

BANCORPSOUTH INC
Form 10-Q
November 03, 2014
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

OR

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

For the transition period from _____ to _____

Commission File Number: 001-12991

BANCORPSOUTH, INC.

(Exact name of registrant as specified in its charter)

Mississippi
(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 30, 2014, the registrant had outstanding 96,093,421 shares of common stock, par value \$2.50 per share.

BANCORPSOUTH, INC.

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PART I.

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

BANCORPSOUTH, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	September 30, 2014 (Unaudited)	December 31, 2013 (1)	September 30, 2013 (Unaudited)
	(Dollars in thousands, except per share amounts)		
ASSETS			
Cash and due from banks	\$ 169,226	\$ 208,961	\$ 199,464
Interest bearing deposits with other banks	70,408	319,462	361,401
Available-for-sale securities, at fair value	2,211,462	2,466,989	2,554,156
Loans and leases	9,546,250	8,993,888	8,806,392
Less: Unearned income	35,708	35,873	33,277
Allowance for credit losses	143,950	153,236	153,974
Net loans and leases	9,366,592	8,804,779	8,619,141
Loans held for sale (\$137,005 at fair value at September 30, 2014)	137,005	69,593	77,114
Premises and equipment, net	307,497	315,260	314,441
Accrued interest receivable	42,311	42,150	43,034
Goodwill	291,498	286,800	275,173
Other identifiable intangibles	25,619	26,079	15,179
Bank-owned life insurance	243,827	239,434	236,969
Other real estate owned	42,691	69,338	76,853
Other assets	163,421	180,888	143,228
TOTAL ASSETS	\$ 13,071,557	\$ 13,029,733	\$ 12,916,153
LIABILITIES			
Deposits:			
Demand: Noninterest bearing	\$ 2,811,156	\$ 2,644,592	\$ 2,597,762
Interest bearing	4,498,275	4,582,450	4,493,359
Savings	1,311,874	1,234,130	1,220,227
Other time	2,080,232	2,312,664	2,406,598
Total deposits	10,701,537	10,773,836	10,717,946
Federal funds purchased and securities sold under agreement to repurchase	431,428	421,028	418,623
Short-term Federal Home Loan Bank borrowings and other short-term borrowing	2,000	-	-
Accrued interest payable	3,894	4,836	5,156
Junior subordinated debt securities	23,198	31,446	31,446
Long-term debt	81,742	81,714	83,500
Other liabilities	217,215	203,743	178,871

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TOTAL LIABILITIES	11,461,014	11,516,603	11,435,542
SHAREHOLDERS' EQUITY			
Common stock, \$2.50 par value per share			
Authorized - 500,000,000 shares; Issued - 96,065,021, 95,231,691 and 95,211,602 shares, respectively	240,165	238,079	238,029
Capital surplus	322,488	312,900	312,798
Accumulated other comprehensive loss	(15,513)	(29,959)	(39,389)
Retained earnings	1,063,403	992,110	969,173
TOTAL SHAREHOLDERS' EQUITY	1,610,543	1,513,130	1,480,611
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 13,071,557	\$ 13,029,733	\$ 12,916,153
(1) Derived from audited financial statements.			

See accompanying notes to consolidated financial statements.

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BANCORPSOUTH, INC. AND SUBSIDIARIES

Consolidated Statements of Income

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
(In thousands, except for per share amounts)				
INTEREST REVENUE:				
Loans and leases	\$ 102,681	\$ 98,836	\$ 301,387	\$ 296,452
Deposits with other banks	68	310	431	1,395
Available-for-sale securities:				
Taxable	6,646	8,218	21,326	25,323
Tax-exempt	3,607	3,866	10,991	11,737
Loans held for sale	920	731	1,885	2,090
Total interest revenue	113,922	111,961	336,020	336,997
INTEREST EXPENSE:				
Deposits:				
Interest bearing demand	1,956	2,061	5,781	7,609
Savings	410	383	1,203	1,318
Other time	5,083	7,271	16,222	22,983
Federal funds purchased and securities sold under agreement to repurchase	84	80	242	213
Long-term debt	612	501	1,860	1,204
Junior subordinated debt	164	1,424	494	7,141
Other	-	-	1	(3)
Total interest expense	8,309	11,720	25,803	40,465
Net interest revenue	105,613	100,241	310,217	296,532
Provision for credit losses	-	500	-	7,500
Net interest revenue, after provision for credit losses	105,613	99,741	310,217	289,032
NONINTEREST REVENUE:				
Mortgage lending	6,938	5,134	19,421	35,372
Credit card, debit card and merchant fees	8,972	8,834	25,382	24,681
Deposit service charges	13,111	13,679	38,084	39,335
Security gains (losses), net	18	(5)	19	17
Insurance commissions	29,246	23,800	89,466	76,303
Wealth management	5,961	6,057	17,705	17,646
Other	5,032	5,015	15,556	16,587
Total noninterest revenue	69,278	62,514	205,633	209,941
NONINTEREST EXPENSE:				
Salaries and employee benefits	77,453	73,532	231,077	231,230
Occupancy, net of rental income	10,313	10,360	30,845	31,174
Equipment	4,205	4,555	12,873	14,088
Deposit insurance assessments	2,125	3,325	5,760	9,068

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Voluntary early retirement expense	-	-	-	10,850
Write-off and amortization of bond issue cost	12	2,907	36	2,983
Other	39,591	34,718	107,769	107,626
Total noninterest expense	133,699	129,397	388,360	407,019
Income before income taxes	41,192	32,858	127,490	91,954
Income tax expense	12,414	8,001	39,400	25,537
Net income	\$ 28,778	\$ 24,857	\$ 88,090	\$ 66,417
Earnings per share: Basic	\$ 0.30	\$ 0.26	\$ 0.92	\$ 0.70
Diluted	\$ 0.30	\$ 0.26	\$ 0.92	\$ 0.70
Dividends declared per common share	\$ 0.08	\$ 0.05	\$ 0.18	\$ 0.07

See accompanying notes to consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(In thousands)			
Net income	\$ 28,778	\$ 24,857	\$ 88,090	\$ 66,417
Other comprehensive (loss) income, net of tax				
Unrealized (losses) gains on securities	(928)	(881)	13,079	(33,220)
Pension and other postretirement benefits	455	825	1,367	2,477
Other comprehensive (loss) income, net of tax	(473)	(56)	14,446	(30,743)
Comprehensive income	\$ 28,305	\$ 24,801	\$ 102,536	\$ 35,674

See accompanying notes to consolidated financial statements.

BANCORPSOUTH, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)

	Nine months ended September 30,	
	2014	2013
	(In thousands)	
Operating Activities:		
Net income	\$ 88,090	\$ 66,417
Adjustment to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	-	7,500
Depreciation and amortization	20,336	19,874
Deferred taxes	(1,939)	(3,002)
Amortization of intangibles	3,332	2,151
Amortization of debt securities premium and discount, net	9,921	11,514
Share-based compensation expense	1,480	2,017
Security gains, net	(19)	(17)
Net deferred loan origination expense	(5,199)	(5,845)
Excess tax benefit from exercise of stock options	1,248	68
(Increase) decrease in interest receivable	(161)	1,322
Decrease in interest payable	(942)	(984)
Realized gain on mortgages sold	(24,543)	(42,343)
Proceeds from mortgages sold	781,368	1,301,266
Origination of mortgages held for sale	(793,850)	(1,202,701)
Loss on other real estate owned, net	10,485	5,325
Increase in bank-owned life insurance	(5,599)	(5,849)
Decrease in prepaid pension asset	4,244	15,175
Other, net	21,692	(11,985)
Net cash provided by operating activities	109,944	159,903
Investing activities:		
Proceeds from calls and maturities of available-for-sale securities	426,015	408,824
Purchases of available-for-sale securities	(160,387)	(617,203)
Net increase in loans and leases	(599,310)	(169,671)
Purchases of premises and equipment	(12,685)	(18,077)
Proceeds from sale of premises and equipment	336	3,047
Purchase of bank-owned life insurance, net of proceeds from death benefits	1,206	-
Acquisition of Insurance agency	(5,060)	-
Proceeds from sale of other real estate owned	28,366	41,617
Other, net	(12)	108
Net cash used in investing activities	(321,531)	(351,355)
Financing activities:		
Net decrease in deposits	(72,299)	(370,200)
Net increase in short-term debt and other liabilities	10,388	4,000
Advances of long-term debt	8,000	50,000
Repayment of long-term debt	(5,972)	-
Redemption of junior subordinated debt	(8,248)	(128,866)
Issuance of common stock	9,621	459

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Repurchase of common stock	(675)	-
Excess tax benefit from exercise of stock options	(1,248)	(68)
Payment of cash dividends	(16,769)	(6,622)
Net cash used in financing activities	(77,202)	(451,297)
Decrease in cash and cash equivalents	(288,789)	(642,749)
Cash and cash equivalents at beginning of period	528,423	1,203,614
Cash and cash equivalents at end of period	\$ 239,634	\$ 560,865

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

(Unaudited)

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

The accompanying unaudited interim consolidated financial statements of BancorpSouth, Inc. (the “Company”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and follow general practices within the industries in which the Company operates. For further information, refer to the audited consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013. 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, 2014 are not necessarily indicative of the results to be expected for the full year. Certain 2013 amounts have been reclassified to conform with the 2014 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 Investment Services, Inc., BancorpSouth Municipal Development Corporation and BancorpSouth Bank Securities Corporation.

NOTE 2 – LOANS AND LEASES

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