impaired	Impaired	for Credit	September 30,	September 30,	September 30,	September 30,	30,	30,
	Loans	Loans	Losses	2013	2013	2013	2013	2013	2013
	(In thousands)								
With no related allowance:									
Multi-family construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
One-to-four family construction	2,638	4,147	-	3,916	5,675	6		25	
Recreation and all other loans	744	790	-	750	872	-		1	
Commercial construction	126	464	-	126	2,060	-		1	
Commercial acquisition and development	7,579	8,664	-	8,572	10,164	5		35	
Residential acquisition and development	5,579	10,961	-	6,344	11,441	6		27	
Total	\$ 16,666	\$ 25,026	\$ -	\$ 19,708	\$ 30,212	\$ 17		\$ 89	
With an allowance:									
Multi-family construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
One-to-four family	-	-	-	86	442	-		3	

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construction Recreation and all other loans	-	-	-	-	-	-	-	-	-
Commercial construction	1,461	1,461	629	476	672	3	11		
Commercial acquisition and development	2,539	2,620	244	1,636	1,607	2	10		
Residential acquisition and development	2,520	2,585	764	2,889	5,971	4	39		
Total	\$ 6,520	\$ 6,666	\$ 1,637	\$ 5,087	\$ 8,692	\$ 9	\$ 63		

Total: Multi-family construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
One-to-four family construction	2,638	4,147	-	4,002	6,117	6	28
Recreation and all other loans	744	790	-	750	872	-	1
Commercial construction	1,587	1,925	629	602	2,732	3	12
Commercial acquisition and development	10,118	11,284	244	10,208	11,771	7	45
Residential acquisition and development	8,099	13,546	764	9,233	17,412	10	66
Total	\$ 23,186	\$ 31,692	\$ 1,637	\$ 24,795	\$ 38,904	\$ 26	\$ 152

	December 31, 2012				
	Recorded	Unpaid	Related	Average	Interest
	Investment	Principal	Allowance	Recorded	Income
	in Impaired	Balance of	for Credit	Investment	Recognized
	Loans	Impaired	Losses		
	Loans	Loans			
(In thousands)					
With no related allowance:					
Multi-family construction	\$ -	\$ -	\$ -	\$ -	\$ -
One-to-four family construction	8,475	13,586	-	8,070	53
Recreation and all other loans	1,117	1,335	-	623	5
Commercial construction	5,714	6,646	-	3,585	51
Commercial acquisition and development	13,753	15,786	-	12,145	63
Residential acquisition and development	18,923	31,978	-	29,662	152
Total	\$ 47,982	\$ 69,331	\$ -	\$ 54,085	\$ 324
With an allowance:					
Multi-family construction	\$ -	\$ -	\$ -	\$ -	\$ -
One-to-four family construction	1,130	1,475	290	4,094	29
Recreation and all other loans	-	-	-	69	-
Commercial construction	-	-	-	1,255	15
Commercial acquisition and development	1,711	1,960	563	9,206	74
Residential acquisition and development	10,512	12,822	3,497	30,958	259
Total	\$ 13,353	\$ 16,257	\$ 4,350	\$ 45,582	\$ 377
Total:					
Multi-family construction	\$ -	\$ -	\$ -	\$ -	\$ -
One-to-four family construction	9,605	15,061	290	12,164	82
Recreation and all other loans	1,117	1,335	-	692	5
Commercial construction	5,714	6,646	-	4,840	66
Commercial acquisition and development	15,464	17,746	563	21,351	137
Residential acquisition and development	29,435	44,800	3,497	60,620	411
Total	\$ 61,335	\$ 85,588	\$ 4,350	\$ 99,667	\$ 701

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

agreement. The Company's recorded investment in loans considered impaired at September 30, 2013 and December 31, 2012 was \$79.7 million and \$156.7 million, respectively. At September 30, 2013 and December 31, 2012, \$19.0 million and \$41.0 million, respectively, of those impaired loans had a valuation allowance of \$3.8 million and \$10.5 million, respectively. The remaining balance of impaired loans of \$60.7 million and \$115.7 million at September 30, 2013 and December 31, 2012, respectively, were charged down to fair value, less estimated selling costs which approximated net realizable value. Therefore, such loans did not have an associated valuation allowance. Impaired loans that were characterized as troubled debt restructurings ("TDRs") totaled \$25.0 million and \$47.3 million at September 30, 2013 and December 31, 2012, respectively. The average

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recorded investment in impaired loans was \$88.7 million and \$117.5 million for the three months and nine months ended September 30, 2013, respectively, and \$196.9 million for the year ended December 31, 2012.

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

	September 30, 2013	2012	December 31, 2012
	(In thousands)		
Non-accrual loans and leases	\$ 121,353	\$ 219,738	\$ 207,241
Loans and leases 90 days or more past due, still accruing	1,479	1,442	1,210
Restructured loans and leases still accruing	21,502	26,147	25,099
Total non-performing loans and leases	\$ 144,334	\$ 247,327	\$ 233,550

The Bank’s policy for all loan classifications provides that loans and leases are generally placed in non-accrual status if, in management’s opinion, payment in full of principal or interest is not expected or payment of principal or interest is more than 90 days past due, unless such loan or lease is both well-secured and in the process of collection. At September 30, 2013, the Company’s geographic NPL distribution was concentrated primarily in its Alabama, Mississippi and Tennessee markets, including the greater Memphis, Tennessee area, a portion of which is in northwest Mississippi and Arkansas. The following table presents the Company’s nonaccrual loans and leases by segment and class as of the dates indicated:

	September 30, 2013	2012	December 31, 2012
	(In thousands)		
Commercial and industrial	\$ 5,498	\$ 8,674	\$ 9,311
Real estate			
Consumer mortgages	30,569	35,599	36,133
Home equity	3,287	3,471	3,497
Agricultural	4,086	7,190	7,587
Commercial and industrial-owner occupied	18,138	27,059	20,910
Construction, acquisition and development	26,127	92,351	66,635
Commercial real estate	31,468	40,514	57,656
Credit cards	196	465	415
All other	1,984	4,415	5,097

Total	\$ 121,353	\$ 219,738	\$ 207,241
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In the normal course of business, management will sometimes grant concessions, which would not otherwise be considered, to borrowers that are experiencing financial difficulty. Loans identified as meeting the criteria set out in FASB ASC 310 are identified as TDRs. The concessions granted most frequently for TDRs involve reductions or delays in required payments of principal and interest for a specified period, the rescheduling of payments in accordance with a bankruptcy plan or the charge-off of a portion of the loan. In most cases, the conditions of the credit also warrant nonaccrual status, even after the restructure occurs. Other conditions that warrant a loan being considered a TDR include reductions in interest rates to below market rates due to bankruptcy plans or by the bank in an attempt to assist the borrower in working through liquidity problems. As part of the credit approval process, the restructured loans are evaluated for adequate collateral protection in determining the appropriate accrual status at the time of restructure. TDRs recorded as nonaccrual loans may 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 third quarter of 2013, the most common

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

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

Three months ended September 30, 2013				
	Number	Pre-Modification	Post-Modification	
	of	Outstanding	Outstanding	
	Contracts	Recorded	Recorded	
		Investment	Investment	
(Dollars in thousands)				
Commercial and industrial	1	\$ 835	\$ 835	
Real estate				
Consumer mortgages	10	452	451	
Commercial and industrial-owner occupied	2	2,234	2,231	
Commercial real estate	3	1,406	1,403	
All other	3	1,112	1,112	
Total	19	\$ 6,039	\$ 6,032	

Nine months ended September 30, 2013				
	Number	Pre-Modification	Post-Modification	
	of	Outstanding	Outstanding	
	Contracts	Recorded	Recorded	
		Investment	Investment	
(Dollars in thousands)				
Commercial and industrial	3	\$ 919	\$ 919	
Real estate				
Consumer mortgages	16	1,233	1,231	
Home equity	1	15	-	
Commercial and industrial-owner occupied	7	3,361	3,358	
Construction, acquisition and development	12	2,568	2,546	
Commercial real estate	4	1,574	1,570	
All other	3	1,112	1,112	
Total	46	\$ 10,782	\$ 10,736	

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

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 September
30, 2013
Number of Recorded
Contracts Investment

(Dollars in thousands)

Real estate			
Consumer mortgages	2	\$	129
Commercial and industrial-owner occupied	2	464	
Construction, acquisition and development	1	351	
Total	5	\$	944

Nine months ended September 30,
2013
Number of Recorded
Contracts Investment

(Dollars in thousands)

Commercial and industrial	3	\$	129
Real estate			
Consumer mortgages	7	580	
Commercial and industrial-owner occupied	5	730	
Construction, acquisition and development	3	1,874	
Commercial real estate	3	3,534	
All other	1	1	
Total	22	\$	6,848

Year ended December 31, 2012

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

NOTE 3 – ALLOWANCE FOR CREDIT LOSSES

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

	Nine months ended September 30, 2013				Balance, End of Period
	Balance, Beginning of Period	Charge-offs	Recoveries	Provision	
	(In thousands)				
Commercial and industrial Real estate	\$ 23,286	\$ (3,835)	\$ 2,156	\$ (2,275)	\$ 19,332
Consumer mortgages	35,966	(7,724)	3,332	4,793	36,367
Home equity	6,005	(1,182)	510	327	5,660
Agricultural	3,301	(498)	181	(182)	2,802
Commercial and industrial-owner occupied	20,178	(2,814)	1,990	(1,640)	17,714
Construction, acquisition and development	21,905	(4,961)	2,199	(6,218)	12,925
Commercial real estate	40,081	(9,302)	4,194	9,815	44,788
Credit cards	3,611	(1,757)	496	1,232	3,582
All other	10,133	(1,791)	814	1,648	10,804
Total	\$ 164,466	\$ (33,864)	\$ 15,872	\$ 7,500	\$ 153,974

	Year ended December 31, 2012				Balance, End of Period
	Balance, Beginning of Period	Charge-offs	Recoveries	Provision	
	(In thousands)				
Commercial and industrial Real estate	\$ 20,724	\$ (12,362)	\$ 7,096	\$ 7,828	\$ 23,286
Consumer mortgages	36,529	(13,122)	1,836	10,723	35,966
Home equity	8,630	(2,721)	496	(400)	6,005
Agricultural	3,921	(1,240)	126	494	3,301
Commercial and industrial-owner occupied	21,929	(9,015)	2,696	4,568	20,178
Construction, acquisition and development	45,562	(33,085)	8,407	1,021	21,905
Commercial real estate	39,444	(12,728)	8,538	4,827	40,081
Credit cards	4,021	(2,221)	527	1,284	3,611
All other	14,358	(2,904)	1,024	(2,345)	10,133
Total	\$ 195,118	\$ (89,398)	\$ 30,746	\$ 28,000	\$ 164,466

Nine months ended
September 30, 2012

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	Balance, Beginning of Period (In thousands)	Charge-offs	Recoveries	Provision	Balance, End of Period
Commercial and industrial Real estate	\$ 20,724	\$ (10,188)	\$ 3,589	\$ 7,580	\$ 21,705
Consumer mortgages	36,529	(9,333)	1,017	3	28,216
Home equity	8,630	(1,657)	430	(1,482)	5,921
Agricultural	3,921	(784)	116	(599)	2,654
Commercial and industrial-owner occupied	21,929	(7,594)	2,135	2,849	19,319
Construction, acquisition and development	45,562	(27,799)	6,786	7,993	32,542
Commercial real estate	39,444	(8,702)	6,330	5,099	42,171
Credit cards	4,021	(1,690)	383	455	3,169
All other	14,358	(1,927)	789	102	13,322
Total	\$ 195,118	\$ (69,674)	\$ 21,575	\$ 22,000	\$ 169,019

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

	September 30, 2013			
	Recorded Balance of Impaired Loans	Allowance for Impaired Loans and Leases	Allowance for All Other Loans and Leases	Total Allowance
	(In thousands)			
Commercial and industrial Real estate	\$ 2,861	\$ 283	\$ 19,049	\$ 19,332
Consumer mortgages	9,660	489	35,878	36,367
Home equity	1,305	23	5,637	5,660
Agricultural	3,622	-	2,802	2,802
Commercial and industrial-owner occupied	12,742	1,119	16,595	17,714
Construction, acquisition and development	23,186	1,637	11,288	12,925
Commercial real estate	25,886	292	44,496	44,788
Credit cards	-	-	3,582	3,582
All other	483	-	10,804	10,804
Total	\$ 79,745	\$ 3,843	\$ 150,131	\$ 153,974

	December 31, 2012			
	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	\$ 4,845	\$ 1,241	\$ 22,045	\$ 23,286
Consumer mortgages	15,107	1,103	34,863	35,966
Home equity	1,380	111	5,894	6,005
Agricultural	5,382	92	3,209	3,301
Commercial and industrial-owner occupied	16,720	864	19,314	20,178
Construction, acquisition and development	61,335	4,350	17,555	21,905
Commercial real estate	50,413	2,720	37,361	40,081
Credit cards	-	-	3,611	3,611
All other	1,546	60	10,073	10,133
Total	\$ 156,728	\$ 10,541	\$ 153,925	\$ 164,466

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

NOTE 4 – OTHER REAL ESTATE OWNED

The following table presents the activity in OREO for the periods indicated:

	Nine months ended September 30, 2013		Year ended December 31, 2012
	(In thousands)		
Balance at beginning of period	\$ 103,248	\$ 173,805	\$ 173,805
Additions to foreclosed properties			
New foreclosed properties	21,397	23,938	32,389
Reductions in foreclosed properties			
Sales	(42,785)	(53,328)	(81,220)
Writedowns	(5,007)	(16,204)	(21,726)
Balance at end of period	\$ 76,853	\$ 128,211	\$ 103,248

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

	September 30, 2013								
	Alabama and Florida Panhandle	Arkansas*	Mississippi*	Missouri	Greater Memphis Area	Tennessee*	Texas and Louisiana	Other	
	(In thousands)								
Commercial and industrial Real estate	\$ 251	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer mortgages	1,886	634	1,876	-	543	186	60	108	
Home equity	442	58	-	-	-	175	-	-	
Agricultural	907	-	216	-	1,153	1,835	-	-	
Commercial and industrial-owner occupied	246	112	1,118	-	348	-	105	-	
Construction, acquisition and development	15,820	741	11,749	400	24,941	7,680	57	242	
	352	316	569	-	980	150	140	-	

Commercial real
estate

All other	-	58	132	98	28	14	94	33
Total	\$ 19,904	\$ 1,919	\$ 15,660	\$ 498	\$ 27,993	\$ 10,040	\$ 456	\$ 383

* Excludes the Greater Memphis Area.

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	December 31, 2012								
	Alabama and Florida Panhandle (In thousands)	Arkansas*	Mississippi*	Missouri	Greater Memphis Area	Tennessee*	Texas and Louisiana	Other	
Commercial and industrial Real estate	\$ 395	\$ -	\$ 106	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer mortgages	1,714	173	2,220	-	961	624	760	3,665	
Home equity	-	-	-	-	-	-	-	-	
Agricultural	856	-	99	-	1,089	2,169	212	-	
Commercial and industrial-owner occupied	155	146	1,602	-	2,630	66	146	-	
Construction, acquisition and development	13,610	1,430	15,659	734	35,717	9,535	1,844	448	
Commercial real estate	478	1,420	3	263	819	76	176	-	
All other	46	16	227	92	734	12	89	32	
Total	\$ 17,254	\$ 3,185	\$ 19,916	\$ 1,089	\$ 41,950	\$ 12,482	\$ 3,227	\$ 4,144	

* Excludes the Greater Memphis Area.

	September 30, 2012								
	Alabama and Florida Panhandle (In thousands)	Arkansas*	Mississippi*	Missouri	Greater Memphis Area	Tennessee*	Texas and Louisiana	Other	
Commercial and industrial Real estate	\$ 411	\$ 94	\$ 105	\$ -	\$ 797	\$ -	\$ -	\$ -	\$ -
Consumer mortgages	2,621	251	2,645	71	1,350	634	290	4,084	
Home equity	-	-	216	-	-	-	-	-	
Agricultural	876	-	-	-	1,130	2,303	-	-	
Commercial and industrial-owner occupied	533	69	1,510	-	375	50	146	-	
Construction, acquisition and development	16,953	1,647	15,800	880	41,732	13,929	2,163	523	
Commercial real estate	826	1,548	2,219	362	7,014	245	226	-	
All other	46	16	224	113	1,152	-	-	32	
Total	\$ 22,266	\$ 3,625	\$ 22,719	\$ 1,426	\$ 53,550	\$ 17,161	\$ 2,825	\$ 4,640	

* Excludes the Greater Memphis Area.

The Company incurred total foreclosed property expenses of \$3.3 million and \$8.8 million for the three months ended September 30, 2013 and 2012, respectively. Realized net losses on dispositions and holding losses on valuations of these properties, a component of total foreclosed property expenses, were \$2.1 million and \$7.0 million for the three months ended September 30, 2013 and 2012, respectively. The Company incurred total foreclosed property expenses of \$8.9 million and \$27.4 million for the nine months ended September 30, 2013 and 2012, respectively. Realized net losses on dispositions and holding losses on valuations of these properties, a component of total foreclosed property expenses, were \$5.3 million and \$20.4 million for the nine months ended September 30, 2013 and 2012, respectively.

NOTE 5 – SECURITIES

A comparison of amortized cost and estimated fair values of available-for-sale securities as of September 30, 2013 and December 31, 2012 follows:

September 30, 2013

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
U.S. Government agencies	\$ 1,512,554	\$ 11,921	\$ 5,016	\$ 1,519,459
Government agency issued residential mortgage-backed securities	265,163	4,673	1,469	268,367
Government agency issued commercial mortgage-backed securities	238,489	2,026	11,103	229,412
Obligations of states and political subdivisions	516,784	14,749	2,644	528,889
Other	6,935	1,094	-	8,029
Total	\$ 2,539,925	\$ 34,463	\$ 20,232	\$ 2,554,156

December 31, 2012

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
U.S. Government agencies	\$ 1,380,979	\$ 21,081	\$ 64	\$ 1,401,996
Government agency issued residential mortgage-backed securities	358,677			