

BANCORPSOUTH INC
Form 10-Q
May 02, 2016
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 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 April 29, 2016, the registrant had outstanding 94,435,971 shares of common stock, par value \$2.50 per share.

BANCORPSOUTH, INC.

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PART I.

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

BANCORPSOUTH, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	March 31, 2016 (Unaudited)	December 31, 2015 (1)	March 31, 2015 (Unaudited)
(Dollars in thousands, except per share amounts)			
ASSETS			
Cash and due from banks	\$ 197,538	\$ 154,192	\$ 199,337
Interest bearing deposits with other banks	148,915	43,777	360,469
Available-for-sale securities, at fair value	2,016,373	2,082,329	2,194,373
Loans and leases	10,475,528	10,404,326	9,761,555
Less: Unearned income	30,831	31,548	34,585
Allowance for credit losses	126,506	126,458	136,660
Net loans and leases	10,318,191	10,246,320	9,590,310
Loans held for sale, at fair value	150,046	157,907	186,510
Premises and equipment, net	306,765	308,125	305,335
Accrued interest receivable	41,401	40,901	42,933
Goodwill	291,498	291,498	291,498
Other identifiable intangibles	19,664	20,545	23,476
Bank-owned life insurance	253,427	251,534	246,148
Other real estate owned	12,685	14,759	27,889
Other assets	169,895	186,775	162,044
TOTAL ASSETS	\$ 13,926,398	\$ 13,798,662	\$ 13,630,322
LIABILITIES			
Deposits:			
Demand: Noninterest bearing	\$ 3,103,321	\$ 3,031,528	\$ 2,914,949
Interest bearing	5,033,565	5,003,806	4,979,710
Savings	1,506,942	1,442,336	1,395,857
Other time	1,842,869	1,853,491	1,962,138
Total deposits	11,486,697	11,331,161	11,252,654
Federal funds purchased and securities sold under agreement to repurchase	431,089	405,937	384,829
Short-term Federal Home Loan Bank borrowings and other short-term borrowing	-	62,000	1,500
Accrued interest payable	3,305	3,071	3,371
Junior subordinated debt securities	23,198	23,198	23,198
Long-term debt	67,681	69,775	76,055

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Other liabilities	234,635	248,076	243,507
TOTAL LIABILITIES	12,246,605	12,143,218	11,985,114
SHAREHOLDERS' EQUITY			
Common stock, \$2.50 par value per share			
Authorized - 500,000,000 shares; Issued - 94,438,626			
94,162,728 and 96,544,502 shares, respectively	236,097	235,407	241,361
Capital surplus	283,800	282,934	331,016
Accumulated other comprehensive loss	(32,144)	(41,825)	(37,033)
Retained earnings	1,192,040	1,178,928	1,109,864
TOTAL SHAREHOLDERS' EQUITY	1,679,793	1,655,444	1,645,208
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 13,926,398	\$ 13,798,662	\$ 13,630,322
(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	
	March 31,	
	2016	2015
	(In thousands, except for per share amounts)	
INTEREST REVENUE:		
Loans and leases	\$ 107,805	\$ 102,135
Deposits with other banks	263	236
Available-for-sale securities:		
Taxable	5,888	6,844
Tax-exempt	3,032	3,377
Loans held for sale	984	905
Total interest revenue	117,972	113,497
INTEREST EXPENSE:		
Deposits:		
Interest bearing demand	2,163	2,183
Savings	443	412
Other time	3,354	4,007
Federal funds purchased and securities sold under agreement to repurchase	140	82
Long-term debt	530	577
Junior subordinated debt	183	163
Total interest expense	6,813	7,424
Net interest revenue	111,159	106,073
Provision for credit losses	1,000	(5,000)
Net interest revenue, after provision for credit losses	110,159	111,073
NONINTEREST REVENUE:		
Mortgage lending	2,618	8,567
Credit card, debit card and merchant fees	8,961	8,539
Deposit service charges	11,014	11,252
Security gains, net	2	14
Insurance commissions	33,249	33,493
Wealth management	5,109	6,210
Other	4,562	5,240
Total noninterest revenue	65,515	73,315
NONINTEREST EXPENSE:		
Salaries and employee benefits	82,467	81,179
Occupancy, net of rental income	10,273	10,194

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Equipment	3,765	3,974
Deposit insurance assessments	2,288	2,311
Regulatory settlement	10,277	-
Other	33,230	39,275
Total noninterest expense	142,300	136,933
Income before income taxes	33,374	47,455
Income tax expense	10,825	15,189
Net income	\$ 22,549	\$ 32,266
Earnings per share: Basic	\$ 0.24	\$ 0.33
Diluted	\$ 0.24	\$ 0.33
Dividends declared per common share	\$ 0.10	\$ 0.075

See accompanying notes to consolidated financial statements.

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

	Three months ended	
	March 31,	
	2016	2015
	(In thousands)	
Net income	\$ 22,549	\$ 32,266
Other comprehensive income, net of tax		
Unrealized gains on securities	8,748	5,543
Pension and other postretirement benefits	933	1,110
Other comprehensive income, net of tax	9,681	6,653
Comprehensive income	\$ 32,230	\$ 38,919

See accompanying notes to consolidated financial statements.

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

	Three months ended March 31,	
	2016	2015
	(In thousands)	
Operating Activities:		
Net income	\$ 22,549	\$ 32,266
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
Provision for credit losses	1,000	(5,000)
Depreciation and amortization	6,307	6,721
Amortization of intangibles	880	1,032
Amortization of debt securities premium and discount, net	2,651	3,332
Share-based compensation expense	2,100	1,645
Security gains, net	(2)	(14)
Net deferred loan origination expense	(1,583)	(1,523)
Excess tax benefit from exercise of stock options	(314)	(521)
Increase in interest receivable	(500)	(948)
Increase (decrease) in interest payable	234	(29)
Realized gain on mortgages sold	(10,615)	(9,124)
Proceeds from mortgages sold	329,730	269,213
Origination of mortgages held for sale	(315,374)	(311,115)
Loss on other real estate owned, net	843	1,394
Increase in bank-owned life insurance	(1,893)	(1,813)
Other, net	2,700	7,153
Net cash provided by (used in) operating activities	38,713	(7,331)
Investing activities:		
Proceeds from calls and maturities of available-for-sale securities	121,593	75,917
Proceeds from sales of available-for-sale securities	-	1,110
Purchases of available-for-sale securities	(43,316)	(118,760)
Net increase in loans and leases	(72,647)	(16,098)
Purchases of premises and equipment	(5,653)	(7,384)
Proceeds from sale of premises and equipment	640	271
Purchase of bank-owned life insurance, net of proceeds from death benefits	-	2,742
Proceeds from sale of other real estate owned	2,562	7,391
Other, net	(29)	(6)
Net cash provided by (used in) investing activities	3,150	(54,817)
Financing activities:		
Net increase in deposits	155,536	280,315
Net decrease in short-term debt and other liabilities	(36,852)	(5,341)
Repayment of long-term debt	(2,094)	(2,093)
Issuance of common stock	8	825
Repurchase of common stock	(867)	(2,288)

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Excess tax benefit from exercise of stock options	314	521
Payment of cash dividends	(9,424)	(7,235)
Net cash provided by financing activities	106,621	264,704
Increase in cash and cash equivalents	148,484	202,556
Cash and cash equivalents at beginning of period	197,969	357,250
Cash and cash equivalents at end of period	\$ 346,453	\$ 559,806

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, 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 period ended March 31, 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 loans and leases. The real estate segment is further disaggregated into the following classes: consumer mortgages; home equity; agricultural; commercial and industrial-owner occupied; construction, acquisition and development; and commercial real estate. A summary of gross loans and leases by segment and class as of the dates indicated follows:

	March 31, 2016	2015	December 31, 2015
	(In thousands)		
Commercial and industrial	\$ 1,720,574	\$ 1,682,215	\$ 1,752,273

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Real estate			
Consumer mortgages	2,480,828	2,301,112	2,472,202
Home equity	605,228	538,042	589,752
Agricultural	239,422	236,898	259,360
Commercial and industrial-owner occupied	1,654,577	1,518,153	1,617,429
Construction, acquisition and development	966,362	892,730	945,045
Commercial real estate	2,233,742	1,993,473	2,188,048
Credit cards	106,714	106,287	112,165
All other	468,081	492,645	468,052
Gross Loans Total	10,475,528	9,761,555	10,404,326
Less: Unearned Income	30,831	34,585	31,548
Net Loans	\$ 10,444,697	\$ 9,726,970	\$ 10,372,778

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The following table shows the Company's loans and leases, net of unearned income, as of March 31, 2016 by segment, class and geographical location:

	Alabama and Florida Panhandle (In thousands)	Arkansas	Louisiana	Mississippi	Missouri	Tennessee	Texas
Commercial and industrial Real estate	\$ 150,326	\$ 188,911	\$ 197,183	\$ 702,459	\$ 87,479	\$ 120,117	\$ 2