BANCORPSOUTH INC
Form 10-Q
November 07, 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 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	64-0659571
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Mississippi Plaza, 201 South Spring Street

Tupelo, Mississippi	38804
(Address of principal executive offices)	(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 [X] 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). [X] 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 [X] 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 [X]

As of October 31, 2016, the registrant had outstanding 93,652,099 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, 2016 (Unaudited)	December 31, 2015 (1)	September 30, 2015 (Unaudited)
	(Dollars in thousands, except per share amounts)		
ASSETS			
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
TOTAL ASSETS	$ 14,611,483	$ 13,798,662	$ 13,787,424
LIABILITIES			
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 sold under agreement to repurchase	468,969	405,937	425,203
Short-term Federal Home Loan Bank borrowings 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

Other liabilities	237,551	248,076	252,536
TOTAL LIABILITIES	12,887,379	12,143,218	12,142,604
SHAREHOLDERS' EQUITY			
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
TOTAL SHAREHOLDERS' EQUITY	1,724,104	1,655,444	1,644,820
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 14,611,483	$ 13,798,662	$ 13,787,424

(1) Derived from audited consolidated 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,	
	2016	2015	2016	2015
	(In thousands, except for per share amounts)			
INTEREST REVENUE:				
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
INTEREST EXPENSE:				
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 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 credit losses	114,590	114,070	335,065	337,452
NONINTEREST REVENUE:				
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
NONINTEREST EXPENSE:				
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

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.

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

	Three months ended September 30,		Nine months ended 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.

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

	Nine months ended 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)

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

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

	Nine months ended September 30,	
	2016	2015
Supplemental Cash Flow Information	(In thousands)	
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.

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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 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, 2016	2015	December 31, 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 and Florida Panhandle (In thousands)	Arkansas	Louisiana	Mississippi	Missouri	Tennessee	Tex
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
Home equity	96,539	43,963	69,255	227,952	23,328	144,835	14,8
Agricultural	7,734	81,798	27,160	67,213	5,032	12,864	40,0
Commercial and industrial-owner occupied	195,572	178,681	200,406	662,735	49,901	140,843	240
Construction, acquisition and development	127,828	101,148	58,844	353,188	24,535	163,247	292
Commercial real estate	284,543	356,121	223,016	608,483	199,928	196,105	372
Credit cards	-	-	-	-	-	-	-
All other	70,487	45,925	28,675	174,356	3,562	30,749	55,7
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 Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Outstanding	90+ Days Past Due still Accruing
	(In thousands)						
Commercial and industrial	$ 7,068	$ 1,840	$ 7,579	$ 16,487	$ 1,599,665	$ 1,616,152	$ 68
Real estate							
Consumer mortgages	12,961	6,346	12,563	31,870	2,579,517	2,611,387	1,660
Home equity	2,969	1,055	2,802	6,826	615,740	622,566	-
Agricultural	567	86	305	958	241,213	242,171	-
Commercial and industrial-owner occupied	2,265	40	5,290	7,595	1,660,882	1,668,477	-
Construction, acquisition and development	878	434	736	2,048	1,119,338	1,121,386	-
Commercial real estate	16,230	350	1,478	18,058	2,222,659	2,240,717	-
Credit cards	495	305	540	1,340	106,107	107,447	520
All other	800	299	46	1,145	427,313	428,458	7
Total	$ 44,233	$ 10,755	$ 31,339	$ 86,327	$ 10,572,434	$ 10,658,761	$ 2,255

	December 31, 2015						
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Outstanding	90+ Days Past Due still Accruing
	(In thousands)						
Commercial and industrial	$ 2,038	$ 817	$ 4,731	$ 7,586	$ 1,740,188	$ 1,747,774	$ 60
Real estate							
Consumer mortgages	13,827	4,692	13,604	32,123	2,440,079	2,472,202	1,655
Home equity	2,589	268	1,896	4,753	584,999	589,752	-
Agricultural	176	139	-	315	259,045	259,360	-
Commercial and industrial-owner occupied	1,189	3,105	4,034	8,328	1,609,101	1,617,429	-
Construction, acquisition and development	1,017	207	2,409	3,633	941,412	945,045	-
Commercial real estate	2,840	187	6,286	9,313	2,178,735	2,188,048	-

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.

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						
	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired (1)	Total
	(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.

	December 31, 2015						
	Pass	Special 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.

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)	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 month ended September 3 2016
	(In thousands)						
With no related allowance:							
Commercial and industrial	$ 6,131	$ 12,419	$ -	$ 6,038	$ 6,500	$ 3	$ 5
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	$ 47
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	-	-

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[illegible]
Total:							
Commercial and industrial	$ 6,188	$ 12,476	$ 66	$ 6,247	$ 7,385	$ 4	$ [illegible]
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[illegible]

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

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	December 31, 2015				
	Recorded Investment in Impaired Loans (1)	Unpaid Principal Balance of Impaired Loans	Related Allowance for Credit Losses	Average Recorded Investment	Interest Income Recognized
	(In thousands)				
With no related allowance:					
Commercial and industrial	$ 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 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	$ 72	$ 383	$ 78	$ 3,635	$ 84
Real estate:					
Consumer mortgages	-	-	-	368	9
Home equity	-	-	-	668	15
Agricultural	550	550	159	47	-
Commercial and industrial-owner occupied	-	-	326	1,866	51
Construction, acquisition and 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:					

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	Nine months ended September 30, 2016	Interest Income Rec Three months ended September 30, 2016	Nin end Sep 201
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

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	$

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	December 31, 2015				
	Recorded Investment in Impaired Loans, Including Accruing TDRs	Unpaid Principal Balance of Impaired Loans, Including Accruing TDRs	Related Allowance for Credit Losses	Average Recorded Investment	Interest Income 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 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	$ 968	$ 1,294	$ 181	$ 4,251	$ 114
Real estate:					
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	$ 8,023	$ 15,280	$ 181	$ 8,000	$ 209
Real estate:					
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

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

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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, 2016	2015	December 31, 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, 2016	2015	December 31, 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

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 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 of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded 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 of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded 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

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

	Year ended December 31, 2015		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
	(Dollars in thousands)		
Commercial and industrial	11	$ 1,472	$ 1,452
Real estate			
Consumer mortgages	21	1,230	1,144
Home equity	1	20	20
Agricultural	3	37	36
Commercial and industrial-owner occupied	13	6,357	6,329
Construction, acquisition and development	3	217	215
Commercial real estate	9	12,565	12,144
All other	7	94	88
Total	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
	(Dollars in thousands)	
Commercial and industrial	8	$ 3,804
Real estate		
Consumer mortgages	3	425
Commercial and industrial-owner occupied	1	126
Total	12	$ 4,355

	Nine months ended September 30, 2016		
	Number of Contracts	Recorded 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

	Year ended December 31, 2015	
	Number of Contracts	Recorded Investment
	(Dollars in thousands)	
Commercial and industrial	1	$ 84
Real estate		
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 September 30, 2016				
	Balance, Beginning of Period	Charge-offs	Recoveries	Provision	Balance, End of Period
	(In thousands)				
Commercial and industrial	$ 17,583	$ (2,068)	$ 814	$ 1,516	$ 17,845
Real estate					
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

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

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	Year ended December 31, 2015				
	Balance, Beginning of Period	Charge-offs	Recoveries	Provision	Balance, End of Period
	(In thousands)				
Commercial and industrial	$ 21,419	$ (10,022)	$ 2,035	$ 4,151	$ 17,583
Real estate					
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 occupied	16,325	(1,800)	2,834	(2,752)	14,607
Construction, acquisition and 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 September 30, 2015				
	Balance, Beginning of Period	Charge-offs	Recoveries	Provision	Balance, End of Period
	(In thousands)				
Commercial and industrial	$ 21,419	$ (3,829)	$ 1,681	$ 4,559	$ 23,830
Real estate					
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 occupied	16,325	(1,443)	2,527	(2,452)	14,957
Construction, acquisition and 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::

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	September 30, 2016 Recorded Balance of Impaired Loans (1)	Allowance for Impaired Loans and Leases	Allowance for All Other Loans and Leases	Total 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 Balance of Impaired Loans (1)	Allowance for Impaired Loans and Leases	Allowance for All Other Loans and Leases	Total 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.

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 September 30, 2016	2015	Year ended December 31, 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, 2016	2015	December 31, 2015
	(In thousands)		
Commercial and industrial	$ -	$ 84	$ 84
Real estate			
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:

	September 30, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair 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 Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair 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 Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair 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.

	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

	(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,					
	2016			2015		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS	(In thousands, except per share amounts)					
Income available to common shareholders	$ 37,817	94,304	$ 0.40	$ 34,343	96,203	$ 0.36
Effect of dilutive share-based awards	-	260		-	265	
Diluted EPS						
Income available to common shareholders plus assumed exercise of all outstanding share-based awards	$ 37,817	94,564	$ 0.40	$ 34,343	96,468	$ 0.36

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	Nine months ended September 30,					
	2016			2015		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS	(In thousands, except per share amounts)					
Income available to common shareholders	$ 95,058	94,378	$ 1.01	$ 106,322	96,396	$ 1.10
Effect of dilutive share-based awards	-	239		-	308	
Diluted EPS						
Income available to common shareholders plus assumed exercise of all outstanding 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,					
	2016			2015		
	Before tax amount	Tax effect	Net of tax amount	Before tax amount	Tax effect	Net of tax amount
Net unrealized (losses) gains on 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,					
	2016			2015		
	Before tax amount	Tax effect	Net of tax amount	Before tax amount	Tax effect	Net of tax amount
Net unrealized gains on available-for-sale securities:	(In thousands)					
Unrealized gains arising during holding period	$ 8,956	$ (3,424)	$ 5,532	$ 6,605	$ (2,550)	$ 4,055
Reclassification adjustment for net gains realized in net income (1)	(89)	34	(55)	(88)	34	(54)
Recognized employee benefit plan 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 Banking	Insurance 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 of September 30, 2016		As of December 31, 2015	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:	(In thousands)			
Core deposit intangibles	$ 27,801	$ 23,609	$ 27,801	$ 23,269
Customer relationship intangibles	43,918	29,591	49,639	34,922
Non-solicitation intangibles	1,550	849	1,650	1,042
Total	$ 73,269	$ 54,049	$ 79,090	$ 59,233
Unamortized intangible assets:				
Trade names	$ 688	$ -	$ 688	$ -

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Aggregate amortization expense for:	(In thousands)			
Core deposit intangibles	$ 112	$ 120	$ 340	$ 366
Customer relationship intangibles	737	754	2,075	2,376
Non-solicitation intangibles	74	75	257	300
Total	$ 923	$ 949	$ 2,672	$ 3,042

During the first nine months, customer relationship intangibles of $1.7 million with an amortization period of ten years was recorded as a result of the insurance agency acquisition. Also during the first nine months, non-solicitation intangibles of approximately $350,000 with an amortization period of 3.5 years was recorded as a result of the insurance agency acquisition.

The following table presents information regarding estimated amortization expense on the Company’s amortizable identifiable intangible assets for the year ending December 31, 2016 and the succeeding four years:

	Core Deposit Intangibles	Customer Relationship Intangibles	Non-Solicitation Intangibles	Total
Estimated Amortization Expense:	(In thousands)			
For the year ending December 31, 2016	$ 451	$ 2,852	$ 282	$ 3,585
For the year ending December 31, 2017	419	2,669	298	3,386
For the year ending December 31, 2018	390	2,267	281	2,938
For the year ending December 31, 2019	363	1,916	98	2,377
For the year ending December 31, 2020	340	1,511	-	1,851

NOTE 9 – PENSION BENEFITS

The following table presents the components of net periodic benefit costs for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	(In thousands)			
Service cost	$ 2,213	$ 2,615	$ 6,639	$ 7,845
Interest cost	2,341	2,588	7,023	7,764
Expected return on assets	(2,613)	(2,694)	(7,839)	(8,081)
Recognized prior service cost	(179)	(179)	(537)	(538)
Recognized net loss	1,690	1,976	5,070	5,928
Net periodic benefit costs	$ 3,452	$ 4,306	$ 10,356	$ 12,918

NOTE 10 – RECENT PRONOUNCEMENTS

In September 2014, the FASB issued an ASU regarding accounting for revenue from contracts with customers. This ASU implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i)identify the contract(s)with a customer, (ii)identify the performance obligations in the contract, (iii)determine the transaction price, (iv)allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as)the entity satisfies a performance obligation. ASU 2014-09 was originally going to be effective on January 1, 2017; however, the FASB issued ASU 2015-14, “Revenue from Contracts with Customers (Topic 606)–Deferral of the Effective Date" which deferred the effective date of ASU 2014-09 by one year to January 1, 2018. The Company is currently evaluating the potential impact of ASU 2014-09 on the financial statements.

In December 2014, the FASB issued an ASU regarding accounting for share-based payments. This ASU requires entities to apply existing guidance in Topic 718 to any performance target that affects vesting and that could be achieved after the requisite service period to be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. The amendments in this update are effective for interim and annual periods beginning after December 15, 2015. This ASU did not have a material impact on the financial position and results of operations of the Company.

In February 2016, the FASB issued an ASU regarding accounting for leases. ASU 2016-02 requires all leases, except short-term leases, to be recognized on the lessee’s balance sheet at commencement date as a lease liability for the obligation of lease payments and a right-of-use asset for the right to use/control a specified asset for the lease term.

This ASU is effective for interim and annual periods beginning after December 15, 2018. This ASU is not expected to have a material impact on the financial position and results of operations of the Company.

In March 2016, the FASB issued an ASU regarding stock compensation and improvements to employee share-based payment accounting. This ASU changes five aspects of the accounting for share-based payment award transactions including 1) accounting for income taxes; 2) classification of excess tax benefits on the statement of cash flows; 3) forfeitures; 4) minimum statutory tax withholding requirements; 5) classification of employee taxes paid on the statement of cash flows when an employer withholds shares for tax-withholding purposes. This ASU is effective for interim and annual periods beginning after December 15, 2016. This ASU will not have a material impact on the financial position and results of operations of the Company.

In June 2016, the FASB issued an ASU regarding credit losses on financial instruments. This ASU will provide financial statement users with more information regarding the expected credit losses on financial instruments and other commitments to extend credit at each reporting date rather than the incurred loss impairment method. This ASU is effective for interim and annual periods after December 15, 2019. The Company is currently evaluating the potential impact of this ASU on the financial statements.

In August 2016, the FASB issued an ASU regarding how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The update addresses eight specific cash flow items whose objective is to reduce existing diversity in practice. This ASU is effective for interim and annual periods after

December 15, 2017. The adoption of this ASU is not expected to have a material impact on the financial position and results of operations of the Company.

NOTE 11 - SEGMENT REPORTING

The Company is a financial holding company with subsidiaries engaged in the business of banking and activities closely related to banking. The Company determines reportable segments based upon the services offered, the significance of those services to the Company's financial condition and operating results and management's regular review of the operating results of those services. The Company's primary segment is Community Banking, which includes providing a full range of deposit products, commercial loans and consumer loans. The Company has also designated two additional reportable segments -- Insurance Agencies and General Corporate and Other. The Company's insurance agencies serve as agents in the sale of commercial lines of insurance and full lines of property and casualty, life, health and employee benefits products and services. The General Corporate and Other operating segment includes mortgage banking, trust services, credit card activities, investment services and other activities not allocated to the Community Banking or Insurance Agencies operating segments.

Results of operations and selected financial information by operating segment for the three-month and nine-month periods ended September 30, 2016 and 2015 were as follows:

	Community Banking (In thousands)	Insurance Agencies	General Corporate and Other	Total
Three months ended September 30, 2016:				
Results of Operations				
Net interest revenue	$ 104,939	$ 11	$ 9,640	$ 114,590
Provision for credit losses	(2,082)	-	2,082	-
Net interest revenue after provision for credit losses	107,021	11	7,558	114,590
Noninterest revenue	20,745	27,913	22,210	70,868
Noninterest expense	76,914	25,335	27,263	129,512
Income before income taxes	50,852	2,589	2,505	55,946
Income tax expense	17,050	1,051	28	18,129
Net income	$ 33,802	$ 1,538	$ 2,477	$ 37,817
Selected Financial Information				
Total assets at end of period	$ 10,790,604	$ 217,062	$ 3,603,817	$ 14,611,483
Depreciation and amortization	5,431	1,075	$ 835	7,341
Three months ended September 30, 2015:				
Results of Operations				
Net interest revenue	$ 101,202	$ 35	$ 9,833	$ 111,070

Provision for credit losses	(3,164)	-	164	(3,000)
Net interest revenue after provision for credit losses	104,366	35	9,669	114,070
Noninterest revenue	21,576	29,280	12,097	62,953
Noninterest expense	73,492	25,296	27,662	126,450
Income (loss) before income taxes	52,450	4,019	(5,896)	50,573
Income tax expense (benefit)	17,517	1,609	(2,896)	16,230
Net income (loss)	$ 34,933	$ 2,410	$ (3,000)	$ 34,343
Selected Financial Information				
Total assets at end of period	$ 10,131,502	$ 211,536	$ 3,444,386	$ 13,787,424
Depreciation and amortization	5,417	1,140	897	7,454

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	Community Banking	Insurance Agencies	General Corporate and Other	Total
	(In thousands)			
Nine months ended September 30, 2016				
Results of Operations				
Net interest revenue	$ 309,290	$ 45	$ 28,730	$ 338,065
Provision for credit losses	23	-	2,977	3,000
Net interest revenue after provision for credit losses	309,267	45	25,753	335,065
Noninterest revenue	61,788	89,821	54,457	206,066
Noninterest expense	241,117	75,598	83,815	400,530
Income (loss) before income taxes	129,938	14,268	(3,605)	140,601
Income tax expense (benefit)	43,998	5,702	(4,157)	45,543
Net income	$ 85,940	$ 8,566	$ 552	$ 95,058
Selected Financial Information				
Total assets at end of period	$ 10,790,604	$ 217,062	3,603,817	$ 14,611,483
Depreciation and amortization	15,972	3,169	2,554	21,695
Nine months ended September 30, 2015				
Results of Operations				
Net interest revenue	$ 295,720	$ 84	28,648	$ 324,452
Provision for credit losses	(12,963)	-	(37)	(13,000)
Net interest revenue after provision for credit losses	308,683	84	28,685	337,452
Noninterest revenue	62,193	90,801	57,588	210,582
Noninterest expense	232,704	76,110	82,746	391,560
Income before income taxes	138,172	14,775	3,527	156,474
Income tax expense (benefit)	45,417	5,923	(1,188)	50,152
Net income	$ 92,755	$ 8,852	$ 4,715	$ 106,322
Selected Financial Information				
Total assets at end of period	$ 10,131,502	$ 211,536	$ 3,444,386	$ 13,787,424
Depreciation and amortization	16,558	3,637	2,761	22,956

The change in income for the General, Corporate and Other division for the three months and nine months ended September 30, 2016 compared to the same periods in 2015 is mainly due to a change in mortgage banking revenue.

NOTE 12 – MORTGAGE SERVICING RIGHTS

Mortgage servicing rights (“MSRs”), which are recognized as a separate asset on the date the corresponding mortgage loan is sold on a servicing retained basis, are recorded at fair value as determined at each accounting period end. An estimate of the fair value of the Company’s MSRs is determined utilizing assumptions about factors such as mortgage interest rates, discount rates, mortgage loan prepayment speeds, market trends and industry demand. Data and assumptions used in the fair value calculation related to MSRs as of the dates indicated were as follows:

	September 30,		December 31,
	2016	2015	2015
	(Dollars in thousands)		
Unpaid principal balance	$6,285,027	$5,942,736	$6,011,236
Weighted-average prepayment speed (CPR)	12.7	11.1	10.3
Discount rate (annual percentage)	9.8	9.8	9.8
Weighted-average coupon interest rate (percentage)	4.0	4.1	4.0
Weighted-average remaining maturity (months)	322.0	317.0	319.0
Weighted-average servicing fee (basis points)	26.7	26.6	26.6

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Because the valuation is determined by using discounted cash flow models, the primary risk inherent in valuing the MSRs is the impact of fluctuating interest rates on the estimated life of the servicing revenue stream. The use of different estimates or assumptions could also produce different fair values. As of September 30, 2016, the Company had a hedge in place designed to cover approximately 3% of the MSR. The Company is susceptible to fluctuations in their value of its MSRs in changing interest rate environments.

The Company has only one class of mortgage servicing asset comprised of closed end loans for one-to-four family residences, secured by first liens. The following table presents the activity in this class for the periods indicated:

	2016	2015
	(In thousands)	
Fair value as of January 1	$ 57,268	$ 51,296
Additions:		
Origination of servicing assets	10,684	11,074
Changes in fair value:		
Due to payoffs/paydowns	(5,784)	(5,366)
Due to change in valuation inputs or assumptions used in the valuation model	(10,233)	(4,026)
Other changes in fair value	(5)	(5)
Fair value as of September 30	$ 51,930	$ 52,973

All of the changes to the fair value of the MSRs are recorded as part of mortgage banking noninterest revenue on the consolidated statements of income. As part of mortgage banking noninterest revenue, the Company recorded contractual servicing fees of $4.3 million and $4.0 million and late and other ancillary fees of approximately $243,000 and $320,000 for the three months ended September 30, 2016 and 2015, respectively. The Company recorded contractual servicing fees of $12.6 million and $11.9 million and late and other ancillary fees of $1.5 million and approximately $982,000 for the nine months ended September 30, 2016 and 2015, respectively.

NOTE 13 – DERIVATIVE INSTRUMENTS AND OFFSETTING ASSETS AND LIABILITIES

The derivatives held by the Company include commitments to fund fixed-rate mortgage loans to customers and forward commitments to sell individual fixed-rate mortgage loans. The Company's objective in obtaining the forward commitments is to mitigate the interest rate risk associated with the commitments to fund the fixed-rate mortgage loans. Both the commitments to fund fixed-rate mortgage loans and the forward commitments to sell individual fixed-rate mortgage loans are reported at fair value, with adjustments being recorded in current period earnings, and are not accounted for as hedges. At September 30, 2016, the notional amount of forward commitments to sell individual fixed-rate mortgage loans was $264.3 million with a carrying value and fair value reflecting a loss of $1.1 million. At September 30, 2015, the notional amount of forward commitments to sell individual fixed-rate mortgage loans was $229.5 million with a carrying value and fair value reflecting a loss of $2.1 million. At September 30, 2016, the notional amount of commitments to fund individual fixed-rate mortgage loans was $223.0 million with a carrying value and fair value reflecting a gain of $6.9 million. At September 30, 2015, the notional amount of commitments to fund individual fixed-rate mortgage loans was $158.1 million with a carrying value and fair value reflecting a gain of $4.9 million.

The Company also enters into derivative financial instruments in the form of interest rate swaps to meet the financing, interest rate and equity risk management needs of its customers. Upon entering into these interest rate swaps to meet customer needs, the Company enters into offsetting positions to minimize interest rate and equity risk to the Company. These derivative financial instruments are reported at fair value with any resulting gain or loss recorded in current period earnings. These instruments and their offsetting positions are recorded in other assets and other liabilities on the consolidated balance sheets. As of September 30, 2016, the notional amount of customer related derivative financial instruments was $231.3 million with an average maturity of 33 months, an average interest receive rate of 2.8% and an average interest pay rate of 5.6%. As of September 30, 2015, the notional amount of customer related derivative financial instruments was $272.6 million with an average maturity of 43 months, an average interest receive rate of 2.5% and an average interest pay rate of 5.6%.

Additionally, the Bank utilizes securities sold under agreements to repurchase to facilitate the needs of our customers and to facilitate secured short-term funding needs. Securities sold under agreements to repurchase are stated at the amount of cash received in connection with the transaction. The Bank monitors collateral levels on a continuous basis and may be required to provide additional collateral based on the fair value of the underlying securities.

Certain financial instruments such as derivatives, may be eligible for offset in the consolidated balance sheet and/or subject to master netting arrangements or similar agreements. The Bank's derivative transactions with upstream financial institution counterparties are generally executed under International Swaps and Derivative Association master agreements which include "right of set-off" provisions. In such cases there is generally a legally enforceable right to offset recognized amounts and there may be an intention to settle such amounts on a net basis. Nonetheless, the Bank does not generally offset such financial instruments for financial reporting purposes.

The following tables present components of financial instruments eligible for offsetting for the periods indicated:

	September 30, 2016					
				Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Gross Amount Recognized	Gross Amount Offset	Net Amount Recognized	Financial Instruments	Financial Collateral Pledged	Net Amount
	(In thousands)					
Financial assets:						
Derivatives:						
Forward commitments	$ 6,942	$ -	$ 6,942	$ -	$ -	$ 6,942
Loan/lease interest rate swaps	14,041	-	14,041	-	-	14,041
Total financial assets	$ 20,983	$ -	$ 20,983	$ -	$ -	$ 20,983
	.					
Financial liabilities:						
Derivatives:						
Forward commitments	$ 1,127	$ -	$ 1,127	$ -	$ -	$ 1,127
Loan/lease interest rate swaps	14,041	-	14,041	-	(14,041)	-
Repurchase arrangements	468,969	-	468,969	(468,969)	-	-
Total financial liabilities	$ 484,137	$ -	$ 484,137	$ (468,969)	$ (14,041)	$ 1,127

December 31, 2015

				Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Gross Amount Recognized	Gross Amount Offset	Net Amount Recognized	Financial Instruments	Financial Collateral Pledged	Net Amount
	(In thousands)					
Financial assets:						
Derivatives:						
Forward commitments	$ 3,894	$ -	$ 3,894	$ -	$ -	$ 3,894
Loan/lease interest rate swaps	15,614	-	15,614	-	-	15,614
Total financial assets	$ 19,508	$ -	$ 19,508	$ -	$ -	$ 19,508
Financial liabilities:						
Derivatives:						
Forward commitments	$ 395	$ -	$ 395	$ -	$ -	$ 395
Loan/lease interest rate swaps	15,856	-	15,856	-	(15,856)	-
Repurchase arrangements	405,937	-	405,937	(405,937)	-	-
Total financial liabilities	$ 422,188	$ -	$ 422,188	$ (405,937)	$ (15,856)	$ 395

	September 30, 2015			Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Gross Amount Recognized	Gross Amount Offset	Net Amount Recognized	Financial Instruments	Financial Collateral Pledged	Net Amount
	(In thousands)					
Financial assets:						
Derivatives:						
Forward commitments	$ 4,901	$ -	$ 4,901	$ -	$ -	$ 4,901
Loan/lease interest rate swaps	19,596	-	19,596	-	-	19,596
Total financial assets	$ 24,497	$ -	$ 24,497	$ -	$ -	$ 24,497
Financial liabilities:						
Derivatives:						
Forward commitments	$ 2,072	$ -	$ 2,072	$ -	$ -	$ 2,072
Loan/lease interest rate swaps	19,596	-	19,596	-	(19,596)	-
Repurchase arrangements	425,203	-	425,203	(425,203)	-	-
Total financial liabilities	$ 446,871	$ -	$ 446,871	$ (425,203)	$ (19,596)	$ 2,072

NOTE 14 – FAIR VALUE DISCLOSURES

“Fair value” is defined by FASB ASC 820, Fair Value Measurement (“FASB ASC 820”), as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. The hierarchy is broken down into the following three levels, based on the reliability of inputs:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Determination of Fair Value

The Company uses the valuation methodologies listed below to measure different financial instruments at fair value. An indication of the level in the fair value hierarchy in which each instrument is generally classified is included. Where appropriate, the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

Available-for-sale securities. Available-for-sale securities 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 determined by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities. The Company's available-for-sale securities that are traded on an active exchange, such as the New York Stock Exchange, are classified as Level 1. Available-for-sale securities valued using matrix pricing are classified as Level 2. Available-for-sale securities valued using matrix pricing that has been adjusted to compensate for the present value of expected cash flows, market liquidity, credit quality and volatility are classified as Level 3.

Mortgage servicing rights. The Company records MSRs at fair value on a recurring basis with subsequent remeasurement of MSRs based on change in fair value. An estimate of the fair value of the Company's MSRs is determined by utilizing assumptions about factors such as mortgage interest rates, discount rates, mortgage loan prepayment speeds, market trends and industry demand. All of the Company's MSRs are classified as Level 3. For additional information about the Company's valuation of MSRs, see Note 12, Mortgage Servicing Rights.

Derivative instruments. The Company's derivative instruments consist of commitments to fund fixed-rate mortgage loans to customers and forward commitments to sell individual fixed-rate mortgage loans. Fair value of these derivative instruments is measured on a recurring basis using recent observable market prices. The Company also enters into interest rate swaps to meet the financing, interest rate and equity risk management needs of its customers. The fair value of these instruments is either an observable market price or a discounted cash flow valuation using the terms of swap agreements but substituting original interest rates with prevailing interest rates ranging from 1.88% to 4.34%. The Company also considers the associated counterparty credit risk when determining the fair value of these instruments. The Company's interest rate swaps, commitments to fund fixed-rate mortgage loans to customers and forward commitments to sell individual fixed-rate mortgage loans are classified as Level 3.

Loans held for sale. Loans held for sale are carried at fair value. The fair value of loans held for sale is based on commitments outstanding from investors as well as what secondary markets are currently offering for portfolios with similar characteristics. Therefore, loans held for sale are subjected to recurring fair value adjustments and are classified as Level 2. The Company obtains quotes, bids or pricing indications on all or part of these loans directly from the buyers. Premiums and discounts received or to be received on the quotes, bids or pricing indications are indicative of the fact that the cost is lower or higher than fair value.

Impaired loans. Loans considered impaired under FASB ASC 310 are loans for which, based on current information and events, it is probable that the creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are subject to nonrecurring fair value adjustments to reflect (1) partial write-downs that are based on the observable market price or current appraised value of the collateral, or (2) the full charge-off of the loan carrying value. All of the Company's impaired loans are classified as Level 3.

Other real estate owned. OREO is carried at the lower of cost or estimated fair value, less estimated selling costs and is subject to nonrecurring fair value adjustments. Estimated fair value is determined on the basis of independent appraisals and other relevant factors less an average of 7% for estimated selling costs. All of the Company's OREO is classified as Level 3.

Off-Balance sheet financial instruments. The fair value of commitments to extend credit and standby letters of credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreement and the present creditworthiness of the counterparties. The Company has reviewed the unfunded portion of commitments to extend credit as well as standby and other letters of credit, and has determined that the fair value of such financial instruments is not material. The Company classifies the estimated fair value of credit-related financial instruments as Level 3.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following tables present the balances of the assets and liabilities measured at fair value on a recurring basis as of September 30, 2016 and 2015:

	September 30, 2016			
	Level 1	Level 2	Level 3	Total
Assets:	(In thousands)			
Available-for-sale securities:				
U.S. Government agencies	$ -	$ 1,691,866	$ -	$ 1,691,866
U.S. Government agency issued residential mortgage-backed securities	-	184,095	-	184,095
U.S. Government agency issued commercial mortgage-backed securities	-	178,827	-	178,827
Obligations of states and political subdivisions	-	384,995	-	384,995
Other	959	27,457	-	28,416
Mortgage servicing rights	-	-	51,930	51,930
Derivative instruments	-	-	20,741	20,741
Loans held for sale	-	204,441	-	204,441
Total	$ 959	$ 2,671,681	$ 72,671	$ 2,745,311
Liabilities:				
Derivative instruments	$ -	$ -	$ 15,168	$ 15,168

	September 30, 2015			
	Level 1	Level 2	Level 3	Total
Assets:	(In thousands)			
Available-for-sale securities:				
U.S. Government agencies	$ -	$ 1,255,717	$ -	$ 1,255,717
U.S. Government agency issued residential mortgage-backed securities	-	206,878	-	206,878
U.S. Government agency issued commercial mortgage-backed securities	-	229,922	-	229,922
Obligations of states and				

political subdivisions	-	451,600	-	451,600
Other	790	16,218	-	17,008
Mortgage servicing rights	-	-	52,973	52,973
Derivative instruments	-	-	24,197	24,197
Loans held for sale	-	170,175	-	170,175
Total	$ 790	$ 2,330,510	$ 77,170	$ 2,408,470
Liabilities:				
Derivative instruments	$ -	$ -	$ 21,668	$ 21,668

The following tables present the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the nine-month periods ended September 30, 2016 and 2015:

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	Mortgage Servicing Rights		Derivative Instruments	
	(In thousands)			
Balance at December 31, 2015	$	57,268	$	3,257
Year to date net gains included in:				
Net (loss) gain	(16,022)		2,316	
Other comprehensive income	-		-	
Additions	10,684		-	
Transfers in and/or out of Level 3	-		-	
Balance at September 30, 2016	$	51,930	$	5,573
Net unrealized gains included in net income for the quarter relating to Level 3 assets and liabilities at September 30, 2016	$	1,813	$	544

	Mortgage Servicing Rights		Derivative Instruments	
	(In thousands)			
Balance at December 31, 2014	$	51,296	$	623
Year to date net gains included in:				
Net (loss) gain	(9,397)		1,906	
Other comprehensive income	-		-	
Additions	11,074		-	
Transfers in and/or out of Level 3	-		-	
Balance at September 30, 2015	$	52,973	$	2,529
Net unrealized losses included in net income for the quarter relating to Level 3 assets and liabilities at September 30, 2015	$	(5,308)	$	(3,909)

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

The following tables present the balances of assets and liabilities measured at fair value on a nonrecurring basis as of September 30, 2016 and 2015:

	September 30, 2016				Nine Months Ended September 30, 2016
	Level 1	Level 2	Level 3	Total	Net losses
Assets:	(In thousands)				
Impaired loans (1)	$ -	$ -	$ 39,113	$ 39,113	$ (1,520)
Other real estate owned (2)	-	-	11,391	11,391	(1,389)

	September 30, 2015				Nine Months Ended September 30, 2015
	Level 1	Level 2	Level 3	Total	Net losses
Assets:	(In thousands)				
Impaired loans (1)	$ -	$ -	$ 40,736	$ 40,736	$ (6,744)
Other real estate owned (2)	-	-	23,696	23,696	(1,504)

(1) Represents carrying value of loans for which adjustments are required to be based on the appraised value of the collateral. Writedowns on these loans are recognized as part of provision.
(2) Represents the fair value and related losses of foreclosed properties that were measured subsequent to their initial classification as foreclosed assets.

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Fair Value of Financial Instruments

FASB ASC 825, Financial Instruments (“FASB ASC 825”), requires that the Company disclose estimated fair values for its financial instruments. Fair value estimates, methods and assumptions are set forth below for the Company's financial instruments.

Cash and Due From Banks. The carrying amounts for cash and due from banks approximate fair values due to their immediate and shorter-term maturities.

Loans and Leases. Fair values are estimated for portfolios of loans and leases with similar financial characteristics. The fair value of loans and leases is calculated by discounting scheduled cash flows through the estimated maturity using rates the Company would currently offer customers based on the credit and interest rate risk inherent in the loan or lease. Assumptions regarding credit risk, cash flows and discount rates are judgmentally determined using available market and borrower information. Estimated maturity represents the expected average cash flow period, which in some instances is different than the stated maturity. This entrance price approach results in a calculated fair value that would be different than an exit or estimated actual sales price approach and such differences could be significant. All of the Company’s loans and leases are classified as Level 3.

Deposit Liabilities. Under FASB ASC 825, the fair value of deposits with no stated maturity, such as noninterest bearing demand deposits, interest bearing demand deposits and savings, is equal to the amount payable on demand as of the reporting date. The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the prevailing rates offered for deposits of similar maturities. The Company’s noninterest bearing demand deposits, interest bearing demand deposits and savings are classified as Level 1. Certificates of deposit are classified as Level 2.

Debt. The carrying amounts for federal funds purchased and repurchase agreements approximate fair value because of their short-term maturity. The fair value of the Company’s fixed-term Federal Home Loan Bank (“FHLB”) advances is based on the discounted value of contractual cash flows. The discount rate is estimated using the prevailing rates available for advances of similar maturities. The fair value of the Company’s long-term borrowings with U.S. Bank is based on the LIBOR rates plus an interest rate spread. The fair value of the Company’s junior subordinated debt is based on market prices or dealer quotes. The Company’s federal funds purchased, repurchase agreements and junior subordinated debt are classified as Level 1. FHLB and U.S. Bank advances are classified as Level 2.

Lending Commitments. The Company’s lending commitments are negotiated at prevailing market rates and are relatively short-term in nature. As a matter of policy, the Company generally makes commitments for fixed-rate loans for relatively short periods of time. Therefore, the estimated value of the Company’s lending commitments approximates the carrying amount and is immaterial to the financial statements. The Company’s lending commitments are classified as Level 2. The Company's off-balance sheet commitments including letters of credit, which totaled $92.3 million at September 30, 2016, are funded at current market rates at the date they are drawn upon. It is management's opinion that the fair value of these commitments would approximate their carrying value, if drawn upon.

The following table presents carrying and fair value information of financial instruments at September 30, 2016 and December 31, 2015:

	September 30, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:	(In thousands)			
Cash and due from banks	$ 172,782	$ 172,782	$ 154,192	$ 154,192
Interest bearing deposits with other banks	151,944	151,944	43,777	43,777
Available-for-sale securities	2,468,199	2,468,199	2,082,329	2,082,329
Net loans and leases	10,532,874	10,682,407	10,246,320	10,331,043
Loans held for sale	204,441	204,441	157,907	157,907
Liabilities:				
Noninterest bearing deposits	3,308,361	3,308,361	3,031,528	3,031,528
Savings and interest bearing deposits	6,410,883	6,410,883	6,446,142	6,446,142
Other time deposits	1,870,815	1,888,068	1,853,491	1,867,034
Federal funds purchased and securities sold under agreement to repurchase and other short-term borrowings	468,969	468,135	467,946	467,263
Long-term debt and other borrowings	586,693	596,352	92,973	98,502
Derivative instruments:				
Forward commitments to sell fixed rate mortgage loans	(1,127)	(1,127)	109	109
Commitments to fund fixed rate mortgage loans	6,942	6,942	3,390	3,390
Interest rate swap position to receive	13,799	13,799	15,614	15,614
Interest rate swap position to pay	(14,041)	(14,041)	(15,856)	(15,856)

NOTE 15 – OTHER NONINTEREST REVENUE AND EXPENSE

The following table details other noninterest revenue for the three months and nine months ended September 30, 2016 and 2015:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015

	(In thousands)			
Bank-owned life insurance	$ 1,775	$ 1,842	$ 5,481	$ 5,576
Other miscellaneous income	2,699	3,156	9,446	9,181
Total other noninterest income	$ 4,474	$ 4,998	$ 14,927	$ 14,757

The following table details other noninterest expense for the three months and nine months ended September 30, 2016 and 2015:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	(In thousands)			
Advertising	$ 925	$ 812	$ 2,601	$ 3,279
Foreclosed property expense	859	808	3,349	4,404
Telecommunications	1,288	1,267	3,842	3,904
Public relations	718	588	1,978	2,067
Data processing	6,856	6,156	19,932	18,056
Computer software	2,976	2,595	8,368	7,891
Amortization of intangibles	923	949	2,672	3,042
Legal fees	1,064	1,233	7,353	10,912
Merger expense	-	8	2	12
Postage and shipping	1,059	1,030	3,161	3,396
Other miscellaneous expense	13,703	12,898	41,243	42,254
Total other noninterest expense	$ 30,371	$ 28,344	$ 94,501	$ 99,217

NOTE 16 – COMMITMENTS AND CONTINGENT LIABILITIES

The nature of the Company’s business ordinarily results in a certain amount of claims, litigation, investigations and legal and administrative cases and proceedings. Although the Company and its subsidiaries have developed policies and procedures to minimize the impact of legal noncompliance and other disputes, and endeavored to provide reasonable insurance coverage, litigation and regulatory actions present an ongoing risk.

The Company and its subsidiaries are engaged in lines of business that are heavily regulated and involve a large volume of financial transactions and potential transactions with numerous customers or applicants, and the Company is a public company with a large number of shareholders. From time to time, borrowers, customers, shareholders, former employees and other third parties have brought actions against the Company or its subsidiaries, in some cases claiming substantial damages. Financial services companies are subject to the risk of class action litigation and, from time to time, the Company and its subsidiaries are subject to such actions brought against it. Additionally, the Bank is, and management expects it to be, engaged in a number of foreclosure proceedings and other collection actions as part of its lending and leasing collections activities, which, from time to time, have resulted in counterclaims against the Bank. Various legal proceedings have arisen and may arise in the future out of claims against entities to which the Company is a successor as a result of business combinations. The Company and its subsidiaries may also be subject to enforcement actions by federal or state regulators, including the Securities and Exchange Commission, the Federal Reserve, the FDIC, the Consumer Financial Protection Bureau (the “CFPB”), the Department of Justice (the “DOJ”), state attorneys general and the Mississippi Department of Banking and Consumer Finance.

When and as the Company determines it has meritorious defenses to the claims asserted, it vigorously defends against such claims. The Company will consider settlement of claims when, in management’s judgment and in consultation with counsel, it is in the best interests of the Company to do so.

The Company cannot predict with certainty the cost of defense, the cost of prosecution or the ultimate outcome of litigation and other proceedings filed by or against it, its directors, management or employees, including remedies or damage awards. On at least a quarterly basis, the Company assesses its liabilities and contingencies in connection with outstanding legal proceedings as well as certain threatened claims (which are not considered incidental to the ordinary conduct of the Company's business) utilizing the latest and most reliable information available. For matters where a loss is not probable or the amount of the loss cannot be estimated, no accrual is established. For matters where it is probable the Company will incur a loss and the amount can be reasonably estimated, the Company establishes an accrual for the loss. Once established, the accrual is adjusted periodically to reflect any relevant developments. The actual cost of any outstanding legal proceedings and the potential loss, however, may turn out to be substantially higher than the amount accrued. Further, the Company’s insurance has deductibles and will likely not cover all such litigation, other proceedings or claims, or the costs of defense.

While the final outcome of any legal proceedings is inherently uncertain, based on the information available, advice of counsel and available insurance coverage, if applicable, management believes that the litigation-related expense of $8.5 million accrued as of September 30, 2016, which excludes amounts reserved for regulatory settlement expenses discussed below, is adequate and that any incremental liability arising from the Company’s legal proceedings and threatened claims, including the matters described herein and those otherwise arising in the ordinary course of business, will not have a material adverse effect on the Company's business or consolidated financial condition. It is possible, however, that future developments could result in an unfavorable outcome for or resolution of any one or more of the lawsuits in which the Company or its subsidiaries are defendants, which may be material to the Company’s results of operations for a particular fiscal period or periods.

On January 5, 2016, the Bank entered into an agreement to settle a class action lawsuit filed on May 18, 2010 by an Arkansas customer of the Bank in the U.S. District Court for the Northern District of Florida. The suit challenged the manner in which overdraft fees were charged and the policies related to the posting order of debit card and ATM transactions. The suit also made a claim under Arkansas’ consumer protection statute. The plaintiff was seeking to recover damages in an unspecified amount and equitable relief. As a result of this agreement, the Company recorded an expense of $16.5 million in the fourth quarter of 2015, representing amounts to be paid in connection with the settlement, net of amounts the Company had already accrued for this legal proceeding in previous periods. The settlement was approved by the court on July 15, 2016. Pursuant to the Court's order preliminarily approving the settlement, in the first quarter of 2016 the amounts accrued for settlement were paid into settlement escrow funds.

On August 16, 2011, a shareholder filed a putative derivative action purportedly on behalf of the Company in the Circuit Court of Lee County, Mississippi, against certain current and past executive officers and members of the Board of Directors of the Company. The plaintiff in this shareholder derivative lawsuit asserted that the individual defendants violated their fiduciary duties by allegedly issuing materially false and misleading statements regarding the Company’s business and financial results. The plaintiff was seeking to recover alleged damages in an unspecified amount, equitable and/or injunctive relief, and attorneys’ fees. A motion to dismiss filed by the defendants was granted by the Court on January 5, 2015, and the plaintiff filed a notice of appeal of that decision on February 2, 2015. On April 14, 2016, the Mississippi Supreme Court upheld the lower Court’s dismissal of the case against the Company, and the period for petitioning for a rehearing by the Mississippi Supreme Court elapsed without it seeking rehearing.

On July 31, 2014, the Company, its Chief Executive Officer and Chief Financial Officer were named in a purported class-action lawsuit filed in the U.S. District Court for the Middle District of Tennessee on behalf of certain purchasers of the Company’s common stock. The complaint was subsequently amended to add the former President and Chief Operating Officer. The complaint alleges that the defendants made misleading statements concerning the Company’s expectation that it would be able to close two merger transactions within a specified time period and the Company’s compliance with certain Bank Secrecy Act and anti-money laundering requirements. On July 10, 2015, the court granted in part and denied in part the defendants’ motion to dismiss and dismissed the claims concerning the Company’s expectations about the closing of the mergers. Class certification was granted on April 21, 2016, and a petition for immediate appeal of the class certification was filed and was granted. Class certification was vacated and the case was remanded to the District Court for further proceedings. The plaintiff seeks an unspecified amount of damages and awards of costs and attorneys’ fees and such other equitable relief as the Court may deem just and proper. At this stage of the lawsuit, management cannot determine the probability of an unfavorable outcome to the Company as it is uncertain whether class certification will be upheld and the exact amount of damages (should the class remain certified) is uncertain. Although it is not possible to predict the ultimate resolution or financial liability with respect to the litigation, management is currently of the opinion that the outcome of this lawsuit will not have a material adverse effect on the Company’s business, consolidated financial position or results of operations.

On June 29, 2016, the Bank, the CFPB and the DOJ agreed to a settlement set forth in a consent order (the "Consent Order") related to the joint investigation by the CFPB and the DOJ of the Bank's fair lending program during the period between January 1, 2011 and December 31, 2013. The Consent Order was signed by the United States District Court for the Northern District of Mississippi (the "District Court") on July 25, 2016. In the first quarter of 2016, the Bank reserved $13.8 million to cover costs related to this matter, $10.3 million of which was reflected as regulatory settlement expense and $3.5 million of which was included in other noninterest expense. The settlement of this matter did not have a material financial impact on the second and third quarter 2016 financial results. For additional information regarding the terms of this settlement and the Consent Order, see the signed Consent Order and the Company's Current Report on Form 8-K filed on June 29, 2016.

NOTE 17 – LONG-TERM DEBT

On August 8, 2013, the Company entered into a Credit Agreement with U.S. Bank National Association (“U.S. Bank”) as a lender and administrative agent, and First Tennessee Bank, National Association, as a lender. The Credit Agreement includes an unsecured revolving loan of up to $25.0 million that terminated and the outstanding balance of which was payable in full on August 8, 2015, which the Bank did not renew, and an unsecured multi-draw term loan of up to $60.0 million, which commitment terminated on February 28, 2014 and the outstanding balance of which is payable in full on August 8, 2018. The proceeds from the term loan were used to repurchase trust preferred securities. Borrowings under the Credit Agreement bear interest at a Eurocurrency or base rate plus, in each case, an applicable interest rate margin.

The Company had long-term borrowings from U.S. Bank pursuant to the Credit Agreement totaling $33.5 million at September 30, 2016 and $39.8 million at December 31, 2015. The Company also had long-term borrowings from FHLB of $530.0 million at September 30, 2016 and $30.0 million at December 31, 2015.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this report may not be based upon historical facts and are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements may be identified by their reference to a future period or periods or by the use of forward-looking terminology such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “foresee,” “hope,” “intend,” “may,” “might,” “plan,” “will,” or “would” or future or conditional verb tens variations or negatives of such terms. These forward-looking statements include, without limitation, those relating to the terms, timing and closings of the proposed mergers with Ouachita Bancshares Corp. and Central Community Corporation, the Company’s ability to operate its regulatory compliance programs consistent with federal, state and local laws, including its Bank Secrecy Act (“BSA”) and anti-money laundering (“AML”) compliance program and its fair lending compliance program, the Company’s compliance with the consent order it entered into with the Consumer Financial Protection Bureau (the “CFPB”) and the United States Department of Justice (“DOJ”) related to the Company’s fair lending practices (the “Consent Order”), the acceptance by customers of Ouachita Bancshares Corp. and Central Community Corporation of the Company’s products and services if the proposed mergers close, the outcome of any instituted, pending or threatened material litigation, amortization expense for intangible assets, goodwill impairments, loan impairment, utilization of appraisals and inspections for real estate loans, maturity, renewal or extension of construction, acquisition and development loans, net interest revenue, fair value determinations, the amount of the Company’s non-performing loans and leases, credit quality, credit losses, liquidity, off-balance sheet commitments and arrangements, valuation of mortgage servicing rights, allowance and provision for credit losses, early identification and resolution of credit issues, utilization of non-GAAP financial measures, the ability of the Company to collect all amounts due according to the contractual terms of loan agreements, the Company’s reserve for losses from representation and warranty obligations, the Company’s foreclosure process related to mortgage loans, the resolution of non-performing loans that are collaterally dependent, real estate values, fully-indexed interest rates, interest rate risk, interest rate sensitivity, calculation of economic value of equity, impaired loan charge-offs, diversification of the Company’s revenue stream, liquidity needs and strategies, sources of funding, net interest margin, declaration and payment of dividends, cost saving initiatives, improvement in the Company’s efficiencies, operating expense trends, future acquisitions and consideration to be used therefore, and the impact of certain claims and ongoing, pending or threatened litigation, administrative and investigatory matters.

The Company cautions readers not to place undue reliance on the forward-looking statements contained in this report, in that actual results could differ materially from those indicated in such forward-looking statements as a result of a variety of factors. These factors may include, but are not limited to, the Company’s ability to operate its regulatory compliance programs consistent with federal, state and local laws, including its BSA/AML compliance program and its fair lending compliance program, the Company’ ability to successfully implement and comply with the Consent Order, the ability of the Company, Ouachita Bancshares Corp. and Central Community Corporation to obtain regulatory approval of and close the proposed mergers, the willingness of Ouachita Bancshares Corp. and Central Community Corporation to proceed with the proposed mergers, the potential impact upon the Company of the delay in the closings of these proposed mergers, the impact of any ongoing, pending or threatened litigation, administrative and investigatory matters involving the Company, conditions in the financial markets and economic conditions generally, the adequacy of the Company's provision and allowance for credit losses to cover actual credit losses, the credit risk associated with real estate construction, acquisition and development loans, limitations on the Company's ability to declare and pay dividends, the availability of capital on favorable terms if and when needed, liquidity risk, governmental regulation, including the Dodd-Frank Act, and supervision of the Company's operations, the short-term and long-term impact of changes to banking capital standards on the Company's regulatory capital and liquidity, the impact of regulations on service charges on the Company's core deposit accounts, the susceptibility of the Company's business to local economic and environmental conditions, the soundness of other financial institutions, changes in interest rates, the impact of monetary policies and economic factors on the Company's ability to attract deposits or make loans, volatility in capital and credit markets, reputational risk, the impact of the loss of any key Company personnel, the impact of hurricanes or other adverse weather events, any requirement that the Company write down goodwill or other intangible assets, diversification in the types of financial services the Company offers, the Company's ability to adapt its products and services to evolving industry standards and consumer preferences, competition with other financial services companies, risks in connection with completed or potential acquisitions, the Company's growth strategy, interruptions or breaches in the Company's information system security, the failure of certain third-party vendors to perform, unfavorable ratings by rating agencies, dilution caused by the Company's issuance of any additional shares of its common stock to raise capital or acquire other banks, bank holding companies, financial holding companies and insurance agencies, other factors generally understood to affect the assets, business, cash flows, financial condition, liquidity, and prospects and/or results of operations of financial services companies, and other factors detailed from time to time in the Company's press and news releases, reports and other filings with the SEC.

We provide greater detail regarding these and other factors elsewhere in this report including in the Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations, and from time to time in the Company's press and news releases, reports and other filings with the Securities and Exchange Commission ("SEC"). Forward-looking statements speak only as of the date that they were made, and, except as required by law, the Company does not undertake any obligation to update or revise forward-looking statements to reflect events or circumstances that occur after the date of this report.

OVERVIEW

BancorpSouth, Inc. (the "Company") is a regional financial holding company headquartered in Tupelo, Mississippi with $14.6 billion in assets at September 30, 2016. BancorpSouth Bank (the "Bank"), the Company's wholly-owned banking subsidiary, has commercial banking operations in Alabama, Arkansas, Florida, Louisiana, Mississippi, Missouri, Tennessee and Texas. The Bank's insurance agency subsidiary also operates an office in Illinois. The Bank and its insurance agency subsidiary provide commercial banking, leasing, mortgage origination and servicing, insurance, brokerage and trust services to corporate customers, local governments, individuals and other financial institutions through an extensive network of branches and offices.

Management's discussion and analysis provides a narrative discussion of the Company's financial condition and results of operations. For a complete understanding of the following discussion, please refer to the unaudited consolidated financial statements for the three-month and nine-month periods ended September 30, 2016 and 2015 and the consolidated financial statements as of December 31, 2015 and the notes to such financial statements found under "Part I, Item 1. Financial Statements" of this report. This discussion and analysis is based on such reported financial information.

As a financial holding company, the financial condition and operating results of the Company are heavily influenced by economic trends nationally and in the specific markets in which the Company's subsidiaries provide financial services. Generally, the pressures of the national and regional economic cycle created a difficult operating environment for the financial services industry. The Company was not immune to such pressures and the economic downturn had a negative impact on the Company and its customers in all of the markets that it serves. However, the Company's financial condition has remained stable during the first nine months of 2016 as reflected by decreases in non-performing assets and impaired loans coupled with increased loans and leases, when compared to prior periods.

Management believes that the Company is better positioned with respect to overall credit quality as evidenced by the stable credit quality metrics especially when comparing September 30, 2016 to December 31, 2015 and September 30, 2015. Management believes, however, that future weakness in the economic environment could adversely affect the strength of the credit quality of the Company's assets overall. Therefore, management will continue to focus on early identification and resolution of any credit issues.

The largest source of the Company's revenue is derived from the operation of its principal operating subsidiary, the Bank. The financial condition and operating results of the Bank are affected by the level and volatility of interest rates on loans, investment securities, deposits and other borrowed funds, and the impact of economic downturns on loan demand, collateral value and creditworthiness of existing borrowers. The financial services industry is highly competitive and heavily regulated. The Company's success depends on its ability to compete aggressively within its markets while maintaining sufficient asset quality and cost controls to generate net income.

The information that follows is provided to enhance comparability of financial information between periods and to provide a better understanding of the Company's operations:

SELECTED FINANCIAL DATA

	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
	(Dollars in thousands, except per share data)			
Earnings Summary:				
Total interest revenue	$ 122,340	$ 118,201	$ 359,735	$ 346,328
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)
Noninterest revenue	70,868	62,953	206,066	210,582
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
Balance Sheet - Period-end balances:				
Total assets	$ 14,611,483	$ 13,787,424	$ 14,611,483	$ 13,787,424
Total securities	2,468,199	2,161,125	2,468,199	2,161,125
Loans and leases, net of unearned income	10,658,761	10,219,576	10,658,761	10,219,576
Total deposits	11,590,059	11,141,946		