

BANCORPSOUTH INC  
Form 10-Q  
November 07, 2016  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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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 September 30, 2016

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 October 31, 2016, the registrant had outstanding 93,652,099 shares of common stock, par value \$2.50 per share.

BANCORPSOUTH, INC.

## TABLE OF CONTENTS

|   |      |
|---|------|
| PART I. Financial Information   | Page |
| ITEM 1. Financial Statements  |      |
| Consolidated Balance Sheets   | 3    |
| September 30, 2016 and 2015 (Unaudited) and December 31, 2015                                 |      |
| Consolidated Statements of Income (Unaudited)   |      |
| Three Months and Nine months ended September 30, 2016 and 2015                                | 4    |
| Consolidated Statements of Comprehensive Income (Unaudited)                                   |      |
| Three Months and Nine months ended September 30, 2016 and 2015                                | 5    |
| Consolidated Statements of Cash Flows (Unaudited)   |      |
| Nine months ended September 30, 2016 and 2015   | 6    |
| Notes to Consolidated Financial Statements (Unaudited)  | 8    |
| ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations | 43   |
| ITEM 3. Quantitative and Qualitative Disclosures About Market Risk                            | 79   |
| ITEM 4. Controls and Procedures   | 79   |
| PART II. Other Information  |      |
| ITEM 1. Legal Proceedings   | 79   |
| ITEM Risk Factors   | 81   |
| 1A.   |      |
| ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds                           | 81   |
| ITEM 5. Other Information   | 81   |
| ITEM 6. Exhibits  | 82   |



## PART I.

## FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS.

## BANCORPSOUTH, INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

|  | September 30,<br>2016<br>(Unaudited) | December 31,<br>2015<br>(1) | September 30,<br>2015<br>(Unaudited) |
|--|--------------------------------------|-----------------------------|--------------------------------------|
| (Dollars in thousands, except per share amounts)                               |                                      |                             |                                      |
| <b>ASSETS</b>  |                                      |                             |                                      |
| Cash and due from banks  | \$ 172,782                           | \$ 154,192                  | \$ 159,923                           |
| Interest bearing deposits with other banks                                     | 151,944                              | 43,777                      | 113,068                              |
| Available-for-sale securities, at fair value                                   | 2,468,199                            | 2,082,329                   | 2,161,125                            |
| Loans and leases   | 10,685,166                           | 10,404,326                  | 10,254,013                           |
| Less: Unearned income  | 26,405                               | 31,548                      | 34,437                               |
| Allowance for credit losses  | 125,887                              | 126,458                     | 133,009                              |
| Net loans and leases   | 10,532,874                           | 10,246,320                  | 10,086,567                           |
| Loans held for sale, at fair value   | 204,441                              | 157,907                     | 170,175                              |
| Premises and equipment, net  | 305,245                              | 308,125                     | 304,317                              |
| Accrued interest receivable  | 41,583                               | 40,901                      | 41,599                               |
| Goodwill   | 294,901                              | 291,498                     | 291,498                              |
| Other identifiable intangibles   | 19,908                               | 20,545                      | 21,466                               |
| Bank-owned life insurance  | 257,015                              | 251,534                     | 249,825                              |
| Other real estate owned  | 11,391                               | 14,759                      | 23,696                               |
| Other assets   | 151,200                              | 186,775                     | 164,165                              |
| <b>TOTAL ASSETS</b>  | <b>\$ 14,611,483</b>                 | <b>\$ 13,798,662</b>        | <b>\$ 13,787,424</b>                 |
| <b>LIABILITIES</b>   |                                      |                             |                                      |
| Deposits:  |                                      |                             |                                      |
| Demand: Noninterest bearing  | \$ 3,308,361                         | \$ 3,031,528                | \$ 3,053,439                         |
| Interest bearing   | 4,877,482                            | 5,003,806                   | 4,794,656                            |
| Savings  | 1,533,401                            | 1,442,336                   | 1,409,856                            |
| Other time   | 1,870,815                            | 1,853,491                   | 1,883,995                            |
| Total deposits   | 11,590,059                           | 11,331,161                  | 11,141,946                           |
| Federal funds purchased and securities<br>sold under agreement to repurchase   | 468,969                              | 405,937                     | 425,203                              |
| Short-term Federal Home Loan Bank borrowings<br>and other short-term borrowing | -                                    | 62,000                      | 224,500                              |
| Accrued interest payable   | 4,107                                | 3,071                       | 3,353                                |
| Junior subordinated debt securities  | 23,198                               | 23,198                      | 23,198                               |
| Long-term debt   | 563,495                              | 69,775                      | 71,868                               |

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|  |                      |                      |                      |
|--|----------------------|----------------------|----------------------|
| Other liabilities                                    | 237,551              | 248,076              | 252,536              |
| <b>TOTAL LIABILITIES</b>                             | <b>12,887,379</b>    | <b>12,143,218</b>    | <b>12,142,604</b>    |
| <b>SHAREHOLDERS' EQUITY</b>                          |                      |                      |                      |
| Common stock, \$2.50 par value per share             |                      |                      |                      |
| Authorized - 500,000,000 shares; Issued - 94,074,740 |                      |                      |                      |
| 94,162,728 and 93,969,994 shares, respectively       | 235,187              | 235,407              | 234,925              |
| Capital surplus                                      | 278,973              | 282,934              | 278,998              |
| Accumulated other comprehensive loss                 | (33,549)             | (41,825)             | (36,355)             |
| Retained earnings                                    | 1,243,493            | 1,178,928            | 1,167,252            |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                    | <b>1,724,104</b>     | <b>1,655,444</b>     | <b>1,644,820</b>     |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>    | <b>\$ 14,611,483</b> | <b>\$ 13,798,662</b> | <b>\$ 13,787,424</b> |

(1) Derived from audited consolidated financial statements.

See accompanying notes to consolidated financial statements.

## BANCORPSOUTH, INC. AND SUBSIDIARIES

## Consolidated Statements of Income

(Unaudited)

|  | Three months ended |            | Nine months ended |            |
|--|--------------------|------------|-------------------|------------|
|  | September 30,      |            | September 30,     |            |
|  | 2016               | 2015       | 2016              | 2015       |
| (In thousands, except for per share amounts)                                 |                    |            |                   |            |
| <b>INTEREST REVENUE:</b>   |                    |            |                   |            |
| Loans and leases   | \$ 111,605         | \$ 107,086 | \$ 328,488        | \$ 312,649 |
| Deposits with other banks  | 409                | 36         | 901               | 398        |
| Available-for-sale securities:   |                    |            |                   |            |
| Taxable  | 6,189              | 6,490      | 18,086            | 19,758     |
| Tax-exempt   | 2,898              | 3,226      | 8,854             | 9,938      |
| Loans held for sale  | 1,239              | 1,363      | 3,406             | 3,585      |
| Total interest revenue   | 122,340            | 118,201    | 359,735           | 346,328    |
| <b>INTEREST EXPENSE:</b>   |                    |            |                   |            |
| Deposits:  |                    |            |                   |            |
| Interest bearing demand  | 2,361              | 2,209      | 6,732             | 6,654      |
| Savings  | 462                | 431        | 1,356             | 1,269      |
| Other time   | 3,661              | 3,646      | 10,451            | 11,481     |
| Federal funds purchased and securities sold<br>under agreement to repurchase | 173                | 104        | 472               | 271        |
| Long-term debt   | 902                | 571        | 2,097             | 1,704      |
| Junior subordinated debt   | 190                | 168        | 560               | 496        |
| Other  | 1                  | 2          | 2                 | 1          |
| Total interest expense   | 7,750              | 7,131      | 21,670            | 21,876     |
| Net interest revenue   | 114,590            | 111,070    | 338,065           | 324,452    |
| Provision for credit losses  | -                  | (3,000)    | 3,000             | (13,000)   |
| Net interest revenue, after provision for<br>credit losses                   | 114,590            | 114,070    | 335,065           | 337,452    |
| <b>NONINTEREST REVENUE:</b>  |                    |            |                   |            |
| Mortgage banking   | 12,282             | 2,339      | 23,943            | 25,008     |
| Credit card, debit card and merchant fees                                    | 9,292              | 9,282      | 27,748            | 27,119     |
| Deposit service charges  | 11,313             | 12,150     | 33,345            | 34,929     |
| Security gains, net  | 1                  | 33         | 89                | 88         |
| Insurance commissions  | 28,194             | 28,584     | 90,246            | 91,396     |
| Wealth management  | 5,312              | 5,567      | 15,768            | 17,285     |
| Other  | 4,474              | 4,998      | 14,927            | 14,757     |
| Total noninterest revenue  | 70,868             | 62,953     | 206,066           | 210,582    |
| <b>NONINTEREST EXPENSE:</b>  |                    |            |                   |            |
| Salaries and employee benefits   | 82,079             | 81,354     | 246,378           | 242,292    |
| Occupancy, net of rental income  | 10,412             | 10,819     | 30,794            | 31,432     |

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|                                     |           |           |           |            |
|-------------------------------------|-----------|-----------|-----------|------------|
| Equipment                           | 3,423     | 3,742     | 10,483    | 11,740     |
| Deposit insurance assessments       | 3,227     | 2,191     | 8,097     | 6,879      |
| Regulatory settlement               | -         | -         | 10,277    | -          |
| Other                               | 30,371    | 28,344    | 94,501    | 99,217     |
| Total noninterest expense           | 129,512   | 126,450   | 400,530   | 391,560    |
| Income before income taxes          | 55,946    | 50,573    | 140,601   | 156,474    |
| Income tax expense                  | 18,129    | 16,230    | 45,543    | 50,152     |
| Net income                          | \$ 37,817 | \$ 34,343 | \$ 95,058 | \$ 106,322 |
| Earnings per share: Basic           | \$ 0.40   | \$ 0.36   | \$ 1.01   | \$ 1.10    |
| Diluted                             | \$ 0.40   | \$ 0.36   | \$ 1.00   | \$ 1.10    |
| Dividends declared per common share | \$ 0.13   | \$ 0.10   | \$ 0.33   | \$ 0.25    |

See accompanying notes to consolidated financial statements.



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

|   | Three months ended<br>September 30, |           | Nine months ended<br>September 30, |            |
|---|-------------------------------------|-----------|------------------------------------|------------|
|   | 2016                                | 2015      | 2016                               | 2015       |
|   | (In thousands)                      |           |                                    |            |
| Net income                                    | \$ 37,817                           | \$ 34,343 | \$ 95,058                          | \$ 106,322 |
| Other comprehensive (loss) income, net of tax |                                     |           |                                    |            |
| Unrealized (losses) gains on securities       | (6,895)                             | 3,823     | 5,477                              | 4,001      |
| Pension and other postretirement benefits     | 933                                 | 1,110     | 2,799                              | 3,330      |
| Other comprehensive (loss) income, net of tax | (5,962)                             | 4,933     | 8,276                              | 7,331      |
| Comprehensive income                          | \$ 31,855                           | \$ 39,276 | \$ 103,334                         | \$ 113,653 |

See accompanying notes to consolidated financial statements.

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

|  | Nine months ended<br>September 30, |             |
|--|------------------------------------|-------------|
|  | 2016                               | 2015        |
|  | (In thousands)                     |             |
| Operating Activities:  |                                    |             |
| Net income   | \$ 95,058                          | \$ 106,322  |
| Adjustment to reconcile net income to net cash provided by operating activities: |                                    |             |
| Provision for credit losses  | 3,000                              | (13,000)    |
| Depreciation and amortization  | 19,023                             | 19,914      |
| Amortization of intangibles  | 2,672                              | 3,042       |
| Amortization of debt securities premium and discount, net                        | 7,751                              | 9,461       |
| Share-based compensation expense   | 6,856                              | 5,749       |
| Security gains, net  | (89)                               | (88)        |
| Net deferred loan origination expense  | (5,059)                            | (5,073)     |
| Excess tax benefit from exercise of stock options                                | (1,247)                            | (867)       |
| (Increase) decrease in interest receivable                                       | (682)                              | 386         |
| Increase (decrease) in interest payable  | 1,036                              | (47)        |
| Realized gain on mortgages sold, net   | (40,209)                           | (34,965)    |
| Proceeds from mortgages sold   | 1,249,605                          | 1,134,164   |
| Origination of mortgages held for sale   | (1,256,131)                        | (1,130,433) |
| Loss on other real estate owned, net   | 2,254                              | 2,956       |
| Increase in bank-owned life insurance  | (5,481)                            | (5,491)     |
| Other, net   | 15,465                             | 14,532      |
| Net cash provided by operating activities  | 93,822                             | 106,562     |
| Investing activities:  |                                    |             |
| Proceeds from calls and maturities of available-for-sale securities              | 315,221                            | 276,707     |
| Proceeds from sales of available-for-sale securities                             | 15                                 | 1,110       |
| Purchases of available-for-sale securities                                       | (690,820)                          | (294,853)   |
| Net increase in loans and leases   | (293,761)                          | (503,869)   |
| Purchases of premises and equipment  | (17,637)                           | (20,125)    |
| Proceeds from sale of premises and equipment                                     | 1,362                              | 549         |
| Purchase of bank-owned life insurance, net of proceeds from death benefits       | -                                  | 2,742       |
| Acquisition of Insurance agency  | (3,716)                            | -           |
| Proceeds from sale of other real estate owned                                    | 10,352                             | 13,033      |
| Other, net   | (87)                               | (12)        |
| Net cash used in investing activities  | (679,071)                          | (524,718)   |
| Financing activities:  |                                    |             |
| Net increase in deposits   | 258,898                            | 169,607     |
| Net increase in short-term debt and other liabilities                            | 1,023                              | 258,024     |
| Advances of long-term debt   | 500,000                            | -           |
| Repayment of long-term debt  | (6,280)                            | (6,280)     |

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|   |            |            |
|---|------------|------------|
| Issuance of common stock                          | 1,879      | 6,071      |
| Repurchase of common stock                        | (14,162)   | (70,439)   |
| Excess tax benefit from exercise of stock options | 1,247      | 867        |
| Payment of cash dividends                         | (30,599)   | (23,953)   |
| Net cash provided by financing activities         | 712,006    | 333,897    |
| Increase (decrease) in cash and cash equivalents  | 126,757    | (84,259)   |
| Cash and cash equivalents at beginning of period  | 197,969    | 357,250    |
| Cash and cash equivalents at end of period        | \$ 324,726 | \$ 272,991 |

6

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

|  | Nine months ended<br>September 30, |           |
|--|------------------------------------|-----------|
|  | 2016                               | 2015      |
|  | (In thousands)                     |           |
| Supplemental Cash Flow Information                           |                                    |           |
| Cash paid during the period for:                             |                                    |           |
| Income tax payments, net                                     | \$ 36,897                          | \$ 58,298 |
| Interest paid  | 20,634                             | 21,923    |
| Non-cash Activities  |                                    |           |
| Transfers of loans to other real estate owned                | 9,266                              | 5,868     |
| MSR fair value adjustment                                    | (10,233)                           | (4,026)   |
| Financed sales of other real estate owned                    | 673                                | 1,178     |
| Transfers of loans held for sale to loan portfolio           | -                                  | 75        |
| See accompanying notes to consolidated financial statements. |                                    |           |

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, 2015. 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, 2016 are not necessarily indicative of the results to be expected for the full year. Certain 2015 amounts have been reclassified to conform with the 2016 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. 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:

|                       |      |                      |
|-----------------------|------|----------------------|
| September 30,<br>2016 | 2015 | December 31,<br>2015 |
|-----------------------|------|----------------------|

(In thousands)

|   |               |               |               |
|---|---------------|---------------|---------------|
| Commercial and industrial                 | \$ 1,619,668  | \$ 1,715,293  | \$ 1,752,273  |
| Real estate                               |               |               |               |
| Consumer mortgages                        | 2,611,387     | 2,447,132     | 2,472,202     |
| Home equity                               | 622,566       | 573,566       | 589,752       |
| Agricultural                              | 242,171       | 252,381       | 259,360       |
| Commercial and industrial-owner occupied  | 1,668,477     | 1,605,811     | 1,617,429     |
| Construction, acquisition and development | 1,121,386     | 900,875       | 945,045       |
| Commercial real estate                    | 2,240,717     | 2,141,398     | 2,188,048     |
| Credit cards                              | 107,447       | 109,576       | 112,165       |
| All other                                 | 451,347       | 507,981       | 468,052       |
| Gross loans and leases (1)                | 10,685,166    | 10,254,013    | 10,404,326    |
| Less: Unearned income                     | 26,405        | 34,437        | 31,548        |
| Net loans and leases                      | \$ 10,658,761 | \$ 10,219,576 | \$ 10,372,778 |

(1) Gross loans and leases are net of deferred fees and costs of \$2.2 million, approximately (\$232,000) and (\$214,000) at September 30, 2016 and 2015 and December 31, 2015, respectively.

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The following table shows the Company's loans and leases, net of unearned income, as of September 30, 2016 by segment, class and geographical location:

|   | Alabama<br>and Florida<br>Panhandle<br>(In thousands) | Arkansas     | Louisiana    | Mississippi  | Missouri   | Tennessee    | Texas   |
|---|---|--------------|--------------|--------------|------------|--------------|---------|
| Commercial and industrial                 | \$ 135,467  | \$ 205,833   | \$ 184,819   | \$ 639,204   | \$ 78,950  | \$ 116,203   | \$      |
| Real estate                               |   |              |              |              |            |              |         |
| Consumer mortgages                        | 335,856   | 325,793      | 226,092      | 831,986      | 84,046     | 294,218      | 484,000 |
| Home equity                               | 96,539  | 43,963       | 69,255       | 227,952      | 23,328     | 144,835      | 14,000  |
| Agricultural                              | 7,734   | 81,798       | 27,160       | 67,213       | 5,032      | 12,864       | 40,000  |
| Commercial and industrial-owner occupied  | 195,572   | 178,681      | 200,406      | 662,735      | 49,901     | 140,843      | 240,000 |
| Construction, acquisition and development | 127,828   | 101,148      | 58,844       | 353,188      | 24,535     | 163,247      | 292,000 |
| Commercial real estate                    | 284,543   | 356,121      | 223,016      | 608,483      | 199,928    | 196,105      | 372,000 |
| Credit cards                              | -   | -            | -            | -            | -          | -            | -       |
| All other                                 | 70,487  | 45,925       | 28,675       | 174,356      | 3,562      | 30,749       | 55,000  |
| Total                                     | \$ 1,254,026  | \$ 1,339,262 | \$ 1,018,267 | \$ 3,565,117 | \$ 469,282 | \$ 1,099,064 | \$      |

There are no other loan and lease concentrations which exceed 10% of total loans and leases not already 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. 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 were 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 September 30, 2016 and December 31, 2015:





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September 30, 2016

|  | 30-59 Days<br>Past Due | 60-89 Days<br>Past Due | 90+ Days<br>Past Due | Total<br>Past Due | Current       | Total<br>Outstanding | 90+ Days<br>Past Due still<br>Accruing |
|--|------------------------|------------------------|----------------------|-------------------|---------------|----------------------|--|
| (In thousands)   |                        |                        |                      |                   |               |                      |  |
| Commercial and industrial Real estate Consumer mortgages | \$ 7,068               | \$ 1,840               | \$ 7,579             | \$ 16,487         | \$ 1,599,665  | \$ 1,616,152         | \$ 68                                  |
| Home equity  | 12,961                 | 6,346                  | 12,563               | 31,870            | 2,579,517     | 2,611,387            | 1,660                                  |
| Agricultural   | 2,969                  | 1,055                  | 2,802                | 6,826             | 615,740       | 622,566              | -                                      |
| Commercial and industrial-owner occupied                 | 567                    | 86                     | 305                  | 958               | 241,213       | 242,171              | -                                      |
| Construction, acquisition and development                | 2,265                  | 40                     | 5,290                | 7,595             | 1,660,882     | 1,668,477            | -                                      |
| Commercial real estate                                   | 878                    | 434                    | 736                  | 2,048             | 1,119,338     | 1,121,386            | -                                      |
| Credit cards   | 16,230                 | 350                    | 1,478                | 18,058            | 2,222,659     | 2,240,717            | -                                      |
| All other  | 495                    | 305                    | 540                  | 1,340             | 106,107       | 107,447              | 520                                    |
| Total  | 800                    | 299                    | 46                   | 1,145             | 427,313       | 428,458              | 7                                      |
|  | \$ 44,233              | \$ 10,755              | \$ 31,339            | \$ 86,327         | \$ 10,572,434 | \$ 10,658,761        | \$ 2,255                               |

December 31, 2015

|  | 30-59 Days<br>Past Due | 60-89 Days<br>Past Due | 90+ Days<br>Past Due | Total<br>Past Due | Current      | Total<br>Outstanding | 90+ Days<br>Past Due still<br>Accruing |
|--|------------------------|------------------------|----------------------|-------------------|--------------|----------------------|--|
| (In thousands)   |                        |                        |                      |                   |              |                      |  |
| Commercial and industrial Real estate Consumer mortgages | \$ 2,038               | \$ 817                 | \$ 4,731             | \$ 7,586          | \$ 1,740,188 | \$ 1,747,774         | \$ 60                                  |
| Home equity  | 13,827                 | 4,692                  | 13,604               | 32,123            | 2,440,079    | 2,472,202            | 1,655                                  |
| Agricultural   | 2,589                  | 268                    | 1,896                | 4,753             | 584,999      | 589,752              | -                                      |
| Commercial and industrial-owner occupied                 | 176                    | 139                    | -                    | 315               | 259,045      | 259,360              | -                                      |
| Construction, acquisition and development                | 1,189                  | 3,105                  | 4,034                | 8,328             | 1,609,101    | 1,617,429            | -                                      |
| Commercial real estate                                   | 1,017                  | 207                    | 2,409                | 3,633             | 941,412      | 945,045              | -                                      |
|  | 2,840                  | 187                    | 6,286                | 9,313             | 2,178,735    | 2,188,048            | -                                      |

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|              |           |           |           |           |               |               |          |
|--------------|-----------|-----------|-----------|-----------|---------------|---------------|----------|
| Credit cards | 420       | 343       | 323       | 1,086     | 111,079       | 112,165       | 298      |
| All other    | 628       | 262       | 105       | 995       | 440,008       | 441,003       | -        |
| Total        | \$ 24,724 | \$ 10,020 | \$ 33,388 | \$ 68,132 | \$ 10,304,646 | \$ 10,372,778 | \$ 2,013 |

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.

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Substandard: Loans where well-defined weaknesses exist that require corrective action to prevent further deterioration. Loans are further characterized by the possibility that the Company will sustain some loss if the deficiencies are not corrected.

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, 2016 and December 31, 2015:

|   | September 30, 2016 |                    |             |          |      |              | Total         |
|---|--------------------|--------------------|-------------|----------|------|--------------|---------------|
|   | Pass               | Special<br>Mention | Substandard | Doubtful | Loss | Impaired (1) |               |
|   | (In thousands)     |                    |             |          |      |              |               |
| Commercial and industrial                 | \$ 1,567,073       | \$ -               | \$ 42,117   | \$ 774   | \$ - | \$ 6,188     | \$ 1,616,152  |
| Real estate                               |                    |                    |             |          |      |              |               |
| Consumer mortgages                        | 2,549,780          | 528                | 59,727      | 89       | -    | 1,263        | 2,611,387     |
| Home equity                               | 610,313            | -                  | 10,766      | -        | -    | 1,487        | 622,566       |
| Agricultural                              | 230,891            | -                  | 10,639      | -        | -    | 641          | 242,171       |
| Commercial and industrial-owner occupied  | 1,619,545          | 512                | 39,135      | -        | -    | 9,285        | 1,668,477     |
| Construction, acquisition and development | 1,103,739          | -                  | 11,308      | -        | -    | 6,339        | 1,121,386     |
| Commercial real estate                    | 2,188,170          | -                  | 38,637      | -        | -    | 13,910       | 2,240,717     |
| Credit cards                              | 107,447            | -                  | -           | -        | -    | -            | 107,447       |
| All other                                 | 420,838            | -                  | 7,620       | -        | -    | -            | 428,458       |
| Total                                     | \$ 10,397,796      | \$ 1,040           | \$ 219,949  | \$ 863   | \$ - | \$ 39,113    | \$ 10,658,761 |

(1) Impaired loans are shown exclusive of accruing troubled debt restructurings (“TDRs”) and \$2.2 million of non-accruing TDRs.

11

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|   | December 31, 2015 |                    |             |          |      |              |               |
|---|-------------------|--------------------|-------------|----------|------|--------------|---------------|
|   | Pass              | Special<br>Mention | Substandard | Doubtful | Loss | Impaired (1) | Total         |
|   | (In thousands)    |                    |             |          |      |              |               |
| Commercial and industrial                 | \$ 1,721,118      | \$ -               | \$ 19,529   | \$ -     | \$ - | \$ 7,127     | \$ 1,747,774  |
| Real estate                               |                   |                    |             |          |      |              |               |
| Consumer mortgages                        | 2,399,081         | -                  | 68,768      | 363      | -    | 3,990        | 2,472,202     |
| Home equity                               | 577,539           | -                  | 10,418      | -        | -    | 1,795        | 589,752       |
| Agricultural                              | 250,579           | -                  | 7,909       | -        | -    | 872          | 259,360       |
| Commercial and industrial-owner occupied  | 1,554,984         | -                  | 50,304      | -        | -    | 12,141       | 1,617,429     |
| Construction, acquisition and development | 920,372           | -                  | 17,090      | -        | -    | 7,583        | 945,045       |
| Commercial real estate                    | 2,124,448         | -                  | 45,658      | 161      | -    | 17,781       | 2,188,048     |
| Credit cards                              | 112,165           | -                  | -           | -        | -    | -            | 112,165       |
| All other                                 | 433,333           | -                  | 7,465       | 102      | -    | 103          | 441,003       |
| Total                                     | \$ 10,093,619     | \$ -               | \$ 227,141  | \$ 626   | \$ - | \$ 51,392    | \$ 10,372,778 |

(1) Impaired loans are shown exclusive of accruing TDRs and \$2.6 million of non-accruing TDRs.

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The following tables provide details regarding impaired loans and leases, net of unearned income, which exclude accruing TDRs by segment and class as of and for the three months and nine months ended September 30, 2016 and as of and for the year ended December 31, 2015:

|   | September 30, 2016  |  |                                     | Average Recorded Investment           |                                      | Interest Income Recognized            |                                      |
|---|---|--|-------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
|   | Recorded Investment in Impaired Loans (1)<br>(In thousands) | Unpaid Principal Balance of Impaired Loans | Related Allowance for Credit Losses | Three months ended September 30, 2016 | Nine months ended September 30, 2016 | Three months ended September 30, 2016 | Nine months ended September 30, 2016 |
| With no related allowance:                |   |  |                                     |                                       |                                      |                                       |                                      |
| Commercial and industrial                 | \$ 6,131  | \$ 12,419                                  | \$ -                                | \$ 6,038                              | \$ 6,500                             | \$ 3                                  | \$ -                                 |
| Real estate:                              |   |  |                                     |                                       |                                      |                                       |                                      |
| Consumer mortgages                        | 225   | 604  | -                                   | 719                                   | 2,079                                | 1                                     | 22                                   |
| Home equity                               | 271   | 386  | -                                   | 1,090                                 | 1,414                                | 3                                     | 8                                    |
| Agricultural                              | 641   | 699  | -                                   | 372                                   | 318                                  | -                                     | 4                                    |
| Commercial and industrial-owner occupied  | 9,285   | 10,484                                     | -                                   | 10,334                                | 10,719                               | 86                                    | 290                                  |
| Construction, acquisition and development | 5,194   | 5,194                                      | -                                   | 5,227                                 | 5,474                                | -                                     | 4                                    |
| Commercial real estate                    | 4,186   | 4,430                                      | -                                   | 3,816                                 | 4,891                                | 17                                    | 87                                   |
| All other                                 | -   | -  | -                                   | -                                     | -                                    | -                                     | -                                    |
| Total                                     | \$ 25,933   | \$ 34,216                                  | \$ -                                | \$ 27,596                             | \$ 31,395                            | \$ 110                                | \$ 44                                |
| With an allowance:                        |   |  |                                     |                                       |                                      |                                       |                                      |
| Commercial and industrial                 | \$ 57   | \$ 57                                      | \$ 66                               | \$ 209                                | \$ 885                               | \$ 1                                  | \$ 2                                 |
| Real estate:                              |   |  |                                     |                                       |                                      |                                       |                                      |
| Consumer mortgages                        | 1,038   | 1,038                                      | 305                                 | 338                                   | 345                                  | -                                     | -                                    |
| Home equity                               | 1,216   | 1,216                                      | 732                                 | 396                                   | 220                                  | -                                     | 1                                    |
| Agricultural                              | -   | -  | -                                   | 341                                   | 471                                  | -                                     | -                                    |
| Commercial and industrial-owner occupied  | -   | -  | -                                   | -                                     | 989                                  | -                                     | -                                    |
| Construction, acquisition and development | 1,145   | 1,145                                      | 48                                  | 451                                   | 607                                  | -                                     | -                                    |

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|   |           |           |          |           |           |        |      |
|---|-----------|-----------|----------|-----------|-----------|--------|------|
| Commercial real estate                    | 9,724     | 9,724     | 2,560    | 9,787     | 9,926     | 92     | 193  |
| All other                                 | -         | -         | -        | -         | -         | -      | -    |
| Total                                     | \$ 13,180 | \$ 13,180 | \$ 3,711 | \$ 11,522 | \$ 13,443 | \$ 93  | \$ 2 |
| Total:                                    |           |           |          |           |           |        |      |
| Commercial and industrial                 | \$ 6,188  | \$ 12,476 | \$ 66    | \$ 6,247  | \$ 7,385  | \$ 4   | \$ 7 |
| Real estate:                              |           |           |          |           |           |        |      |
| Consumer mortgages                        | 1,263     | 1,642     | 305      | 1,057     | 2,424     | 1      | 22   |
| Home equity                               | 1,487     | 1,602     | 732      | 1,486     | 1,634     | 3      | 9    |
| Agricultural                              | 641       | 699       | -        | 713       | 789       | -      | 4    |
| Commercial and industrial-owner occupied  | 9,285     | 10,484    | -        | 10,334    | 11,708    | 86     | 290  |
| Construction, acquisition and development | 6,339     | 6,339     | 48       | 5,678     | 6,081     | -      | 4    |
| Commercial real estate                    | 13,910    | 14,154    | 2,560    | 13,603    | 14,817    | 109    | 280  |
| All other                                 | -         | -         | -        | -         | -         | -      | -    |
| Total                                     | \$ 39,113 | \$ 47,396 | \$ 3,711 | \$ 39,118 | \$ 44,838 | \$ 203 | \$ 6 |

(1) Excludes \$2.2 million of non-accruing TDRs.

|  | December 31, 2015                                  |  |  |                                   |                                  |
|--|--|--|--|-----------------------------------|----------------------------------|
|  | Recorded<br>Investment<br>in Impaired<br>Loans (1) | Unpaid<br>Principal<br>Balance of<br>Impaired<br>Loans | Related<br>Allowance<br>for Credit<br>Losses | Average<br>Recorded<br>Investment | Interest<br>Income<br>Recognized |
|  | (In thousands)                                     |  |  |                                   |                                  |
| With no related allowance:                   |  |  |  |                                   |                                  |
| Commercial and industrial                    | \$ 7,055   | \$ 13,986  | \$ -   | \$ 3,749                          | \$ 95                            |
| Real estate:                                 |  |  |  |                                   |                                  |
| Consumer mortgages                           | 3,990  | 4,545  | -  | 3,579                             | 76                               |
| Home equity                                  | 1,795  | 1,795  | -  | 744                               | 7                                |
| Agricultural                                 | 322  | 380  | -  | 142                               | 6                                |
| Commercial and<br>industrial-owner occupied  | 12,141   | 13,332   | -  | 6,904                             | 226                              |
| Construction, acquisition and<br>development | 5,969  | 6,052  | -  | 3,553                             | 25                               |
| Commercial real estate                       | 5,017  | 6,879  | -  | 7,944                             | 202                              |
| All other                                    | 103  | 103  | -  | 172                               | 3                                |
| Total  | \$ 36,392  | \$ 47,072  | \$ -   | \$ 26,787                         | \$ 640                           |
| With an allowance:                           |  |  |  |                                   |                                  |
| Commercial and industrial                    | \$ 72  | \$ 383   | \$ 78  | \$ 3,635                          | \$ 84                            |
| Real estate:                                 |  |  |  |                                   |                                  |
| Consumer mortgages                           | -  | -  | -  | 368                               | 9                                |
| Home equity                                  | -  | -  | -  | 668                               | 15                               |
| Agricultural                                 | 550  | 550  | 159  | 47                                | -                                |
| Commercial and<br>industrial-owner occupied  | -  | -  | 326  | 1,866                             | 51                               |
| Construction, acquisition and<br>development | 1,614  | 1,614  | 677  | 300                               | -                                |
| Commercial real estate                       | 12,764   | 13,185   | 1,110  | 3,582                             | 44                               |
| All other                                    | -  | -  | -  | -                                 | -                                |
| Total  | \$ 15,000  | \$ 15,732  | \$ 2,350                                     | \$ 10,466                         | \$ 203                           |
| Total:                                       |  |  |  |                                   |                                  |



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|   |    |        |    |        |    |       |    |        |    |     |
|---|----|--------|----|--------|----|-------|----|--------|----|-----|
| Commercial and industrial                 | \$ | 7,127  | \$ | 14,369 | \$ | 78    | \$ | 7,384  | \$ | 179 |
| Real estate:                              |    |        |    |        |    |       |    |        |    |     |
| Consumer mortgages                        |    | 3,990  |    | 4,545  |    | -     |    | 3,947  |    | 85  |
| Home equity                               |    | 1,795  |    | 1,795  |    | -     |    | 1,412  |    | 22  |
| Agricultural                              |    | 872    |    | 930    |    | 159   |    | 189    |    | 6   |
| Commercial and industrial-owner occupied  |    | 12,141 |    | 13,332 |    | 326   |    | 8,770  |    | 277 |
| Construction, acquisition and development |    | 7,583  |    | 7,666  |    | 677   |    | 3,853  |    | 25  |
| Commercial real estate                    |    | 17,781 |    | 20,064 |    | 1,110 |    | 11,526 |    | 246 |
| All other                                 |    | 103    |    | 103    |    | -     |    | 172    |    | 3   |
| Total                                     | \$ | 51,392 | \$ | 62,804 | \$ | 2,350 | \$ | 37,253 | \$ | 843 |

(1) Excludes \$2.6 million of non-accruing TDRs.

The following tables provide details regarding impaired loans and leases, net of unearned income, which include accruing TDRs, by segment and class as of and for the three months and nine months ended September 30, 2016 and as of and for the year ended December 31, 2015:

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|   | September 30, 2016  |   |                                     |   |  |   |   |   |
|---|---|---|-------------------------------------|---|--|---|---|---|
|   | Recorded Investment in Impaired Loans, including Accruing TDRs (In thousands) | Unpaid Principal Balance of Impaired Loans, including Accruing TDRs | Related Allowance for Credit Losses | Average Recorded Investment Three months ended September 30, 2016 | Recorded Investment Nine months ended September 30, 2016 | Interest Income Three months ended September 30, 2016 | Recorded Investment Three months ended September 30, 2016 | Interest Income Three months ended September 30, 2016 |
| With no related allowance:                |   |   |                                     |   |  |   |   |   |
| Commercial and industrial                 | \$ 6,131  | \$ 12,419   | \$ -                                | \$ 6,038  | \$ 6,500   | \$ 3  | \$ -  | \$ -  |
| Real estate:                              |   |   |                                     |   |  |   |   |   |
| Consumer mortgages                        | 225   | 604   | -                                   | 719   | 2,079  | 1   | -   | 22  |
| Home equity                               | 271   | 386   | -                                   | 1,090   | 1,414  | 3   | -   | 8   |
| Agricultural                              | 641   | 699   | -                                   | 372   | 318  | -   | -   | 4   |
| Commercial and industrial-owner occupied  | 9,285   | 10,484  | -                                   | 10,334  | 10,719   | 86  | -   | 290   |
| Construction, acquisition and development | 5,194   | 5,194   | -                                   | 5,227   | 5,474  | -   | -   | 4   |
| Commercial real estate                    | 4,186   | 4,430   | -                                   | 3,816   | 4,891  | 17  | -   | 87  |
| All other                                 | -   | -   | -                                   | -   | -  | -   | -   | -   |
| Total                                     | \$ 25,933   | \$ 34,216   | \$ -                                | \$ 27,596   | \$ 31,395  | \$ 110  | \$ -  | \$ -  |
| With an allowance:                        |   |   |                                     |   |  |   |   |   |
| Commercial and industrial                 | \$ 2,974  | \$ 2,997  | \$ 107                              | \$ 3,351  | \$ 3,335   | \$ 35   | \$ -  | \$ -  |
| Real estate:                              |   |   |                                     |   |  |   |   |   |
| Consumer mortgages                        | 3,243   | 3,437   | 604                                 | 2,209   | 1,975  | 14  | -   | 36  |
| Home equity                               | 1,219   | 1,229   | 733                                 | 399   | 233  | -   | -   | 1   |
| Agricultural                              | 77  | 77  | 4                                   | 431   | 542  | 1   | -   | 3   |
| Commercial and industrial-owner occupied  | 3,484   | 3,953   | 90                                  | 3,276   | 4,873  | 28  | -   | 89  |
| Construction, acquisition and development | 1,394   | 1,394   | 60                                  | 702   | 1,609  | 3   | -   | 22  |
| Commercial real estate                    | 16,496  | 16,723  | 2,614                               | 12,871  | 11,723   | 125   | -   | 250   |
| Credit card                               | 821   | 821   | 54                                  | 862   | 880  | 86  | -   | 265   |
| All other                                 | 3,640   | 3,678   | 26                                  | 2,720   | 1,475  | 29  | -   | 44  |
| Total                                     | \$ 33,348   | \$ 34,309   | \$ 4,292                            | \$ 26,821   | \$ 26,645  | \$ 321  | \$ -  | \$ -  |
| Total:                                    |   |   |                                     |   |  |   |   |   |
| Commercial and industrial                 | \$ 9,105  | \$ 15,416   | \$ 107                              | \$ 9,389  | \$ 9,835   | \$ 38   | \$ -  | \$ -  |
| Real estate:                              |   |   |                                     |   |  |   |   |   |
|   | 3,468   | 4,041   | 604                                 | 2,928   | 4,054  | 15  | -   | 58  |

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|   |           |           |          |           |           |        |       |  |
|---|-----------|-----------|----------|-----------|-----------|--------|-------|--|
| Consumer mortgages                        |           |           |          |           |           |        |       |  |
| Home equity                               | 1,490     | 1,615     | 733      | 1,489     | 1,647     | 3      | 9     |  |
| Agricultural                              | 718       | 776       | 4        | 803       | 860       | 1      | 7     |  |
| Commercial and industrial-owner occupied  | 12,769    | 14,437    | 90       | 13,610    | 15,592    | 114    | 379   |  |
| Construction, acquisition and development | 6,588     | 6,588     | 60       | 5,929     | 7,083     | 3      | 26    |  |
| Commercial real estate                    | 20,682    | 21,153    | 2,614    | 16,687    | 16,614    | 142    | 337   |  |
| Credit card                               | 821       | 821       | 54       | 862       | 880       | 86     | 265   |  |
| All other                                 | 3,640     | 3,678     | 26       | 2,720     | 1,475     | 29     | 44    |  |
| Total                                     | \$ 59,281 | \$ 68,525 | \$ 4,292 | \$ 54,417 | \$ 58,040 | \$ 431 | \$ 26 |  |

15

|   | December 31, 2015   |   |                                     |                             |                            |  |
|---|---|---|-------------------------------------|-----------------------------|----------------------------|--|
|   | Recorded Investment in Impaired Loans, Including Accruing TDRs (In thousands) | Unpaid Principal Balance of Impaired Loans, Including Accruing TDRs | Related Allowance for Credit Losses | Average Recorded Investment | Interest Income Recognized |  |
| With no related allowance:                |   |   |                                     |                             |                            |  |
| Commercial and industrial Real estate:    | \$ 7,055  | \$ 13,986   | \$ -                                | \$ 3,749                    | \$ 95                      |  |
| Consumer mortgages                        | 3,990   | 4,545   | -                                   | 3,579                       | 76                         |  |
| Home equity                               | 1,795   | 1,795   | -                                   | 744                         | 7                          |  |
| Agricultural                              | 322   | 380   | -                                   | 142                         | 6                          |  |
| Commercial and industrial-owner occupied  | 12,141  | 13,332  | -                                   | 6,904                       | 226                        |  |
| Construction, acquisition and development | 5,969   | 6,052   | -                                   | 3,553                       | 25                         |  |
| Commercial real estate                    | 5,017   | 6,879   | -                                   | 7,944                       | 202                        |  |
| All other                                 | 103   | 103   | -                                   | 172                         | 3                          |  |
| Total                                     | \$ 36,392   | \$ 47,072   | \$ -                                | \$ 26,787                   | \$ 640                     |  |
| With an allowance:                        |   |   |                                     |                             |                            |  |
| Commercial and industrial Real estate:    | \$ 968  | \$ 1,294  | \$ 181                              | \$ 4,251                    | \$ 114                     |  |
| Consumer mortgages                        | 1,787   | 1,896   | 226                                 | 2,056                       | 75                         |  |
| Home equity                               | 20  | 30  | 3                                   | 674                         | 15                         |  |
| Agricultural                              | 586   | 586   | 162                                 | 56                          | -                          |  |
| Commercial and industrial-owner occupied  | 5,900   | 6,245   | 518                                 | 6,816                       | 235                        |  |
| Construction, acquisition and development | 3,328   | 3,328   | 721                                 | 1,759                       | 42                         |  |
| Commercial real estate                    | 13,616  | 14,250  | 1,217                               | 7,802                       | 187                        |  |
| Credit cards                              | 939   | 939   | 34                                  | 1,024                       | 102                        |  |
| All other                                 | 405   | 604   | 30                                  | 213                         | 7                          |  |
| Total                                     | \$ 27,549   | \$ 29,172   | \$ 3,092                            | \$ 24,651                   | \$ 777                     |  |
| Total:                                    |   |   |                                     |                             |                            |  |
| Commercial and industrial Real estate:    | \$ 8,023  | \$ 15,280   | \$ 181                              | \$ 8,000                    | \$ 209                     |  |
| Consumer mortgages                        | 5,777   | 6,441   | 226                                 | 5,635                       | 151                        |  |
| Home equity                               | 1,815   | 1,825   | 3                                   | 1,418                       | 22                         |  |
| Agricultural                              | 908   | 966   | 162                                 | 198                         | 6                          |  |

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|   |           |           |          |           |          |
|---|-----------|-----------|----------|-----------|----------|
| Commercial and industrial-owner occupied  | 18,041    | 19,577    | 518      | 13,720    | 461      |
| Construction, acquisition and development | 9,297     | 9,380     | 721      | 5,312     | 67       |
| Commercial real estate                    | 18,633    | 21,129    | 1,217    | 15,746    | 389      |
| Credit cards                              | 939       | 939       | 34       | 1,024     | 102      |
| All other                                 | 508       | 707       | 30       | 385       | 10       |
| Total                                     | \$ 63,941 | \$ 76,244 | \$ 3,092 | \$ 51,438 | \$ 1,417 |

Loans considered impaired under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 310, Receivables (“FASB ASC 310”), are loans greater than \$500,000 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 and all loans restructured in a TDR. The Company's recorded investment in loans considered impaired exclusive of accruing TDRs at September 30, 2016 and December 31, 2015 was \$39.1 million and \$51.4 million, respectively. At September 30, 2016 and December 31, 2015, \$13.2 million and \$15.0 million, respectively, of those impaired loans had a valuation allowance of \$3.7 million and \$2.4 million, respectively. The remaining balance of impaired loans of \$25.9 million and \$36.4 million at September 30, 2016 and December 31, 2015, respectively, have sufficient collateral supporting the collection of all outstanding principle or were charged down to fair value, less estimated selling costs. Therefore, such loans did not have an associated valuation allowance. Impaired loans that were characterized as non-accruing TDRs totaled \$11.4 million and \$15.1 million at September 30, 2016 and December 31, 2015, respectively.

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,<br>2016 | 2015      | December 31,<br>2015 |
|---|-----------------------|-----------|----------------------|
|   | (In thousands)        |           |                      |
| Non-accrual loans and leases                              | \$ 70,725             | \$ 70,237 | \$ 83,028            |
| Loans and leases 90 days or more past due, still accruing | 2,255                 | 1,436     | 2,013                |
| Restructured loans and leases, still accruing             | 17,936                | 18,578    | 9,876                |
| Total non-performing loans and leases                     | \$ 90,916             | \$ 90,251 | \$ 94,917            |

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, 2016, the Company's geographic NPL distribution was concentrated primarily in its Arkansas, Louisiana and Mississippi markets. The following table presents the Company's nonaccrual loans and leases by segment and class as of the dates indicated:

|                           | September 30,<br>2016 | 2015      | December 31,<br>2015 |
|---------------------------|-----------------------|-----------|----------------------|
|                           | (In thousands)        |           |                      |
| Commercial and industrial | \$ 11,659             | \$ 15,697 | \$ 8,493             |
| Real estate               |                       |           |                      |
| Consumer mortgages        | 20,196                | 21,959    | 21,637               |
| Home equity               | 3,721                 | 3,664     | 4,021                |

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|   |           |           |           |  |
|---|-----------|-----------|-----------|--|
| Agricultural                              | 1,194     | 484       | 921       |  |
| Commercial and industrial-owner occupied  | 11,983    | 12,690    | 16,512    |  |
| Construction, acquisition and development | 6,939     | 4,240     | 9,130     |  |
| Commercial real estate                    | 14,793    | 10,730    | 21,741    |  |
| Credit cards                              | 121       | 215       | 188       |  |
| All other                                 | 119       | 558       | 385       |  |
| Total                                     | \$ 70,725 | \$ 70,237 | \$ 83,028 |  |

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. 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

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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 years 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. During the third quarter of 2016, 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 or a reduction in interest rates.

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

|  | Three months ended September 30, 2016 |                        |                   |
|--|---------------------------------------|------------------------|-------------------|
|  | Number                                | Pre-Modification       | Post-Modification |
|  | of                                    | Outstanding            | Outstanding       |
|  | Contracts                             | Recorded               | Recorded          |
|  |                                       | Investment             | Investment        |
|  |                                       | (Dollars in thousands) |                   |
| Commercial and industrial                | 9                                     | \$ 1,493               | \$ 1,401          |
| Real estate                              |                                       |                        |                   |
| Consumer mortgages                       | 2                                     | 289                    | 233               |
| Agricultural                             | 1                                     | 12                     | 12                |
| Commercial and industrial-owner occupied | 5                                     | 2,380                  | 2,372             |
| Commercial real estate                   | 3                                     | 5,245                  | 5,384             |
| All other                                | 3                                     | 2,894                  | 2,883             |
| Total                                    | 23                                    | \$ 12,313              | \$ 12,285         |

|                           | Nine months ended September 30, 2016 |                        |                   |
|---------------------------|--------------------------------------|------------------------|-------------------|
|                           | Number                               | Pre-Modification       | Post-Modification |
|                           | of                                   | Outstanding            | Outstanding       |
|                           | Contracts                            | Recorded               | Recorded          |
|                           |                                      | Investment             | Investment        |
|                           |                                      | (Dollars in thousands) |                   |
| Commercial and industrial | 18                                   | \$ 4,729               | \$ 4,575          |
| Real estate               |                                      |                        |                   |
| Consumer mortgages        | 14                                   | 1,012                  | 938               |
| Home equity               | 1                                    | 3                      | 3                 |
| Agricultural              | 2                                    | 79                     | 79                |



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|  |    |           |           |
|--|----|-----------|-----------|
| Commercial and industrial-owner occupied | 8  | 2,965     | 2,953     |
| Commercial real estate                   | 5  | 8,932     | 6,702     |
| All other                                | 6  | 3,610     | 3,596     |
| Total                                    | 54 | \$ 21,330 | \$ 18,846 |

18

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|  | Year ended December 31, 2015 |  |   |
|--|------------------------------|--|---|
|  | Number of Contracts          | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment |
| Commercial and industrial Real estate  | 11                           | \$ 1,472   | \$ 1,452  |
| Consumer mortgages   | 21                           | 1,230  | 1,144   |
| Home equity  | 1                            | 20   | 20  |
| Agricultural   | 3                            | 37   | 36  |
| Commercial and industrial-owner occupied Construction, acquisition and development | 13                           | 6,357  | 6,329   |
| Commercial real estate   | 3                            | 217  | 215   |
| All other  | 9                            | 12,565   | 12,144  |
| Total  | 7                            | 94   | 88  |
|  | 68                           | \$ 21,992  | \$ 21,428   |

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, 2016 |                     |
|--|---------------------------------------|---------------------|
|  | Number of Contracts                   | Recorded Investment |
| Commercial and industrial Real estate    | 8                                     | \$ 3,804            |
| Consumer mortgages                       | 3                                     | 425                 |
| Commercial and industrial-owner occupied | 1                                     | 126                 |
| Total                                    | 12                                    | \$ 4,355            |

Nine months ended September 30,  
2016

Number of    Recorded  
Contracts    Investment

(Dollars in thousands)

|   |    |       |        |
|---|----|-------|--------|
| Commercial and industrial                 | 8  | \$    | 3,804  |
| Real estate                               |    |       |        |
| Consumer mortgages                        | 7  | 597   |        |
| Commercial and industrial-owner occupied  | 2  | 532   |        |
| Construction, acquisition and development | 1  | 14    |        |
| Commercial real estate                    | 1  | 9,336 |        |
| All other                                 | 2  | 20    |        |
| Total                                     | 21 | \$    | 14,303 |

19

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|  | Year ended December 31, 2015                     |                        |
|--|--|------------------------|
|  | Number of<br>Contracts<br>(Dollars in thousands) | Recorded<br>Investment |
| Commercial and industrial<br>Real estate | 1  | \$ 84                  |
| Consumer mortgages                       | 4  | 226                    |
| Agricultural                             | 1  | 20                     |
| Commercial and industrial-owner occupied | 1  | 517                    |
| Commercial real estate                   | 2  | 197                    |
| Total                                    | 9  | \$ 1,044               |

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<br>September 30, 2016              |             |            |           | Balance,<br>End of<br>Period |
|---|--|-------------|------------|-----------|------------------------------|
|   | Balance,<br>Beginning of<br>Period<br>(In thousands) | Charge-offs | Recoveries | Provision |                              |
| Commercial and industrial<br>Real estate  | \$ 17,583  | \$ (2,068)  | \$ 814     | \$ 1,516  | \$ 17,845                    |
| Consumer mortgages                        | 33,198   | (1,782)     | 1,281      | (1,078)   | 31,619                       |
| Home equity                               | 6,949  | (1,011)     | 435        | 1,674     | 8,047                        |
| Agricultural                              | 2,524  | (110)       | 160        | (422)     | 2,152                        |
| Commercial and industrial-owner occupied  | 14,607   | (1,075)     | 343        | (1,090)   | 12,785                       |
| Construction, acquisition and development | 15,925   | (511)       | 1,178      | (3,015)   | 13,577                       |
| Commercial real estate                    | 25,508   | (1,129)     | 2,235      | 233       | 26,847                       |

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|              |            |             |          |          |            |
|--------------|------------|-------------|----------|----------|------------|
| Credit cards | 4,047      | (2,030)     | 642      | 4,459    | 7,118      |
| All other    | 6,117      | (1,617)     | 674      | 723      | 5,897      |
| Total        | \$ 126,458 | \$ (11,333) | \$ 7,762 | \$ 3,000 | \$ 125,887 |

20

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|  | Year ended<br>December 31, 2015    |             |            |             | Balance,<br>End of<br>Period |
|--|------------------------------------|-------------|------------|-------------|------------------------------|
|  | Balance,<br>Beginning of<br>Period | Charge-offs | Recoveries | Provision   |                              |
|  | (In thousands)                     |             |            |             |                              |
| Commercial and industrial<br>Real estate     | \$ 21,419                          | \$ (10,022) | \$ 2,035   | \$ 4,151    | \$ 17,583                    |
| Consumer mortgages                           | 40,015                             | (3,995)     | 2,693      | (5,515)     | 33,198                       |
| Home equity                                  | 9,542                              | (1,204)     | 639        | (2,028)     | 6,949                        |
| Agricultural                                 | 3,420                              | (33)        | 384        | (1,247)     | 2,524                        |
| Commercial and industrial-owner<br>occupied  | 16,325                             | (1,800)     | 2,834      | (2,752)     | 14,607                       |
| Construction, acquisition and<br>development | 9,885                              | (1,039)     | 11,727     | (4,648)     | 15,925                       |
| Commercial real estate                       | 23,562                             | (3,723)     | 1,656      | 4,013       | 25,508                       |
| Credit cards                                 | 6,514                              | (2,632)     | 658        | (493)       | 4,047                        |
| All other                                    | 11,761                             | (2,271)     | 1,108      | (4,481)     | 6,117                        |
| Total  | \$ 142,443                         | \$ (26,719) | \$ 23,734  | \$ (13,000) | \$ 126,458                   |

|  | Nine months ended<br>September 30, 2015 |             |            |             | Balance,<br>End of<br>Period |
|--|---|-------------|------------|-------------|------------------------------|
|  | Balance,<br>Beginning of<br>Period      | Charge-offs | Recoveries | Provision   |                              |
|  | (In thousands)                          |             |            |             |                              |
| Commercial and industrial<br>Real estate     | \$ 21,419                               | \$ (3,829)  | \$ 1,681   | \$ 4,559    | \$ 23,830                    |
| Consumer mortgages                           | 40,015                                  | (2,849)     | 2,113      | (5,635)     | 33,644                       |
| Home equity                                  | 9,542                                   | (1,057)     | 516        | (1,039)     | 7,962                        |
| Agricultural                                 | 3,420                                   | (17)        | 364        | (1,252)     | 2,515                        |
| Commercial and industrial-owner<br>occupied  | 16,325                                  | (1,443)     | 2,527      | (2,452)     | 14,957                       |
| Construction, acquisition and<br>development | 9,885                                   | (818)       | 10,666     | (8,933)     | 10,800                       |
| Commercial real estate                       | 23,562                                  | (3,601)     | 1,507      | 3,637       | 25,105                       |
| Credit cards                                 | 6,514                                   | (1,909)     | 506        | (221)       | 4,890                        |
| All other                                    | 11,761                                  | (1,648)     | 857        | (1,664)     | 9,306                        |
| Total  | \$ 142,443                              | \$ (17,171) | \$ 20,737  | \$ (13,000) | \$ 133,009                   |

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

21

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|   | September 30, 2016                           |   |  |                    |
|---|--|---|--|--------------------|
|   | Recorded<br>Balance of<br>Impaired Loans (1) | Allowance for<br>Impaired Loans<br>and Leases | Allowance for<br>All Other Loans<br>and Leases | Total<br>Allowance |
|   | (In thousands)                               |   |  |                    |
| Commercial and industrial                 | \$ 6,188                                     | \$ 66   | \$ 17,779                                      | \$ 17,845          |
| Real estate                               |  |   |  |                    |
| Consumer mortgages                        | 1,263  | 305   | 31,314   | 31,619             |
| Home equity                               | 1,487  | 732   | 7,315  | 8,047              |
| Agricultural                              | 641  | -   | 2,152  | 2,152              |
| Commercial and industrial-owner occupied  | 9,285  | -   | 12,785   | 12,785             |
| Construction, acquisition and development | 6,339  | 48  | 13,529   | 13,577             |
| Commercial real estate                    | 13,910                                       | 2,560   | 24,287   | 26,847             |
| Credit cards                              | -  | -   | 7,118  | 7,118              |
| All other                                 | -  | -   | 5,897  | 5,897              |
| Total                                     | \$ 39,113                                    | \$ 3,711                                      | \$ 122,176                                     | \$ 125,887         |

(1) Impaired loans are shown exclusive of accruing TDRs and \$2.2 million of non-accruing TDRs

|   | December 31, 2015                            |   |  |                    |
|---|--|---|--|--------------------|
|   | Recorded<br>Balance of<br>Impaired Loans (1) | Allowance for<br>Impaired Loans<br>and Leases | Allowance for<br>All Other Loans<br>and Leases | Total<br>Allowance |
|   | (In thousands)                               |   |  |                    |
| Commercial and industrial                 | \$ 7,127                                     | \$ 78   | \$ 17,505                                      | \$ 17,583          |
| Real estate                               |  |   |  |                    |
| Consumer mortgages                        | 3,990  | -   | 33,198   | 33,198             |
| Home equity                               | 1,795  | -   | 6,949  | 6,949              |
| Agricultural                              | 872  | 159   | 2,365  | 2,524              |
| Commercial and industrial-owner occupied  | 12,141                                       | 326   | 14,281   | 14,607             |
| Construction, acquisition and development | 7,583  | 677   | 15,248   | 15,925             |
| Commercial real estate                    | 17,781                                       | 1,110   | 24,398   | 25,508             |
| Credit cards                              | -  | -   | 4,047  | 4,047              |
| All other                                 | 103  | -   | 6,117  | 6,117              |
| Total                                     | \$ 51,392                                    | \$ 2,350                                      | \$ 124,108                                     | \$ 126,458         |

(1) Impaired loans are shown exclusive of accruing TDRs and \$2.6 million of non-accruing TDRs



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

22

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## NOTE 4 – OTHER REAL ESTATE OWNED

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

|  | Nine months ended<br>September 30,<br>2016 |           | Year ended<br>December 31,<br>2015 |
|--|--|-----------|------------------------------------|
|  | (In thousands)                             |           |                                    |
| Balance at beginning of period                 | \$ 14,759                                  | \$ 33,984 | \$ 33,984                          |
| Additions to foreclosed properties             |  |           |                                    |
| New foreclosed properties                      | 9,266                                      | 5,867     | 7,422                              |
| Reductions in foreclosed properties            |  |           |                                    |
| Sales including realized gains and losses, net | (10,582)                                   | (12,422)  | (20,649)                           |
| Writedowns for unrealized losses               | (2,052)                                    | (3,733)   | (5,998)                            |
| Balance at end of period                       | \$ 11,391                                  | \$ 23,696 | \$ 14,759                          |

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

|   | September 30,<br>2016 |           | December 31,<br>2015 |
|---|-----------------------|-----------|----------------------|
|   | (In thousands)        |           |                      |
| Commercial and industrial<br>Real estate  | \$ -                  | \$ 84     | \$ 84                |
| Consumer mortgages                        | 1,956                 | 2,606     | 2,477                |
| Home equity                               | 39                    | 101       | 101                  |
| Agricultural                              | 25                    | 25        | 25                   |
| Commercial and industrial-owner occupied  | 1,921                 | 1,306     | 1,074                |
| Construction, acquisition and development | 6,085                 | 18,730    | 10,212               |
| Commercial real estate                    | 1,183                 | 746       | 678                  |
| All other                                 | 182                   | 98        | 108                  |
| Total                                     | \$ 11,391             | \$ 23,696 | \$ 14,759            |

The Company incurred total foreclosed property expenses of approximately \$859,000 and \$808,000 for the three months ended September 30, 2016 and 2015, respectively. Realized net losses on dispositions and holding losses on valuations of these properties, a component of total foreclosed property expenses, were approximately \$525,000 and \$321,000 for the three months ended September 30, 2016 and 2015, respectively. The Company incurred total foreclosed property expenses of \$3.3 million and \$4.4 million for the nine months ended September 30, 2016 and 2015, respectively. Realized net losses on dispositions and holding losses on valuations of these properties, a component of total foreclosed property expenses, were \$2.3 million and \$3.0 million for the nine months ended September 30, 2016 and 2015, respectively.

#### NOTE 5 – SECURITIES

A comparison of amortized cost and estimated fair values of available-for-sale securities as of September 30, 2016 and 2015, respectively, and December 31, 2015 follows:

23

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|  | September 30, 2016 |                              |                               |                            |
|--|--------------------|------------------------------|-------------------------------|----------------------------|
|  | Amortized<br>Cost  | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Estimated<br>Fair<br>Value |
|  | (In thousands)     |                              |                               |                            |
| U.S. Government agencies   | \$ 1,686,637       | \$ 5,330                     | \$ 101                        | \$ 1,691,866               |
| U.S. Government agency issued residential mortgage-backed securities | 181,307            | 2,887                        | 99                            | \$ 184,095                 |
| U.S. Government agency issued commercial mortgage-backed securities  | 175,078            | 3,831                        | 82                            | \$ 178,827                 |
| Obligations of states and political subdivisions                     | 366,039            | 21,871                       | 2,915                         | \$ 384,995                 |
| Other  | 27,388             | 1,028                        | -                             | \$ 28,416                  |
| Total  | \$ 2,436,449       | \$ 34,947                    | \$ 3,197                      | \$ 2,468,199               |

|  | December 31, 2015 |                              |                               |                            |
|--|-------------------|------------------------------|-------------------------------|----------------------------|
|  | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Estimated<br>Fair<br>Value |
|  | (In thousands)    |                              |                               |                            |
| U.S. Government agencies   | \$ 1,246,261      | \$ 826                       | \$ 2,447                      | \$ 1,244,640               |
| U.S. Government agency issued residential mortgage-backed securities | 138,759           | 1,957                        | 176                           | 140,540                    |
| U.S. Government agency issued commercial mortgage-backed securities  | 261,544           | 2,414                        | 3,265                         | 260,693                    |
| Obligations of states and political subdivisions                     | 394,769           | 22,813                       | 83                            | 417,499                    |
| Other  | 18,112            | 845                          | -                             | 18,957                     |
| Total  | \$ 2,059,445      | \$ 28,855                    | \$ 5,971                      | \$ 2,082,329               |

|  | September 30, 2015 |                              |                               |                            |
|--|--------------------|------------------------------|-------------------------------|----------------------------|
|  | Amortized<br>Cost  | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Estimated<br>Fair<br>Value |
|  | (In thousands)     |                              |                               |                            |
| U.S. Government agencies   | \$ 1,249,043       | \$ 6,674                     | \$ -                          | \$ 1,255,717               |
| U.S. Government agency issued residential mortgage-backed securities | 203,852            | 3,301                        | 275                           | 206,878                    |
| U.S. Government agency issued commercial mortgage-backed securities  | 226,285            | 3,661                        | 24                            | 229,922                    |
| Obligations of states and political subdivisions                     | 426,911            | 24,730                       | 41                            | 451,600                    |
| Other  | 16,158             | 850                          | -                             | 17,008                     |

|       |              |           |        |              |
|-------|--------------|-----------|--------|--------------|
| Total | \$ 2,122,249 | \$ 39,216 | \$ 340 | \$ 2,161,125 |
|-------|--------------|-----------|--------|--------------|

Gross gains of approximately \$89,000 and no gross losses were recognized on available-for-sale securities during the first nine months of 2016, while gross gains of approximately \$88,000 and no gross losses were recognized during the first nine months of 2015.

The amortized cost and estimated fair value of available-for-sale securities at September 30, 2016 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.

24

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|   | September 30, 2016     |                      |                        |
|---|------------------------|----------------------|------------------------|
|   | Amortized Cost         | Estimated Fair Value | Weighted Average Yield |
|   | (Dollars in thousands) |                      |                        |
| Maturing in one year or less                | \$ 446,304             | \$ 446,972           | 0.92 %                 |
| Maturing after one year through five years  | 1,334,168              | 1,339,338            | 1.26                   |
| Maturing after five years through ten years | 53,464                 | 54,345               | 5.64                   |
| Maturing after ten years                    | 246,128                | 264,622              | 5.58                   |
| Mortgage-backed securities                  | 356,385                | 362,922              | 2.12                   |
| Total                                       | \$ 2,436,449           | \$ 2,468,199         |                        |

The following tables summarize information pertaining to temporarily impaired available-for-sale securities with continuous unrealized loss positions at September 30, 2016 and December 31, 2015:

|  | September 30, 2016                  |                   |                     |                   |            |                   |
|--|-------------------------------------|-------------------|---------------------|-------------------|------------|-------------------|
|  | 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   | \$ 209,162                          | \$ 101            | \$ -                | \$ -              | \$ 209,162 | \$ 101            |
| U.S. Government agency issued residential mortgage-backed securities | \$ 11,480                           | \$ 38             | \$ 16,211           | \$ 61             | \$ 27,691  | \$ 99             |
| U.S. Government agency issued commercial mortgage-backed securities  | 23,943                              | 81                | 643                 | 1                 | 24,586     | 82                |
| Obligations of states and political subdivisions                     | 9,171                               | 2,915             | -                   | -                 | 9,171      | 2,915             |
| Total  | \$ 253,756                          | \$ 3,135          | \$ 16,854           | \$ 62             | \$ 270,610 | \$ 3,197          |

|  | December 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 |

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|  | (In thousands) |          |           |        |              |          |
|--|----------------|----------|-----------|--------|--------------|----------|
| U.S. Government agencies   | \$ 762,568     | \$ 2,447 | \$ -      | \$ -   | \$ 762,568   | \$ 2,447 |
| U.S. Government agency issued residential mortgage-backed securities | 34,238         | 176      | -         | -      | 34,238       | 176      |
| U.S. Government agency issued commercial mortgage-backed securities  | 193,621        | 2,710    | 31,166    | 555    | 224,787      | 3,265    |
| Obligations of states and political subdivisions                     | 13,576         | 70       | 2,856     | 13     | 16,432       | 83       |
| Total  | \$ 1,004,003   | \$ 5,403 | \$ 34,022 | \$ 568 | \$ 1,038,025 | \$ 5,971 |

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 has no intent to sell these securities until the full recovery of unrealized losses which may be until maturity, 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 nine months of 2016 or 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 32,400 and 45,000 shares of Company common stock with a weighted average exercise price of \$24.47 and \$24.71 per share for the three months and nine months ended September 30, 2016 were excluded from diluted shares. There were no antidilutive other equity awards for the three months and nine months ended September 30, 2016. Weighted-average antidilutive stock options to purchase approximately 32,400 of Company common stock with a weighted average exercise price of \$25.31 per share for both the three months and nine months ended September 30, 2015 were excluded from diluted shares. There were no antidilutive other equity awards for the three months and nine months ended September 30, 2015. 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 September 30,<br>2016 |                         |                     | 2015                  |                         |                     |
|---|--|-------------------------|---------------------|-----------------------|-------------------------|---------------------|
|   | Income<br>(Numerator)                    | Shares<br>(Denominator) | Per Share<br>Amount | Income<br>(Numerator) | Shares<br>(Denominator) | Per Share<br>Amount |
| Basic EPS   | (In thousands, except per share amounts) |                         |                     |                       |                         |                     |
| Income available to<br>common<br>shareholders   | \$ 37,817                                | 94,304                  | \$ 0.40             | \$ 34,343             | 96,203                  | \$ 0.36             |
| Effect of dilutive share-<br>based awards   | -  | 260                     |                     | -                     | 265                     |                     |
| Diluted EPS   |  |                         |                     |                       |                         |                     |
| Income available to<br>common<br>shareholders plus<br>assumed<br>exercise of all<br>outstanding<br>share-based awards | \$ 37,817                                | 94,564                  | \$ 0.40             | \$ 34,343             | 96,468                  | \$ 0.36             |





|   | Nine months ended September 30,<br>2016  |                         |                     | 2015                  |                         |                     |
|---|--|-------------------------|---------------------|-----------------------|-------------------------|---------------------|
|   | Income<br>(Numerator)                    | Shares<br>(Denominator) | Per Share<br>Amount | Income<br>(Numerator) | Shares<br>(Denominator) | Per Share<br>Amount |
| Basic EPS   | (In thousands, except per share amounts) |                         |                     |                       |                         |                     |
| Income available to<br>common<br>shareholders   | \$ 95,058                                | 94,378                  | \$ 1.01             | \$ 106,322            | 96,396                  | \$ 1.10             |
| Effect of dilutive share-<br>based awards   | -  | 239                     |                     | -                     | 308                     |                     |
| Diluted EPS   |  |                         |                     |                       |                         |                     |
| Income available to<br>common<br>shareholders plus<br>assumed<br>exercise of all<br>outstanding<br>share-based awards | \$ 95,058                                | 94,617                  | \$ 1.00             | \$ 106,322            | 96,704                  | \$ 1.10             |

NOTE 7 – COMPREHENSIVE INCOME

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

|  | Three months ended September 30,<br>2016 |               |                         | 2015                    |               |                         |
|--|--|---------------|-------------------------|-------------------------|---------------|-------------------------|
|  | Before<br>tax<br>amount                  | Tax<br>effect | Net<br>of tax<br>amount | Before<br>tax<br>amount | Tax<br>effect | Net<br>of tax<br>amount |
| Net unrealized (losses) gains on<br>available-for- | (In thousands)                           |               |                         |                         |               |                         |

sale securities:

|  |             |          |            |          |            |           |
|--|-------------|----------|------------|----------|------------|-----------|
| Unrealized (losses) gains arising during holding period              | \$ (11,169) | \$ 4,275 | \$ (6,894) | \$ 6,225 | \$ (2,382) | \$ 3,843  |
| Reclassification adjustment for net gains realized in net income (1) | (1)         | -        | (1)        | (33)     | 13         | (20)      |
| Recognized employee benefit plan net periodic benefit cost (2)       | 1,511       | (578)    | 933        | 1,797    | (687)      | 1,110     |
| Other comprehensive (loss) income                                    | \$ (9,659)  | \$ 3,697 | \$ (5,962) | \$ 7,989 | \$ (3,056) | \$ 4,933  |
| Net income   |             |          | 37,817     |          |            | 34,343    |
| Comprehensive income   |             |          | \$ 31,855  |          |            | \$ 39,276 |

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

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

|  | Nine months ended September 30,<br>2016 |               |                         | 2015                    |               |                         |
|--|---|---------------|-------------------------|-------------------------|---------------|-------------------------|
|  | Before<br>tax<br>amount                 | Tax<br>effect | Net<br>of tax<br>amount | Before<br>tax<br>amount | Tax<br>effect | Net<br>of tax<br>amount |
| Net unrealized gains on<br>available-for-<br>sale securities:              | (In thousands)                          |               |                         |                         |               |                         |
| Unrealized gains arising<br>during holding period                          | \$ 8,956                                | \$ (3,424)    | \$ 5,532                | \$ 6,605                | \$ (2,550)    | \$ 4,055                |
| Reclassification adjustment for<br>net gains realized in net income<br>(1) | (89)                                    | 34            | (55)                    | (88)                    | 34            | (54)                    |
| Recognized employee benefit<br>plan<br>net periodic benefit cost (2)       | 4,533                                   | (1,734)       | 2,799                   | 5,391                   | (2,061)       | 3,330                   |
| Other comprehensive income   | \$ 13,400                               | \$ (5,124)    | \$ 8,276                | \$ 11,908               | \$ (4,577)    | \$ 7,331                |
| Net income   |   |               | 95,058                  |                         |               | 106,322                 |
| Comprehensive income   |   |               | \$ 103,334              |                         |               | \$ 113,653              |

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

(2) Recognized employee benefit plan net periodic benefit cost include 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 nine months ended September 30, 2016 were as follows:

| Community<br>Banking | Insurance<br>Agencies | Total |
|----------------------|-----------------------|-------|
|----------------------|-----------------------|-------|

|                                     | (In thousands) |           |            |
|-------------------------------------|----------------|-----------|------------|
| Balance as of December 31, 2015     | \$ 217,618     | \$ 73,880 | \$ 291,498 |
| Goodwill recorded during the period | -              | 3,403     | 3,403      |
| Balance as of September 30, 2016    | \$ 217,618     | \$ 77,283 | \$ 294,901 |

The goodwill recorded in the Company's Insurance Agencies reporting segment during the first nine months of 2016 was related to an insurance agency acquired during the second quarter of 2016.

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 nine months of 2016 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 As  
of of