

MIDSOUTH BANCORP INC
Form 10-Q
May 08, 2015

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

FORM 10-Q

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

For the quarterly period ended March 31, 2015

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 1-11826
MIDSOUTH BANCORP, INC.
(Exact name of registrant as specified in its charter)

Louisiana 72-1020809
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

102 Versailles Boulevard, Lafayette, Louisiana 70501
(Address of principal executive offices, including zip code)
(337) 237-8343
(Registrant's telephone number, including area code)

Indicate by checkmark 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 (Section 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 small reporting company.

Large accelerated filer Accelerated filer Non-accelerated filer Small 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

Edgar Filing: MIDSOUTH BANCORP INC - Form 10-Q

As of May 8, 2015, there were 11,354,497 shares of the registrant's Common Stock, par value \$0.10 per share, outstanding.

Part I – Financial Information	3
Item 1. <u>Financial Statements</u>	3
<u>Consolidated Balance Sheets</u>	3
<u>Consolidated Statements of Earnings (unaudited)</u>	4
<u>Consolidated Statements of Comprehensive Income (unaudited)</u>	5
<u>Consolidated Statement of Shareholders’ Equity (unaudited)</u>	6
<u>Consolidated Statements of Cash Flows (unaudited)</u>	7
<u>Notes to Interim Consolidated Financial Statements</u>	8
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operation.</u>	26
<u>Forward-Looking Statements</u>	26
<u>Critical Accounting Policies</u>	27
<u>Results of Operations</u>	28
<u>Analysis of Balance Sheet</u>	31
<u>Liquidity and Capital</u>	32
<u>Asset Quality</u>	34
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk.</u>	36
Item 4. <u>Controls and Procedures.</u>	36
Part II – Other Information	37
Item 1. <u>Legal Proceedings.</u>	37
Item 1A. <u>Risk Factors.</u>	37
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>	37
Item 3. <u>Defaults Upon Senior Securities.</u>	37
Item 4. <u>Mine Safety Disclosures.</u>	37
Item 5. <u>Other Information.</u>	37
Item 6. <u>Exhibits.</u>	37

Table of Contents

Part I – Financial Information

Item 1. Financial Statements.

MidSouth Bancorp, Inc. and Subsidiaries

Consolidated Balance Sheets

(dollars in thousands, except share data)

	March 31, 2015 (unaudited)	December 31, 2014* (audited)
Assets		
Cash and due from banks, including required reserves of \$9,814 and \$10,019, respectively	\$40,816	\$45,142
Interest-bearing deposits in banks	60,665	39,031
Federal funds sold	2,921	2,699
Securities available-for-sale, at fair value (cost of \$293,709 at March 31, 2015 and \$272,588 at December 31, 2014)	299,690	276,984
Securities held-to-maturity (fair value of \$139,462 at March 31, 2015 and \$141,593 at December 31, 2014)	137,592	141,201
Other investments	9,644	9,990
Loans	1,310,929	1,284,431
Allowance for loan losses	(16,060)	(11,226)
Loans, net	1,294,869	1,273,205
Bank premises and equipment, net	69,762	69,958
Accrued interest receivable	6,741	6,635
Goodwill	42,171	42,171
Intangibles	6,558	6,834
Cash surrender value of life insurance	13,735	13,659
Other real estate	4,589	4,234
Other assets	5,505	4,997
Total assets	\$1,995,258	\$1,936,740
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits:		
Non-interest-bearing	\$421,897	\$390,863
Interest-bearing	1,194,201	1,194,371
Total deposits	1,616,098	1,585,234
Securities sold under agreements to repurchase	87,346	62,098
Short-term Federal Home Loan Bank advances	25,000	25,000
Long-term Federal Home Loan Bank advances	26,171	26,277
Junior subordinated debentures	22,167	22,167
Other liabilities	7,820	6,952
Total liabilities	1,784,602	1,727,728
Commitments and contingencies		
Shareholders' equity:		
Series B Preferred stock, no par value; 5,000,000 shares authorized, 32,000 shares issued and outstanding at March 31, 2015 and December 31, 2014	32,000	32,000
Series C Preferred stock, no par value; 100,000 shares authorized, 93,248 and 93,680 issued and 93,248 and 93,680 outstanding at March 31, 2015 and December 31, 2014, respectively	9,325	9,368
	1,150	1,149

Edgar Filing: MIDSOUTH BANCORP INC - Form 10-Q

Common stock, \$0.10 par value; 30,000,000 shares authorized, 11,500,252 and 11,491,703 issued and 11,349,285 and 11,340,736 outstanding at March 31, 2015 and December 31, 2014, respectively

Additional paid-in capital	113,371	112,744
Unearned ESOP shares	(518)	(250)
Accumulated other comprehensive income	3,888	2,857
Treasury stock – 150,967 shares at March 31, 2015 and December 31, 2014, at cost	(3,295)	(3,295)
Retained earnings	54,735	54,439
Total shareholders' equity	210,656	209,012
Total liabilities and shareholders' equity	\$1,995,258	\$1,936,740

See notes to unaudited consolidated financial statements.

Table of Contents

MidSouth Bancorp, Inc. and Subsidiaries
 Consolidated Statements of Earnings (unaudited)
 (in thousands, except per share data)

	Three Months Ended March 31,	
	2015	2014
Interest income:		
Loans, including fees	\$18,054	\$17,483
Securities and other investments:		
Taxable	1,925	2,136
Nontaxable	584	693
Federal funds sold	2	1
Time and interest bearing deposits in other banks	37	16
Other investments	79	70
Total interest income	20,681	20,399
Interest expense:		
Deposits	947	871
Securities sold under agreements to repurchase	230	180
Other borrowings and payables	97	106
Junior subordinated debentures	150	347
Total interest expense	1,424	1,504
Net interest income	19,257	18,895
Provision for loan losses	6,000	550
Net interest income after provision for loan losses	13,257	18,345
Non-interest income:		
Service charges on deposits	2,120	2,380
Gain on sale of securities, net	115	-
ATM and debit card income	1,841	1,714
Executive officer life insurance proceeds	-	3,000
Other charges and fees	891	823
Total non-interest income	4,967	7,917
Non-interest expenses:		
Salaries and employee benefits	7,942	8,813
Occupancy expense	3,685	3,791
FDIC insurance	281	262
Other	4,379	4,836
Total non-interest expenses	16,287	17,702
Income before income taxes	1,937	8,560
Income tax expense	446	1,702
Net earnings	1,491	6,858
Dividends on preferred stock	173	180
Net earnings available to common shareholders	\$1,318	\$6,678

Earnings per share:

Edgar Filing: MIDSOUTH BANCORP INC - Form 10-Q

Basic	\$0.12	\$0.59
Diluted	\$0.12	\$0.57
Weighted average number of shares outstanding:		
Basic	11,318	11,258
Diluted	11,351	11,879
Dividends declared per common share	\$0.09	\$0.08

See notes to unaudited consolidated financial statements.

Table of Contents

MidSouth Bancorp, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (unaudited)

(in thousands)

	Three Months Ended March 31,	
	2015	2014
Net earnings	\$1,491	\$6,858
Other comprehensive income, net of tax:		
Unrealized gains on securities available-for-sale:		
Unrealized holding gains arising during the year	1,701	2,946
Less: reclassification adjustment for gains on sales of securities available-for-sale	(115)	-
Total other comprehensive income, before tax	1,586	2,946
Income tax effect related to items of other comprehensive income	(555)	(1,031)
Total other comprehensive income, net of tax	1,031	1,915
Total comprehensive income	\$2,522	\$8,773
See notes to unaudited consolidated financial statements.		

Table of Contents

MidSouth Bancorp, Inc. and Subsidiaries

Consolidated Statement of Shareholders' Equity (unaudited)

For the Three Months Ended March 31, 2015

(in thousands, except share and per share data)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Unearned ESOP Shares	Accumulated Other Comprehensive Income	Treasury Stock	Retained Earnings	Total
	Shares	Amount	Shares	Amount						
Balance - December 31, 2014	125,680	\$41,368	11,491,703	\$1,149	\$112,744	\$(250)	\$2,857	\$(3,295)	\$54,439	\$209,012
Net earnings	-	-	-	-	-	-	-	-	1,491	1,491
Dividends on Series B and Series C preferred stock	-	-	-	-	-	-	-	-	(173)	(173)
Dividends on common stock, \$0.09 per share	-	-	-	-	-	-	-	-	(1,022)	(1,022)
Conversion of Series C preferred stock to common stock	(432)	(43)	2,394	-	43	-	-	-	-	-
Increase in ESOP obligation, net of repayments	-	-	-	-	-	(268)	-	-	-	(268)
Exercise of stock options	-	-	6,155	1	79	-	-	-	-	80
Tax benefit resulting from distribution from Directors Deferred Compensation Plan	-	-	-	-	420	-	-	-	-	420
Stock option expense	-	-	-	-	85	-	-	-	-	85
Change in accumulated other comprehensive income	-	-	-	-	-	-	1,031	-	-	1,031
Balance – March 31, 2015	125,248	\$41,325	11,500,252	\$1,150	\$113,371	\$(518)	\$3,888	\$(3,295)	\$54,735	\$210,656

See notes to unaudited consolidated financial statements.

Table of Contents

MidSouth Bancorp, Inc. and Subsidiaries
 Consolidated Statements of Cash Flows (unaudited)
 (in thousands)

	For the Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net earnings	\$1,491	\$6,858
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	1,555	1,473
Accretion of purchase accounting adjustments	(189)	(981)
Provision for loan losses	6,000	550
Provision for deferred tax expense	(1,951)	277
Amortization of premiums on securities, net	633	930
Amortization of other investments	-	1
Stock option expense	85	195
Net gain on sale of investment securities	(115)	-
Net (gain) loss on sale of other real estate owned	(50)	26
Net write down of other real estate owned	29	31
Net gain on sale/disposal of premises and equipment	(1)	(28)
Change in accrued interest receivable	(106)	197
Change in accrued interest payable	(4)	(204)
Change in other assets & other liabilities, net	1,684	1,565
Net cash provided by operating activities	9,061	10,890
Cash flows from investing activities:		
Proceeds from maturities and calls of securities available-for-sale	17,988	12,316
Proceeds from maturities and calls of securities held-to-maturity	3,326	4,191
Proceeds from sale of securities available-for-sale	34,509	-
Purchases of securities available-for-sale	(73,853)	-
Purchases of securities held-to-maturity	-	(1,104)
Proceeds from redemptions of other investments	-	150
Proceeds from sale of other investments	349	-
Purchases of other investments	(3)	(3)
Net change in loans	(28,461)	(46,021)
Purchases of premises and equipment	(1,362)	(1,634)
Proceeds from sale of premises and equipment	4	32
Proceeds from sale of other real estate owned	532	15
Net cash used in investing activities	(46,971)	(32,058)
Cash flows from financing activities:		
Change in deposits	30,901	29,206
Change in securities sold under agreements to repurchase	25,248	(1,921)
Borrowings on Federal Home Loan Bank advances	25,000	25,000
Repayments of Federal Home Loan Bank advances	(25,000)	(25,015)
Repayments of notes payable	(15)	(250)
Proceeds and tax benefit from exercise of stock options	80	-
Tax benefit resulting from distribution from Directors Deferred Compensation Plan	420	-
Payment of dividends on preferred stock	(174)	(180)

Edgar Filing: MIDSOUTH BANCORP INC - Form 10-Q

Payment of dividends on common stock	(1,020)	(900)
Net cash provided by financing activities	55,440	25,940
Net increase in cash and cash equivalents	17,530	4,772
Cash and cash equivalents, beginning of period	86,872	59,731
Cash and cash equivalents, end of period	\$104,402	\$64,503
Supplemental cash flow information:		
Interest paid	\$1,427	\$1,708
Noncash investing and financing activities:		
Change in accrued common stock dividends	1	-
Financed sales of other real estate	-	84
Net change in loan to ESOP	(268)	-

See notes to unaudited consolidated financial statements.

7

Table of Contents

MidSouth Bancorp, Inc. and Subsidiaries
 Notes to Interim Consolidated Financial Statements
 March 31, 2015
 (Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements and notes thereto contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly, in accordance with accounting principles generally accepted in the United States of America ("GAAP"), the financial position of MidSouth Bancorp, Inc. (the "Company") and its subsidiaries as of March 31, 2015 and the results of their operations and their cash flows for the periods presented. The interim financial information should be read in conjunction with the annual consolidated financial statements and the notes thereto included in the Company's 2014 Annual Report on Form 10-K.

The results of operations for the three-month period ended March 31, 2015 are not necessarily indicative of the results to be expected for the entire year.

Use of Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Summary of Significant Accounting Policies — The accounting and reporting policies of the Company conform with GAAP and general practices within the banking industry. There have been no material changes or developments in the application of accounting principles or in our evaluation of the accounting estimates and the underlying assumptions or methodologies that we believe to be Critical Accounting Policies and Estimates as disclosed in our 2014 Annual Report on Form 10-K.

2. Investment Securities

The portfolio of investment securities consisted of the following (in thousands):

	March 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Obligations of state and political subdivisions	\$41,336	\$ 1,476	\$ 35	\$42,777
GSE mortgage-backed securities	101,185	3,669	66	104,788
Collateralized mortgage obligations: residential	131,373	614	820	131,167
Collateralized mortgage obligations: commercial	17,459	93	69	17,483
Collateralized debt obligation	256	1,096	-	1,352
Mutual funds	2,100	23	-	2,123
	\$293,709	\$ 6,971	\$ 990	\$299,690
	December 31, 2014			
	Amortized	Gross	Gross	Fair

Edgar Filing: MIDSOUTH BANCORP INC - Form 10-Q

	Cost	Unrealized Gains	Unrealized Losses	Value
Available-for-sale:				
U.S. Government sponsored enterprises	\$ 10,339	\$ -	\$ 112	\$ 10,227
Obligations of state and political subdivisions	43,079	1,555	29	44,605
GSE mortgage-backed securities	106,208	3,183	288	109,103
Collateralized mortgage obligations: residential	62,093	266	1,520	60,839
Collateralized mortgage obligations: commercial	24,462	190	107	24,545
Other asset-backed securities	24,041	321	19	24,343
Collateralized debt obligation	266	952	-	1,218
Mutual funds	2,100	4	-	2,104
	\$ 272,588	\$ 6,471	\$ 2,075	\$ 276,984

8

Table of Contents

	March 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-maturity:				
Obligations of state and political subdivisions	\$45,343	\$ 621	\$ 56	\$45,908
GSE mortgage-backed securities	64,710	1,552	85	66,177
Collateralized mortgage obligations: residential	12,339	-	270	12,069
Collateralized mortgage obligations: commercial	15,200	108	-	15,308
	\$137,592	\$ 2,281	\$ 411	\$139,462
	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-maturity:				
Obligations of state and political subdivisions	\$45,914	\$ 267	\$ 192	\$45,989
GSE mortgage-backed securities	67,268	1,080	164	68,184
Collateralized mortgage obligations: residential	12,709	-	479	12,230
Collateralized mortgage obligations: commercial	15,310	53	173	15,190
	\$141,201	\$ 1,400	\$ 1,008	\$141,593

With the exception of three private-label collateralized mortgage obligations (“CMOs”) with a combined balance remaining of \$41,000 at March 31, 2015, all of the Company’s CMOs are government-sponsored enterprise (“GSE”) securities.

The amortized cost and fair value of debt securities at March 31, 2015 by contractual maturity are shown in the following table (in thousands) with the exception of other asset-backed securities, mortgage-backed securities, CMOs, and the collateralized debt obligation. Expected maturities may differ from contractual maturities for mortgage-backed securities and CMOs because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Available-for-sale:		
Due in one year or less	\$6,916	\$6,998
Due after one year through five years	18,900	19,694
Due after five years through ten years	12,422	12,972
Due after ten years	3,098	3,113
Mortgage-backed securities and collateralized mortgage obligations:		
Residential	232,558	235,955
Commercial	17,459	17,483
Collateralized debt obligation	256	1,352
Mutual funds	2,100	2,123
	\$293,709	\$299,690

Table of Contents

	Amortized Cost	Fair Value
Held-to-maturity:		
Due in one year or less	\$ 595	\$ 600
Due after one year through five years	2,819	2,857
Due after five years through ten years	12,205	12,346
Due after ten years	29,724	30,105
Mortgage-backed securities and collateralized mortgage obligations:		
Residential	77,049	78,246
Commercial	15,200	15,308
	\$ 137,592	\$ 139,462

Details concerning investment securities with unrealized losses are as follows (in thousands):

	March 31, 2015		Securities with losses		Total	Gross Unrealized
	Securities with losses under 12 months		Securities with losses over 12 months			
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Available-for-sale:						
Obligations of state and political subdivisions	\$3,241	\$ 35	\$-	\$ -	\$3,241	\$ 35
GSE mortgage-backed securities	12,876	33	8,249	33	21,125	66
Collateralized mortgage obligations: residential	24,659	103	35,097	717	59,756	820
Collateralized mortgage obligations: commercial	-	-	3,617	69	3,617	69
	\$40,776	\$ 171	\$46,963	\$ 819	\$87,739	\$ 990

Table of Contents

Management evaluates each quarter whether unrealized losses on securities represent impairment that is other than temporary. For debt securities, the Company considers its intent to sell the securities or if it is more likely than not the Company will be required to sell the securities. If such impairment is identified, based upon the intent to sell or the more likely than not threshold, the carrying amount of the security is reduced to fair value with a charge to earnings. Upon the result of the aforementioned review, management then reviews for potential other than temporary impairment based upon other qualitative factors. In making this evaluation, management considers changes in market rates relative to those available when the security was acquired, changes in market expectations about the timing of cash flows from securities that can be prepaid, performance of the debt security, and changes in the market's perception of the issuer's financial health and the security's credit quality. If determined that a debt security has incurred other than temporary impairment, then the amount of the credit related impairment is determined. If a credit loss is evident, the amount of the credit loss is charged to earnings and the non-credit related impairment is recognized through other comprehensive income.

As of March 31, 2015, 37 securities had unrealized losses totaling 1.21% of the individual securities' amortized cost basis and 0.33% of the Company's total amortized cost basis. Of the 37 securities, 20 had been in an unrealized loss position for over twelve months at March 31, 2015. These 20 securities had an amortized cost basis and unrealized loss of \$70.9 million and \$1.2 million, respectively. The unrealized losses on debt securities at March 31, 2015 resulted from changing market interest rates over the yields available at the time the underlying securities were purchased. Management identified no impairment related to credit quality. At March 31, 2015, management had the intent and ability to hold impaired securities and no impairment was evaluated as other than temporary. As a result, no other than temporary impairment losses were recognized during the three months ended March 31, 2015.

During the three months ended March 31, 2015, the Company sold 18 securities classified as available-for-sale at a net gain of \$115,000. Of the 18 securities sold, 8 were sold with gains totaling \$250,000 and 10 securities were sold at a loss of \$135,000. During the three months ended March 31, 2014, the Company did not sell any securities.

Securities with an aggregate carrying value of approximately \$294.4 million and \$279.8 million at March 31, 2015 and December 31, 2014, respectively, were pledged to secure public funds on deposit and for other purposes required or permitted by law.

3. Credit Quality of Loans and Allowance for Loan Losses

The loan portfolio consisted of the following (in thousands):

	March 31, 2015	December 31, 2014
Commercial, financial and agricultural	\$484,508	\$467,147
Real estate - construction	76,964	68,577
Real estate – commercial	471,737	467,172
Real estate – residential	153,647	154,602
Installment loans to individuals	115,284	119,328
Lease financing receivable	6,350	4,857
Other	2,439	2,748
	1,310,929	1,284,431
Less allowance for loan losses	(16,060)	(11,226)
	\$1,294,869	\$1,273,205

The Company monitors loan concentrations and evaluates individual customer and aggregate industry leverage, profitability, risk rating distributions, and liquidity for each major standard industry classification segment. At March 31, 2015, one industry segment concentration, the oil and gas industry, constituted more than 10% of the loan

portfolio. The Company's exposure in the oil and gas industry, including related service and manufacturing industries, totaled approximately \$287.6 million, or 21.9% of total loans. Additionally, the Company's exposure to loans secured by commercial real estate is monitored. At March 31, 2015, loans secured by commercial real estate (including commercial construction, farmland and multifamily loans) totaled approximately \$521.9 million. Of the \$521.9 million, \$471.7 million represent CRE loans, 55% of which are secured by owner-occupied commercial properties. Of the \$521.9 million in loans secured by commercial real estate, \$8.1 million, or 1.6%, were on nonaccrual status at March 31, 2015.

Allowance for Loan Losses

The allowance for loan losses is a valuation account available to absorb probable losses on loans. All losses are charged to the allowance for loan losses when the loss actually occurs or when a determination is made that a loss is likely to occur. Recoveries are credited to the allowance for loan losses at the time of recovery. Quarterly, the probable level of losses in the existing portfolio is estimated through consideration of various factors. Based on these estimates, the allowance for loan losses is increased by charges to earnings and decreased by charge offs (net of recoveries).

Table of Contents

The allowance is composed of general reserves and specific reserves. General reserves are determined by applying loss percentages to segments of the portfolio. The loss percentages are based on each segment's historical loss experience, generally over the past twelve to eighteen months, and adjustment factors derived from conditions in the Company's internal and external environment. All loans considered to be impaired are evaluated on an individual basis to determine specific reserve allocations in accordance with GAAP. Loans for which specific reserves are provided are excluded from the calculation of general reserves.

Loans acquired in business combinations are initially recorded at fair value, which includes an estimate of credit losses expected to be realized over the remaining lives of the loans, and therefore no corresponding allowance for loan losses is recorded for these loans at acquisition. Methods utilized to estimate any subsequently required allowance for loan losses for acquired loans not deemed credit-impaired at acquisition are similar to originated loans; however, the estimate of loss is based on the unpaid principal balance and then compared to any remaining unaccreted purchase discount. To the extent that the calculated loss is greater than the remaining unaccreted purchase discount, an allowance is recorded for such difference.

The Company has an internal loan review department that is independent of the lending function to challenge and corroborate the loan grade assigned by the lender and to provide additional analysis in determining the adequacy of the allowance for loan losses.

A rollforward of the activity within the allowance for loan losses by loan type and recorded investment in loans for the three months ended March 31, 2015 and 2014 is as follows (in thousands):

	March 31, 2015							Total
	Coml, Fin, and Agric	Real Estate Construction	Commercial	Residential	Installment loans to individuals	Lease financing receivable	Other	
Allowance for loan losses:								
Beginning balance	\$5,729	\$954	\$2,402	\$810	\$1,311	\$16	\$4	\$11,226
Charge-offs	(1,001)	(6)	-	(2)	(323)	-	-	(1,332)
Recoveries	132	-	6	2	26	-	-	166
Provision	5,523	3	202	7	260	4	1	6,000
Ending balance	\$10,383	\$951	\$2,610	\$817	\$1,274	\$20	\$5	\$16,060
Ending balance: individually evaluated for impairment	\$737	\$-	\$645	\$57	\$206	\$-	\$-	\$1,645
Ending balance: collectively evaluated for impairment	\$9,646	\$951	\$1,965	\$760	\$1,068	\$20	\$5	\$14,415
Loans:								
Ending balance	\$484,508	\$76,964	\$471,737	\$153,647	\$115,284	\$6,350	\$2,439	\$1,310,929
Ending balance: individually evaluated for impairment	\$2,427	\$477	\$7,977	\$1,471	\$405	\$-	\$-	\$12,757
Ending balance: collectively evaluated for impairment	\$482,081	\$76,487	\$463,106	\$152,087	\$114,879	\$6,350	\$2,439	\$1,297,429

Ending balance: loans
acquired with
deteriorated credit
quality

\$-	\$-	\$ 654	\$ 89	\$-	\$ -	\$-	\$743
-----	-----	--------	-------	-----	------	-----	-------

13

Table of Contents

March 31, 2014

Real Estate

	Coml, Fin, and Agric	Constructi	Commercial	Residential	Installment loans to individuals	Lease financing receivable	Other	Total
Allowance for loan losses:								
Beginning balance	\$3,906	\$1,046	\$1,389	\$1,141	\$1,273	\$21	\$3	\$8,779
Charge-offs	(431)	(1)	(13)	(84)	(159)	-	-	(688)
Recoveries	14	-	37	8	65	-	-	124
Provision	749	36	8	(172)	(69)	(2)	-	550
Ending balance	\$4,238	\$1,081	\$1,421	\$893	\$1,110	\$19	\$3	\$8,765
Ending balance: individually evaluated for impairment	\$86	\$3	\$57	\$71	\$131	\$-	\$-	\$348
Ending balance: collectively evaluated for impairment	\$4,152	\$1,078	\$1,364	\$822	\$979	\$19	\$3	\$8,417
Loans:								
Ending balance	\$435,523	\$78,988	\$408,546	\$150,551	\$101,869	\$5,102	\$3,610	\$1,184,189
Ending balance: individually evaluated for impairment	\$2,273	\$154	\$3,195	\$951	\$292	\$-	\$-	\$6,865
Ending balance: collectively evaluated for impairment	\$433,250	\$78,834	\$404,652	\$149,442	\$101,577	\$5,102	\$3,610	\$1,176,467
Ending balance: loans acquired with deteriorated credit quality	\$-	\$-	\$699	\$158	\$-	\$-	\$-	\$857

Non-Accrual and Past Due Loans

Loans are considered past due if the required principal and interest payment have not been received as of the date such payments were due. Loans are placed on non-accrual status when, in management's opinion, the probability of collection of interest is deemed insufficient to warrant further accrual. For loans placed on non-accrual status, the accrual of interest is discontinued and subsequent payments received are applied to the principal balance. Interest income is recorded after principal has been satisfied and as payments are received. Non-accrual loans may be returned to accrual status if all principal and interest amounts contractually owed are reasonably assured of repayment within a reasonable period and there is a period of at least six months to one year of repayment performance by the borrower depending on the contractual payment terms.

Edgar Filing: MIDSOUTH BANCORP INC - Form 10-Q

Table of Contents

An age analysis of past due loans (including both accruing and non-accruing loans) is as follows (in thousands):

	March 31, 2015						Recorded Investment > 90 days and Accruing
	30-59	60-89	Greater	Total	Current	Total	
	Days	Days	than 90				
	Past	Past	Past				
	Due	Due	Due	Due	Loans		
Commercial, financial, and agricultural	\$2,767	\$761	\$2,306	\$5,834	\$478,674	\$484,508	\$ 3
Commercial real estate - construction	17	-	13	30	50,164	50,194	-
Commercial real estate - other	12,643	639	4,372	17,654	454,083	471,737	-
Residential - construction	-	-	433	433	26,337	26,770	-
Residential - prime	2,226	225	1,010	3,461	150,186	153,647	-
Consumer - credit card	9	13	-	22	5,664	5,686	-
Consumer - other	603	106	321	1,030	108,568	109,598	37
Lease financing receivable	-	-	-	-	6,350	6,350	-
Other loans	62	-	-	62	2,377	2,439	-
	\$18,327	\$1,744	\$8,455	\$28,526	\$1,282,403	\$1,310,929	\$ 40

	December 31, 2014						Recorded Investment > 90 days and Accruing
	30-59	60-89	Greater	Total	Current	Total	
	Days	Days	than 90				
	Past	Past	Past				
	Due	Due	Due	Due	Loans		
Commercial, financial, and agricultural	\$2,179	\$654	\$2,556	\$5,389	\$461,758	\$467,147	\$ 26
Commercial real estate - construction	15	-	105	120	43,390	43,510	97
Commercial real estate - other	4,989	270	2,464	7,723	459,449	467,172	-
Residential - construction	431	-	-	431	24,636	25,067	-
Residential - prime	1,843	523	704	3,070	151,532	154,602	-
Consumer - credit card	5	19	18	42	5,970	6,012	18
Consumer - other	671	392	107	1,170	112,146	113,316	46
Lease financing receivable	-	-	-	-	4,857	4,857	-
Other loans	134	-	-	134	2,614	2,748	-
	\$10,267	\$1,858	\$5,954	\$18,079	\$1,266,352	\$1,284,431	\$ 187

Non-accrual loans are as follows (in thousands):

	March 31, 2015	December 31, 2014
Commercial, financial, and agricultural	\$2,413	\$2,642
Commercial real estate - construction	43	54
Commercial real estate - other	8,012	6,429
Residential - construction	433	-
Residential - prime	1,585	1,194
Consumer - credit card	-	-
Consumer - other	408	382
Lease financing receivable	-	-

Other	-	-
	\$12,894	\$ 10,701

Table of Contents

The amount of interest that would have been recorded on non-accrual loans, had the loans not been classified as non-accrual, totaled approximately \$342,000 and \$118,000 for the three months ended March 31, 2015 and 2014, respectively. Interest actually received on non-accrual loans at March 31, 2015 and 2014 was \$11,000 and \$88,000, respectively.

Impaired Loans

Loans are considered impaired when, based upon current information, it is probable the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. All loans classified as special mention, substandard, or doubtful, based on credit risk rating factors, are reviewed to determine whether impairment testing is appropriate. An allowance for each impaired loan is calculated based on the present value of expected future cash flows discounted at the loan's effective interest rate or at the loan's observable market price or the fair value of the collateral if the loan is collaterally dependent. All impaired loans are reviewed, at a minimum, on a quarterly basis. Existing valuations are reviewed to determine if additional discounts or new appraisals are required. After this review, when comparing the resulting collateral valuation to the outstanding loan balance, if the discounted collateral value exceeds the loan balance no specific allocation is reserved. Acquired impaired loans are generally not subject to individual evaluation for impairment and are not reported with impaired loans or troubled debt restructurings, even if they would otherwise qualify for such treatment.

Loans that are individually evaluated for impairment are as follows (in thousands):

	March 31, 2015			Average	Interest
	Recorded	Unpaid	Related	Recorded	Income
	Investment	Principal	Allowance	Investment	Recognized
With no related allowance recorded:					
Commercial, financial, and agricultural	\$407	\$490	\$ -	\$ 422	\$ -
Commercial real estate – construction	43	43	-	49	-
Commercial real estate – other	3,852	3,852	-	2,886	12
Residential – prime	1,057	1,057	-	800	5
Residential – construction	434	434	-	217	-
Consumer – other	56	56	-	67	-
Subtotal:	5,849	5,932	-	4,441	17
With an allowance recorded:					
Commercial, financial, and agricultural	2,020	2,134	737	2,119	-
Commercial real estate – other	4,125	4,125	645	4,296	-
Residential – prime	414	434	57	471	-
Consumer – other	349	363	206	324	1
Subtotal:	6,908	7,056	1,645	7,210	1
Totals:					
Commercial	10,447	10,644	1,382	9,772	12
Residential	1,905	1,925	57	1,488	5
Consumer	405	419	206	391	1
Grand total:	\$12,757	\$12,988	\$ 1,645	\$ 11,651	\$ 18

Table of Contents

	December 31, 2014			Average	Interest
	Recorded	Unpaid	Related	Recorded	Income
	Investmen	Balance	Allowance	Investment	Recognized
With no related allowance recorded:					
Commercial, financial, and agricultural	\$438	\$521	\$ -	\$ 554	\$ -
Commercial real estate – construction	54	54	-	58	-
Commercial real estate – other	1,921	1,921	-	1,885	17
Residential – prime	543	543	-	534	15
Consumer – other	78	78	-	72	-
Subtotal:	3,034	3,117	-	3,103	32
With an allowance recorded:					
Commercial, financial, and agricultural	2,218	2,333	1,010	1,394	35
Commercial real estate – construction	-	-	-	19	-
Commercial real estate – other	4,467	4,467	1,484	2,416	220
Residential – prime	529	548	68	452	3
Consumer – other	299	313	179	252	4
Subtotal:	7,513	7,661	2,741	4,533	262
Totals:					
Commercial	9,098	9,296	2,494	6,326	272
Residential	1,072	1,091	68	986	18
Consumer	377	391	179	324	4
Grand total:	\$10,547	\$10,778	\$ 2,741	\$ 7,636	\$ 294

Credit Quality

The Company manages credit risk by observing written underwriting standards and lending policy established by the Board of Directors and management to govern all lending activities. The risk management program requires that each individual loan officer review his or her portfolio on a quarterly basis and assign recommended credit ratings on each loan. These efforts are supplemented by independent reviews performed by a loan review officer and other validations performed by the internal audit department. The results of the reviews are reported directly to the Audit Committee of the Board of Directors.

Loans can be classified into the following three risk rating grades: pass, special mention, and substandard/doubtful. Factors considered in determining a risk rating grade include debt service capacity, capital structure/liquidity, management, collateral quality, industry risk, company trends/operating performance, repayment source, revenue diversification/customer concentration, quality of financial information, and financing alternatives. Pass grade signifies the highest quality of loans to loans with reasonable credit risk, which may include borrowers with marginally adequate financial performance, but have the ability to repay the debt. Special mention loans have potential weaknesses that warrant extra attention from the loan officer and other management personnel, but still have the ability to repay the debt. Substandard classification includes loans with well-defined weaknesses with risk of potential loss. Loans classified as doubtful are considered to have little recovery value and are charged off.

Table of Contents

The following tables present the classes of loans by risk rating (in thousands):

March 31, 2015

Commercial Credit Exposure
Credit Risk Profile by
Creditworthiness Category

	Commercial, financial, and agricultural	Commercial real estate - construction	Commercial real estate - other	Total	% of Total
Pass	\$442,711	\$ 50,022	\$ 435,848	\$928,581	92.26 %
Special mention	5,749	129	5,865	11,743	1.17 %
Substandard	35,638	43	30,024	65,705	6.53 %
Doubtful	410	-	-	410	0.04 %
	\$484,508	\$ 50,194	\$ 471,737	\$1,006,439	100.00%

Residential Credit Exposure
Credit Risk Profile by
Creditworthiness Category

	Residential - construction	Residential - prime	Total	% of Total
Pass	\$ 26,337	\$ 149,498	\$175,835	97.46 %
Special mention	-	1,180	1,180	0.65 %
Substandard	433	2,969	3,402	1.89 %
	\$ 26,770	\$ 153,647	\$180,417	100.00%

Consumer and Commercial Credit
Exposure
Credit Risk Profile Based on
Payment Activity

	Consumer - credit card	Consumer - other	Lease financing receivable	Other	Total	% of Total
Performing	\$ 5,684	\$109,157	\$ 6,350	\$ 2,439	\$123,630	99.64 %
Nonperforming	2	441	-	-	443	0.36 %
	\$ 5,686	\$109,598	\$ 6,350	\$ 2,439	\$124,073	100.00%

Table of Contents

December 31, 2014

Commercial Credit Exposure
Credit Risk Profile by
Creditworthiness Category

	Commercial, financial, and agricultural	Commercial real estate - construction	Commercial real estate - other	Total	Percentage of Total	
Pass	\$ 456,221	\$ 43,320	\$ 440,281	\$ 939,822	96.11	%
Special mention	4,861	132	7,120	12,113	1.24	%
Substandard	5,541	58	19,771	25,370	2.60	%
Doubtful	524	-	-	524	0.05	%
	\$ 467,147	\$ 43,510	\$ 467,172	\$ 977,829	100.00	%

Residential Credit Exposure
Credit Risk Profile by
Creditworthiness Category

	Residential - construction	Residential - prime	Total	Percentage of Total	
Pass	\$ 25,067	\$ 150,664	\$ 175,731	97.81	%
Special mention	-	1,184	1,184	0.66	%
Substandard	-	2,754	2,754	1.53	%
	\$ 25,067	\$ 154,602	\$ 179,669	100.00	%

Consumer and Commercial Credit
Exposure
Credit Risk Profile Based on
Payment Activity

	Consumer - credit card	Consumer - other	Lease financing receivable	Other	Total	Percentage of Total	
Performing	\$ 5,995	\$ 112,893	\$ 4,857	\$ 2,748	\$ 126,493	99.65	%
Nonperforming	17	423	-	-	440	0.35	%
	\$ 6,012	\$ 113,316	\$ 4,857	\$ 2,748	\$ 126,933	100.00	%

Troubled Debt Restructurings

A troubled debt restructuring (“TDR”) is a restructuring of a debt made by the Company to a debtor for economic or legal reasons related to the debtor’s financial difficulties that it would not otherwise consider. The Company grants the concession in an attempt to protect as much of its investment as possible.

Information about the Company’s TDRs is as follows (in thousands):

March 31, 2015			
Current	Past Due Greater	Nonaccrual TDRs	Total TDRs

Edgar Filing: MIDSOUTH BANCORP INC - Form 10-Q

		Than		
		30		
		Days		
Commercial, financial and agricultural	\$20	\$ -	\$ 234	\$ 254
Real estate - commercial	153	-	-	153
	\$173	\$ -	\$ 234	\$ 407

Table of Contents

	December 31, 2014			
	Past Due Greater Than 30 Current Days			
		Nonaccrual TDRs	Total TDRs	
Commercial, financial and agricultural	\$21	\$ -	\$ 234	\$ 255
Real estate - commercial	155	-	-	155
	\$176	\$ -	\$ 234	\$ 410

During the three months ended March 31, 2015, there were no loans identified as a TDR, and there were no defaults on any loans that were modified as TDRs during the preceding twelve months. During the three months ended March 31, 2014, there was one loan relationship with a pre-modification balance of \$1.2 million identified as a TDR through a modification of the original loan terms, and there were no defaults on any loans that were modified as TDRs during the preceding twelve months. For purposes of the determination of an allowance for loan losses on these TDRs, as an identified TDR, the Company considers a loss probable on the loan and, as a result is reviewed for specific impairment in accordance with the Company's allowance for loan loss methodology. If it is determined losses are probable on such TDRs, either because of delinquency or other credit quality indicator, the Company establishes specific reserves for these loans. As of March 31, 2015, there were no commitments to lend additional funds to debtors owing sums to the Company whose terms have been modified in TDRs.

4. Intangibles

A summary of core deposit intangible assets as of March 31, 2015 and December 31, 2014 is as follows (in thousands):

	March 31, 2015	December 31, 2014
Gross carrying amount	\$11,674	\$ 11,674
Less accumulated amortization	(5,116)	(4,840)
Net carrying amount	\$6,558	\$ 6,834

5. Other Comprehensive Income

The following is a summary of the tax effects allocated to each component of other comprehensive income (in thousands):

	Three Months Ended March 31,					
	2015		2014			
	Before Tax Amount	Tax Effect	Net of Tax Amount	Before Tax Amount	Tax Effect	Net of Tax Amount
Other comprehensive income:						
Securities available-for-sale:						
Change in unrealized gain during period	\$1,701	\$(595)	\$ 1,106	\$2,946	\$(1,031)	\$ 1,915
Reclassification adjustment for gains included in net income	(115)	40	(75)	-	-	-
Total other comprehensive income	\$1,586	\$(555)	\$ 1,031	\$2,946	\$(1,031)	\$ 1,915

Table of Contents

The reclassifications out of accumulated other comprehensive income into net income are presented below (in thousands):

	Three Months Ended March 31, 2015	2014
Details about Accumulated Other Comprehensive Income Components	Reclassifications Out of Accumulated Other Comprehensive Income	Reclassifications Out of Accumulated Other Comprehensive Income
	Income Statement Line Item	Income Statement Line Item
Unrealized gains and losses on securities available-for-sale:		
	Gain on sale of securities, net	Gain on sale of securities, net
	\$ (115) 40	\$ -
	Tax expense	- Tax expense
	\$ (75) Net of tax	\$ - Net of tax

6. Declaration of Dividends

A first quarter dividend of \$0.09 per share for holders of common stock of record on March 13, 2015 was declared on January 21, 2015, and was paid on April 1, 2015. On January 21, 2015, the Company also declared a 1.00% dividend for holders of its Series C preferred stock of record on April 1, 2015, which was paid on April 15, 2015.

7. Earnings Per Common Share

Following is a summary of the information used in the computation of earnings per common share (in thousands):

	Three Months Ended March 31,	
	2015	2014
Net earnings available to common shareholders	\$ 1,318	\$ 6,678
Dividends on Series C preferred stock	-	100
Adjusted net earnings available to common shareholders	\$ 1,318	\$ 6,778
Weighted average number of common shares outstanding used in computation of basic earnings per common share	11,318	11,258
Effect of dilutive securities:		
Stock options	29	74
Convertible preferred stock and warrants	4	547
Weighted average number of common shares outstanding plus effect of dilutive securities – used in computation of diluted earnings per share	11,351	11,879

Options to acquire 134,822 and 18,003 shares of common stock were not included in computing diluted earnings per share for the quarters ended March 31, 2015 and 2014, respectively, because the effects of these shares were anti-dilutive as a result of the exercise price of such options. 518,086 shares issuable upon the conversion of outstanding convertible preferred stock were anti-dilutive and not included in the computation of diluted earnings per shares for the three months ended March 31, 2015.

8. Fair Value Measurement

The Company groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Table of Contents

Following is a description of valuation methodologies used for assets and liabilities which are either recorded or disclosed at fair value.

Cash and Due From Banks, Interest-Bearing Deposits in Banks and Federal Funds Sold—The carrying value of these short-term instruments is a reasonable estimate of fair value.

Securities Available-for-Sale—Securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange and U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter market funds. Securities are classified as Level 2 within the valuation hierarchy when the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the bond's terms and conditions, among other things. Level 2 inputs are used to value U.S. Agency securities, mortgage-backed securities, asset-backed securities, municipal securities, single issue trust preferred securities, certain pooled trust preferred securities, collateralized debt obligations and certain equity securities that are not actively traded.

Securities Held-to-Maturity—The fair value of securities held-to-maturity is estimated using the same measurement techniques as securities available-for-sale.

Other Investments—The carrying value of other investments is a reasonable estimate of fair value.

Loans—For disclosure purposes, the fair value of fixed rate loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings. For variable rate loans, the carrying amount is a reasonable estimate of fair value. The Company does not record loans at fair value on a recurring basis. No adjustment to fair value is taken related to illiquidity discounts. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management uses one of three methods to measure impairment, which, include collateral value, market value of similar debt, and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. Impaired loans where an allowance is established based on the fair value of collateral or where the loan balance has been charged down to fair value require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and adjusts the appraisal value by taking an additional discount for market conditions and there is no observable market price, the Company records the impaired loan as nonrecurring Level 3.

For non-performing loans, collateral valuations currently in file are reviewed for acceptability in terms of timeliness and applicability. Although each determination is made based on the facts and circumstances of each credit, generally valuations are no longer considered acceptable when there has been physical deterioration of the property from when it was last appraised, or there has been a significant change in the underlying assumptions of the appraisal. If the valuation is deemed to be unacceptable, a new appraisal is ordered. New appraisals are typically received within 4-6 weeks. While awaiting new appraisals, the valuation in the file is utilized, net of discounts. Discounts are derived from available relevant market data, selling costs, taxes, and insurance. Any perceived collateral deficiency utilizing the discounted value is specifically reserved (as required by ASC Topic 310) until the new appraisal is received or

charged off. Thus, provisions or charge-offs are recognized in the period the credit is identified as non-performing.

22

Table of Contents

The following sources are utilized to set appropriate discounts: in-market real estate agents, current local sales data, bank history for devaluation of similar property, Sheriff's valuations and buy/sell contracts. If a real estate agent is used to market and sell the property, values are discounted 10% for selling costs. Additional discounts may be applied if research from the above sources indicates a discount is appropriate given devaluation of similar property from the time of the initial valuation.

Other Real Estate—Other real estate (“ORE”) properties are adjusted to fair value upon transfer of the loans to other real estate, and annually thereafter to insure other real estate assets are carried at the lower of carrying value or fair value. Exceptions to obtaining initial appraisals are properties where a buy/sell agreement exists for the loan value or greater, or where a Sheriff's valuation has been received for properties liquidated through a Sheriff sale. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the ORE as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and adjusts the appraisal value by taking an additional discount for market conditions and there is no observable market prices, the Company records the ORE asset as nonrecurring Level 3.

Cash Surrender Value of Life Insurance Policies—Fair value for life insurance cash surrender value is based on cash surrender values indicated by the insurance companies.

Deposits—The fair value of demand deposits, savings accounts, NOW accounts, and money market deposits is the amount payable on demand at the reporting date. The fair value of fixed maturity certificates of deposit is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities. The estimated fair value does not include customer related intangibles.

Securities Sold Under Agreements to Repurchase—The fair value approximates the carrying value of securities sold under agreements to repurchase due to their short-term nature.