BANCORPSOUTH INC
Form 10-Q
November 07, 2012

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

FORM 10-Q

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

For the quarterly period ended September 30, 2012

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 November 2, 2012, the registrant had outstanding 94,440,710 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, 2012 (Unaudited)	December 31, 2011 (1)	September 30, 2011 (Unaudited)
	(Dollars in thousands, except per share amounts)		
ASSETS			
Cash and due from banks	$ 176,529	$ 195,681	$ 161,876
Interest bearing deposits with other banks	757,207	303,663	338,250
Available-for-sale securities, at fair value	2,483,606	2,513,518	2,481,555
Loans and leases	8,716,715	8,911,258	9,096,928
Less: Unearned income	36,746	40,947	41,023
Allowance for credit losses	169,019	195,118	199,686
Net loans	8,510,950	8,675,193	8,856,219
Loans held for sale	129,408	83,458	100,687
Premises and equipment, net	321,068	323,383	323,285
Accrued interest receivable	48,314	51,266	53,338
Goodwill	275,173	271,297	271,297
Bank-owned life insurance	203,798	200,085	197,945
Other real estate owned	128,211	173,805	162,686
Other assets	201,473	204,502	251,380
TOTAL ASSETS	$ 13,235,737	$ 12,995,851	$ 13,198,518
LIABILITIES			
Deposits:			
Demand: Noninterest bearing	$ 2,492,508	$ 2,269,799	$ 2,198,535
Interest bearing	4,697,260	4,706,825	4,736,858
Savings	1,103,490	991,702	968,277
Other time	2,681,382	2,986,863	3,159,563
Total deposits	10,974,640	10,955,189	11,063,233
Federal funds purchased and securities sold under agreement to repurchase	377,676	373,933	449,501
Short-term Federal Home Loan Bank and other short-term borrowings	-	1,500	1,500
Accrued interest payable	6,759	8,644	10,017
Junior subordinated debt securities	160,312	160,312	160,312
Long-term Federal Home Loan Bank borrowings	33,500	33,500	33,500
Other liabilities	236,147	199,861	213,702
TOTAL LIABILITIES	11,789,034	11,732,939	11,931,765
SHAREHOLDERS' EQUITY			

Common stock, $2.50 par value per share Authorized - 500,000,000 shares; Issued - 94,440,710, 83,483,796 and 83,488,963 shares, respectively	236,102	208,709	208,722
Capital surplus	311,271	227,567	227,006
Accumulated other comprehensive income (loss)	5,952	(2,261)	14,595
Retained earnings	893,378	828,897	816,430
TOTAL SHAREHOLDERS' EQUITY	1,446,703	1,262,912	1,266,753
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 13,235,737	$ 12,995,851	$ 13,198,518

(1) Derived from audited financial statements.

See accompanying notes to consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	(In thousands, except for per share amounts)			
INTEREST REVENUE:				
Loans and leases	$105,937	$114,260	$322,686	$348,510
Deposits with other banks	399	203	1,182	449
Federal funds sold and securities purchased under agreement to resell	2	-	3	166
Held-to-maturity securities:				
Taxable	-	-	-	13,080
Tax-exempt	-	-	-	5,638
Available-for-sale securities:				
Taxable	9,329	13,172	30,679	32,208
Tax-exempt	4,109	4,130	12,575	6,825
Loans held for sale	974	632	2,204	1,584
Total interest revenue	120,750	132,397	369,329	408,460
INTEREST EXPENSE:				
Deposits:				
Interest bearing demand	3,889	5,324	12,523	17,909
Savings	686	828	2,091	2,464
Other time	9,482	14,837	31,048	48,605
Federal funds purchased and securities sold under agreement to repurchase	73	95	202	382
Federal Home Loan Bank borrowings	364	375	1,097	3,092
Junior subordinated debt	2,875	2,861	8,633	8,580
Other	2	2	5	4
Total interest expense	17,371	24,322	55,599	81,036
Net interest revenue	103,379	108,075	313,730	327,424
Provision for credit losses	6,000	25,112	22,000	110,831
Net interest revenue, after provision for credit losses	97,379	82,963	291,730	216,593
NONINTEREST REVENUE:				
Mortgage lending	13,549	(1,443)	39,731	8,141
Credit card, debit card and merchant fees	8,270	12,981	23,580	34,590
Service charges	14,189	17,334	43,002	49,258
Trust income	3,101	2,854	8,522	8,838
Security gains, net	39	2,047	290	12,109
Insurance commissions	23,519	22,012	69,636	67,502
Other	7,753	6,270	24,487	25,072
Total noninterest revenue	70,420	62,055	209,248	205,510
NONINTEREST EXPENSE:				

Salaries and employee benefits	74,829	71,851	227,421	212,368
Occupancy, net of rental income	10,944	11,144	31,497	32,047
Equipment	5,083	5,346	15,540	16,599
Deposit insurance assessments	3,998	3,781	13,375	15,642
Prepayment penalty on FHLB borrowings	-	-	-	9,778
Other	38,934	38,576	118,141	111,343
Total noninterest expense	133,788	130,698	405,974	397,777
Income before income taxes	34,011	14,320	95,004	24,326
Income tax expense	10,186	2,386	27,689	60
Net income	$23,825	$11,934	$67,315	$24,266
Earnings per share: Basic	$0.25	$0.14	$0.72	$0.29
Diluted	$0.25	$0.14	$0.72	$0.29
Dividends declared per common share	$0.01	$0.01	$0.03	$0.13

See accompanying notes to consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	(In thousands)			
Net income	$23,825	$11,934	$67,315	$24,266
Other comprehensive income, net of tax				
Unrealized gains on securities	4,183	7,721	6,306	27,681
Pension and other postretirement benefits	435	585	1,907	1,367
Other comprehensive income	4,618	8,306	8,213	29,048
Comprehensive income	$28,443	$20,240	$75,528	$53,314

See accompanying notes to consolidated financial statements.

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

	Nine months ended September 30, 2012	2011
	(In thousands)	
Operating Activities:		
Net income	$ 67,315	$ 24,266
Adjustment to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	22,000	110,831
Depreciation and amortization	20,336	21,950
Deferred taxes	-	(388)
Amortization of intangibles	2,366	2,510
Amortization of debt securities premium and discount, net	9,794	16,279
Share-based compensation expense	2,363	1,925
Security gains, net	(290)	(12,109)
Net deferred loan origination expense	(6,088)	(6,419)
Excess tax benefit from exercise of stock options	-	(12)
Decrease in interest receivable	2,952	7,687
Decrease in interest payable	(1,885)	(4,319)
Realized gain on mortgages sold	(49,030)	(24,548)
Proceeds from mortgages sold	609,052	839,577
Origination of mortgages held for sale	(607,887)	(822,905)
Increase in bank-owned life insurance	(3,713)	(3,881)
Decrease (increase) in prepaid pension asset	3,401	(373)
Decrease in prepaid deposit insurance assessments	11,086	14,613
Other, net	18,518	17,595
Net cash provided by operating activities	100,290	182,279
Investing activities:		
Proceeds from calls and maturities of held-to-maturity securities	-	135,781
Proceeds from calls and maturities of available-for-sale securities	386,658	255,577
Proceeds from sales of available-for-sale securities	2,812	273,807
Purchases of held-to-maturity securities	-	(151,105)
Purchases of available-for-sale securities	(359,102)	(245,791)
Net decrease in short-term investments	-	150,000
Net decrease in loans and leases	193,925	146,289
Purchases of premises and equipment	(18,815)	(13,028)
Proceeds from sale of premises and equipment	1,063	1,820
Contingency earn-out payment	-	(1,200)
Other, net	(23)	(42)
Net cash provided by investing activities	206,518	552,108
Financing activities:		
Net increase (decrease) in deposits	19,452	(426,788)
Net decrease in short-term debt and other liabilities	2,232	6,172

Repayment of long-term debt		-		(75,000)
Issuance of common stock		108,733		110
Excess tax benefit from exercise of stock options		-		12
Payment of cash dividends		(2,833)		(10,853)
Net cash provided by (used in) financing activities		127,584		(506,347)
Increase in cash and cash equivalents		434,392		228,040
Cash and cash equivalents at beginning of period		499,344		272,086
Cash and cash equivalents at end of period	$	933,736	$	500,126

See accompanying notes to consolidated financial statements.

BANCORPSOUTH, INC. AND SUBSIDIARIES
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, 2011. 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 period ended September 30, 2012 are not necessarily indicative of the results to be expected for the full year. Certain 2011 amounts have been reclassified to conform with the 2012 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, Century Credit Life Insurance Company, Personal Finance Corporation of Tennessee, BancorpSouth Insurance Services, Inc., BancorpSouth Investment Services, Inc., BancorpSouth Municipal Development Corporation and BancorpSouth Bank Securities Corporation.

NOTE 2 – LOANS AND LEASES

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

	September 30,		December 31,
	2012	2011	2011
		(In thousands)	
Commercial and industrial	$1,471,563	$1,515,932	$1,484,967
Real estate			
Consumer mortgages	1,888,783	1,966,124	1,945,190
Home equity	492,833	523,030	514,362
Agricultural	257,733	249,715	239,487
Commercial and industrial-owner occupied	1,309,631	1,329,644	1,301,575
Construction, acquisition and development	823,692	976,694	908,362
Commercial real estate	1,738,516	1,772,003	1,754,022
Credit cards	101,405	103,232	106,281
All other	632,559	660,554	657,012
Total	$8,716,715	$9,096,928	$8,911,258

The following table shows the Company's loans and leases, net of unearned income, as of September 30, 2012 by segment, class and geographical location:

	Alabama and Florida Panhandle	Arkansas*	Mississippi*	Missouri	Greater Memphis Area	Tennessee*	Texas and Louisiana	Other	Total
				(In thousands)					
Commercial and industrial	$56,648	$180,965	$359,710	$35,642	$17,120	$78,417	$243,618	$490,599	$1,462,719
Real estate									
Consumer mortgages	104,047	267,970	725,919	46,468	82,291	156,255	456,239	49,594	1,888,783
Home equity	59,768	38,429	167,755	23,369	65,077	74,189	62,187	2,059	492,833
Agricultural	7,581	79,884	71,453	3,407	8,979	13,755	67,608	5,066	257,733
Commercial and industrial-owner occupied	113,584	157,272	472,595	79,294	89,868	88,321	254,511	54,186	1,309,631
Construction, acquisition and development	90,104	67,826	252,199	39,001	85,918	96,837	165,807	26,000	823,692
Commercial real estate	208,555	326,943	354,145	204,762	107,523	97,605	386,456	52,527	1,738,516
Credit cards	-	-	-	-	-	-	-	101,405	101,405
All other	31,858	87,114	180,551	7,088	55,497	50,741	95,581	96,227	604,657
Total	$672,145	$1,206,403	$2,584,327	$439,031	$512,273	$656,120	$1,732,007	$877,663	$8,679,969

* Excludes the Greater Memphis Area.

The Company's loan concentrations which exceed 10% of total loans are 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 on loans originated after March 2010. 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 originated through the permanent financing of construction, acquisition and development loans. The prolonged economic downturn has negatively impacted many borrowers' and guarantors' ability to make payments under the terms of the loans as their liquidity has been depleted. Accordingly, the ultimate collectability of a substantial portion of these loans and the recovery of a substantial portion of the carrying amount of other real estate owned are susceptible to changes in real estate values in the corresponding market areas. Continued economic distress could negatively impact additional 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, 2012 and December 31, 2011:

				September 30, 2012			
	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	$5,505	$949	$4,671	$11,125	$1,451,594	$ 1,462,719	$45
Real estate							
Consumer mortgages	14,122	5,560	14,521	34,203	1,854,580	1,888,783	1,027
Home equity	1,916	183	169	2,268	490,565	492,833	-
Agricultural	624	837	4,090	5,551	252,182	257,733	-
Commercial and industrial-owner occupied	4,121	1,111	6,807	12,039	1,297,592	1,309,631	119
Construction, acquisition and development	12,513	15,602	13,395	41,510	782,182	823,692	-
Commercial real estate	4,485	1,656	4,208	10,349	1,728,167	1,738,516	-
Credit cards	539	300	525	1,364	100,041	101,405	236
All other	1,793	1,314	779	3,886	600,771	604,657	15
Total	$45,618	$27,512	$49,165	$122,295	$8,557,674	$ 8,679,969	$1,442

	December 31, 2011						
	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	$5,571	$4,209	$4,193	$13,973	$1,459,755	$ 1,473,728	$12
Real estate							
Consumer mortgages	15,740	6,485	14,569	36,794	1,908,396	1,945,190	2,974
Home equity	1,837	265	594	2,696	511,666	514,362	-
Agricultural	666	54	719	1,439	238,048	239,487	-
Commercial and industrial-owner occupied	2,199	844	12,977	16,020	1,285,555	1,301,575	-
Construction, acquisition and development	4,826	4,955	33,584	43,365	864,997	908,362	-
Commercial real estate	3,778	2,702	9,397	15,877	1,738,145	1,754,022	-
Credit cards	595	303	697	1,595	104,686	106,281	299
All other	2,124	390	1,579	4,093	623,211	627,304	149
Total	$37,336	$20,207	$78,309	$135,852	$8,734,459	$ 8,870,311	$3,434

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. Borrowers for these loans include well capitalized public corporations.

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.

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.

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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, 2012 and December 31, 2011:

	September 30, 2012						
	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired	Total
				(In thousands)			
Commercial and industrial	$1,403,197	$10,018	$42,401	$867	$17	$6,219	$1,462,719
Real estate							
Consumer mortgage	1,703,860	31,993	133,146	3,727	203	15,854	1,888,783
Home equity	467,218	4,788	17,902	1,002	285	1,638	492,833
Agricultural	232,740	4,684	14,727	20	-	5,562	257,733
Commercial and industrial-owner occupied	1,169,863	34,384	83,610	736	49	20,989	1,309,631
Construction, acquisition and development	607,782	42,128	85,326	703	-	87,753	823,692
Commercial real estate	1,517,131	45,500	138,613	70	-	37,202	1,738,516
Credit cards	101,405	-	-	-	-	-	101,405
All other	582,352	6,790	13,759	828	6	922	604,657
Total	$7,785,548	$180,285	$529,484	$7,953	$560	$176,139	$8,679,969

	December 31, 2011						
	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired	Total
				(In thousands)			
Commercial and industrial	$1,415,731	$4,947	$43,549	$1,263	$405	$7,833	$1,473,728
Real estate							
Consumer mortgage	1,742,593	17,914	148,267	4,434	189	31,793	1,945,190
Home equity	492,235	2,775	17,050	1,134	493	675	514,362
Agricultural	213,280	3,795	19,296	20	-	3,096	239,487
Commercial and industrial-owner occupied	1,167,220	18,280	90,778	496	-	24,801	1,301,575
Construction, acquisition and development	619,497	23,429	136,412	845	-	128,179	908,362
Commercial real estate	1,501,196	37,409	179,295	-	-	36,122	1,754,022

Credit cards	105,867	41	175	188	10	-	106,281
All other	587,970	16,104	20,263	470	73	2,424	627,304
Total	$7,845,589	$124,694	$655,085	$8,850	$1,170	$234,923	$8,870,311

The following tables provide details regarding impaired loans and leases, net of unearned income, by segment and class at September 30, 2012 and December 31, 2011:

	September 30, 2012						
				Average Recorded Investment		Interest Income Recognized	
	Recorded Investment in Impaired Loans	Unpaid Principal Balance of Impaired Loans	Related Allowance for Credit Losses	Three months ended September 30, 2012	Nine months ended September 30, 2012	Three months ended September 30, 2012	Nine months ended September 30, 2012
	(In thousands)						
With no related allowance:							
Commercial and industrial	$2,827	$4,012	$-	$2,607	$2,812	$-	$11
Real estate							
Consumer mortgage	10,147	12,731	-	10,181	12,041	18	57
Home equity	940	1,084	-	915	832	1	3
Agricultural	4,202	4,712	-	3,939	3,365	2	7
Commercial and industrial-owner occupied	17,932	23,020	-	15,541	12,052	29	80
Construction, acquisition and development	47,064	71,083	-	52,384	57,826	66	226
Commercial	22,316	30,933	-	19,513	18,120	40	105
All other	920	1,383	-	769	756	2	5
Total	$106,348	$148,958	$-	$105,849	$107,804	$158	$494
With an allowance:							
Commercial and industrial	$3,392	$4,074	$2,025	$6,813	$6,227	$19	$38
Real estate							
Consumer mortgage	5,707	6,843	1,338	7,416	12,484	9	81
Home equity	698	698	363	701	555	1	4
Agricultural	1,360	2,493	331	1,854	1,535	4	7
Commercial and industrial-owner occupied	3,057	4,061	696	6,343	11,668	14	48
Construction, acquisition and development	40,689	42,788	10,179	42,078	50,099	82	308

Commercial	14,886	15,664	3,213	18,335	17,161	69	165
All other	2	2	60	165	252	1	3
Total	$69,791	$76,623	$18,205	$83,705	$99,981	$199	$654
Total:							
Commercial and industrial	$6,219	$8,086	$2,025	$9,420	$9,039	$19	$49
Real estate							
Consumer mortgage	15,854	19,574	1,338	17,597	24,525	27	138
Home equity	1,638	1,782	363	1,616	1,387	2	7
Agricultural	5,562	7,205	331	5,793	4,900	6	14
Commercial and industrial-owner occupied	20,989	27,081	696	21,884	23,720	43	128
Construction, acquisition and development	87,753	113,871	10,179	94,462	107,925	148	534
Commercial	37,202	46,597	3,213	37,848	35,281	109	270
All other	922	1,385	60	934	1,008	3	8
Total	$176,139	$225,581	$18,205	$189,554	$207,785	$357	$1,148

	December 31, 2011				
	Recorded Investment in Impaired Loans	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	$4,874	$6,854	$-	$3,879	$78
Real estate					
Consumer mortgage	16,883	19,538	-	19,628	397
Home equity	627	771	-	541	1
Agricultural	1,549	2,676	-	2,502	20
Commercial and industrial-owner occupied	6,973	9,191	-	11,598	185
Construction, acquisition and development	69,843	89,782	-	107,596	941
Commercial real estate	15,184	24,198	-	20,702	311
All other	1,284	1,668	-	1,169	67
Total	$117,217	$154,678	$-	$167,615	$2,000
With an allowance:					
Commercial and industrial	$2,959	$3,301	$4,071	$3,558	$49
Real estate					
Consumer mortgage	14,910	16,224	4,386	14,960	323
Home equity	48	276	48	504	3
Agricultural	1,547	1,547	380	3,164	18
Commercial and industrial-owner occupied	17,828	21,085	3,601	10,329	146
Construction, acquisition and development	58,336	67,426	21,581	80,957	1,651
Commercial real estate	20,938	21,422	5,324	27,210	851
All other	1,140	1,140	317	1,307	8
Total	$117,706	$132,421	$39,708	$141,989	$3,049
Total:					
Commercial and industrial	$7,833	$10,155	$4,071	$7,437	$127
Real estate					
Consumer mortgage	31,793	35,762	4,386	34,588	720
Home equity	675	1,047	48	1,045	4
Agricultural	3,096	4,223	380	5,666	38
Commercial and industrial-owner occupied	24,801	30,276	3,601	21,927	331
Construction, acquisition and development	128,179	157,208	21,581	188,553	2,592
Commercial real estate	36,122	45,620	5,324	47,912	1,162
All other	2,424	2,808	317	2,476	75
Total	$234,923	$287,099	$39,708	$309,604	$5,049

The following tables provide details regarding impaired real estate construction, acquisition and development loans and leases, net of unearned income, by collateral type at September 30, 2012 and December 31, 2011:

	September 30, 2012						
				Average Recorded Investment		Interest Income Recognized	
	Recorded Investment in Impaired Loans	Unpaid Principal Balance of Impaired Loans	Related Allowance for Credit Losses	Three months ended September 30, 2012	Nine months ended September 30, 2012	Three months ended September 30, 2012	Nine months ended September 30, 2012
	(In thousands)						
With no related allowance:							
Multi-family construction	$-	$-	$-	$-	$-	$-	$-
One-to-four family construction	9,110	14,174	-	8,632	7,986	10	31
Recreation and all other loans	1,154	1,345	-	751	495	1	4
Commercial construction	5,727	6,637	-	3,902	2,866	17	34
Commercial acquisition and development	13,819	19,296	-	12,049	12,518	10	43
Residential acquisition and development	17,254	29,631	-	27,050	33,961	28	114
Total	$47,064	$71,083	$-	$52,384	$57,826	$66	$226
With an allowance:							
Multi-family construction	$-	$-	$-	$-	$-	$-	$-
One-to-four family construction	3,789	4,055	867	4,955	4,649	10	24
Recreation and all other loans	-	-	-	142	48	-	-
Commercial construction	982	982	950	1,075	1,465	5	10
Commercial acquisition and development	6,315	6,396	1,226	8,314	10,148	16	56
	29,603	31,355	7,136	27,592	33,789	51	218

Residential acquisition and development							
Total	$40,689	$42,788	$10,179	$42,078	$50,099	$82	$308
Total:							
Multi-family construction	$-	$-	$-	$-	$-	$-	$-
One-to-four family construction	12,899	18,229	867	13,587	12,635	20	55
Recreation and all other loans	1,154	1,345	-	893	543	1	4
Commercial construction	6,709	7,619	950	4,977	4,331	22	44
Commercial acquisition and development	20,134	25,692	1,226	20,363	22,666	26	99
Residential acquisition and development	46,857	60,986	7,136	54,642	67,750	79	332
Total	$87,753	$113,871	$10,179	$94,462	$107,925	$148	$534

	December 31, 2011				
	Recorded Investment in Impaired Loans	Unpaid Principal Balance of Impaired Loans	Related Allowance for Credit Losses	Average Recorded Investment	Interest Income Recognized
			(In thousands)		
With no related allowance:					
Multi-family construction	$1,067	$2,259	$-	$5,474	$18
One-to-four family construction	7,931	9,313	-	9,269	94
Recreation and all other loans	372	545	-	491	9
Commercial construction	633	917	-	9,663	83
Commercial acquisition and development	17,130	19,855	-	20,640	99
Residential acquisition and development	42,710	56,893	-	62,059	638
Total	$69,843	$89,782	$-	$107,596	$941
With an allowance:					
Multi-family construction	$-	$-	$-	$571	$-
One-to-four family construction	5,313	6,083	1,589	5,334	108
Recreation and all other loans	-	-	-	271	2
Commercial construction	4,387	5,128	886	7,289	126
Commercial acquisition and development	5,091	7,728	1,418	12,965	429
Residential acquisition and development	43,545	48,487	17,688	54,527	986
Total	$58,336	$67,426	$21,581	$80,957	$1,651
Total:					
Multi-family construction	$1,067	$2,259	$-	$6,045	$18
One-to-four family construction	13,244	15,396	1,589	14,603	202
Recreation and all other loans	372	545	-	762	11
Commercial construction	5,020	6,045	886	16,952	209
Commercial acquisition and development	22,221	27,583	1,418	33,605	528
Residential acquisition and development	86,255	105,380	17,688	116,586	1,624
Total	$128,179	$157,208	$21,581	$188,553	$2,592

Loans considered impaired under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 310, Receivables (“FASB ASC 310”), are loans for which, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. The Company’s recorded investment in loans considered impaired at September 30, 2012 and December 31, 2011 was $176.1 million and $234.9 million, respectively. At September 30, 2012 and December 31, 2011, $69.8 million and $117.7 million, respectively, of those impaired loans had a valuation allowance of $18.2 million and $39.7 million, respectively. The remaining balance of impaired loans of $106.3 million and $117.2 million at September 30, 2012 and December 31, 2011, respectively, were charged down to fair value, less estimated selling costs which approximated net realizable value. Therefore, such loans did not have an associated valuation allowance. Impaired loans that were characterized as troubled debt restructurings (“TDRs”) totaled $43.3 million and $58.0 million at September 30, 2012 and December 31, 2011, respectively. The average recorded investment in impaired loans was $189.6 million and $207.8 million for the three months and nine months ended September 30, 2012, respectively, and $309.6 million for the year ended December 31, 2011.

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 because of the borrower's weakened financial condition. The following table presents information concerning NPLs as of the dates indicated:

	September 30, 2012	September 30, 2011	December 31, 2011
	(In thousands)		
Non-accrual loans and leases	$ 219,738	$ 314,479	$ 276,798
Loans and leases 90 days or more past due, still accruing	1,442	7,354	3,434
Restructured loans and leases still accruing	26,147	40,966	42,018
Total non-performing loans and leases	$ 247,327	$ 362,799	$ 322,250

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, 2012, the Company's geographic NPL distribution was concentrated primarily in its Alabama, Mississippi and Tennessee markets, including the greater Memphis, Tennessee area, a portion of which is in northwest Mississippi and Arkansas. The following table presents the Company's nonaccrual loans and leases by segment and class as of the dates indicated:

	September 30, 2012	September 30, 2011	December 31, 2011
	(In thousands)		
Commercial and industrial	$8,674	$11,122	$12,260
Real estate			
Consumer mortgages	35,599	44,100	47,878
Home equity	3,471	2,634	2,036
Agricultural	7,190	6,254	4,179
Commercial and industrial-owner occupied	27,059	26,977	33,112
Construction, acquisition and development	92,351	171,566	133,110
Commercial real estate	40,514	49,500	40,616
Credit cards	465	551	594
All other	4,415	1,775	3,013
Total	$219,738	$314,479	$276,798

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 or the charge-off of a portion of the loan. 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 be returned to accrual status in years after the restructure if there has been at least a six-month period of sustained repayment performance in accordance with the terms of the restructured loan by the borrower and the interest rate at the time of restructure was at or above market for a comparable loan. During the third quarter and first nine months of 2012, 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.

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

	Three months ended September 30, 2012		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(Dollars in thousands)	
Commercial and industrial	1	$ 18	$ 18
Real estate			
Consumer mortgages	8	1,909	1,802
Agricultural	-	-	-
Commercial and industrial-owner occupied	6	6,505	6,476
Construction, acquisition and development	3	220	218
Commercial real estate	1	368	367
All other	2	187	187
Total	21	$ 9,207	$ 9,068

	Nine months ended September 30, 2012		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(Dollars in thousands)	
Commercial and industrial	8	$ 1,686	$ 1,348
Real estate			
Consumer mortgages	29	7,924	7,174
Agricultural	2	853	861
Commercial and industrial-owner occupied	23	12,470	11,847
Construction, acquisition and development	35	20,921	20,518
Commercial	9	7,293	7,279
All other	7	825	824
Total	113	$ 51,972	$ 49,851

	Year ended December 31, 2011		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(Dollars in thousands)	
Commercial and industrial	7	$ 3,142	$ 2,374
Real estate			
Consumer mortgages	35	6,901	6,424
Agricultural	4	2,650	1,479
Commercial and industrial-owner occupied	29	13,330	11,740
Construction, acquisition and development	30	23,863	19,228
Commercial real estate	24	16,121	15,046

All other	7		2,957		2,406
Total	136	$	68,964	$	58,697

The following tables 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, 2012	
	Number of Contracts	Recorded Investment
	(Dollars in thousands)	
Real estate		
Consumer mortgages	6	$488
Commercial and industrial-owner occupied	1	-
Construction, acquisition and development	11	1,256
All other	1	7
Total	19	$1,751

	Nine months ended September 30, 2012	
	Number of Contracts	Recorded Investment
	(Dollars in thousands)	
Commercial and industrial	1	$129
Real estate		
Consumer mortgages	16	1,856
Agricultural	1	170
Commercial and industrial-owner occupied	6	1,610
Construction, acquisition and development	21	5,503
Commercial	3	2,525
All other	1	7
Total	49	$11,800

	Year ended December 31, 2011	
	Number of Contracts	Recorded Investment
	(Dollars in thousands)	
Commercial and industrial	4	$1,506
Real estate		
Consumer mortgages	4	1,563
Agricultural	3	1,382
Commercial and industrial-owner occupied	6	1,683
Construction, acquisition and development	13	3,622
Commercial real estate	3	2,946
All other	1	302
Total	34	$13,004

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, 2012				
	Balance, Beginning of Period	Charge-offs	Recoveries	Provision	Balance, End of Period
			(In thousands)		
Commercial and industrial	$20,724	$(10,188)	$3,589	$7,580	$21,705
Real estate					
Consumer mortgage	36,529	(9,333)	1,017	3	28,216
Home equity	8,630	(1,657)	430	(1,482)	5,921
Agricultural	3,921	(784)	116	(599)	2,654
Commercial and industrial-owner occupied	21,929	(7,594)	2,135	2,849	19,319
Construction, acquisition and development	45,562	(27,799)	6,786	7,993	32,542
Commercial real estate	39,444	(8,702)	6,330	5,099	42,171
Credit cards	4,021	(1,690)	383	455	3,169
All other	14,358	(1,927)	789	102	13,322
Total	$195,118	$(69,674)	$21,575	$22,000	$169,019

	Year ended December 31, 2011				
	Balance, Beginning of Period	Charge-offs	Recoveries	Provision	Balance, End of Period
			(In thousands)		
Commercial and industrial	$22,479	$(17,337)	$1,567	$14,015	$20,724
Real estate					
Consumer mortgage	35,540	(10,186)	1,111	10,064	36,529
Home equity	7,305	(5,852)	185	6,992	8,630
Agricultural	4,997	(3,420)	123	2,221	3,921
Commercial and industrial-owner occupied	20,403	(10,302)	393	11,435	21,929
Construction, acquisition and development	59,048	(67,362)	3,951	49,925	45,562
Commercial real estate	33,439	(17,436)	1,045	22,396	39,444
Credit cards	4,126	(3,072)	803	2,164	4,021
All other	9,576	(7,088)	1,001	10,869	14,358
Total	$196,913	$(142,055)	$10,179	$130,081	$195,118

	Balance, Beginning of Period	Charge-offs	Recoveries	Provision	Balance, End of Period
	Nine months ended September 30, 2011				
	(In thousands)				
Commercial and industrial	$22,479	$(15,660)	$1,121	$12,084	$20,024
Real estate					
Consumer mortgage	35,540	(7,233)	848	10,346	39,501
Home equity	7,305	(4,185)	142	6,626	9,888
Agricultural	4,997	(3,310)	47	2,658	4,392
Commercial and industrial-owner occupied	20,403	(9,166)	293	9,940	21,470
Construction, acquisition and development	59,048	(56,823)	2,980	43,033	48,238
Commercial real estate	33,439	(10,578)	705	15,997	39,563
Credit cards	4,126	(2,366)	635	1,525	3,920
All other	9,576	(6,294)	786	8,622	12,690
Total	$196,913	$(115,615)	$7,557	$110,831	$199,686

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

	Recorded Balance of Impaired Loans	Allowance for Impaired Loans and Leases	Allowance for All Other Loans and Leases	Total Allowance
	September 30, 2012			
	(In thousands)			
Commercial and industrial	$6,219	$2,025	$19,680	$21,705
Real estate				
Consumer mortgage	15,854	1,338	26,878	28,216
Home equity	1,638	363	5,558	5,921
Agricultural	5,562	331	2,323	2,654
Commercial and industrial-owner occupied	20,989	696	18,623	19,319
Construction, acquisition and development	87,753	10,179	22,363	32,542
Commercial real estate	37,202	3,213	38,958	42,171
Credit cards	-	-	3,169	3,169
All other	922	60	13,262	13,322
Total	$176,139	$18,205	$150,814	$169,019

	December 31, 2011			
	Recorded Balance of Impaired Loans	Allowance for Impaired Loans and Leases	Allowance for All Other Loans and Leases	Total Allowance
	(In thousands)			
Commercial and industrial	$7,833	$4,071	$16,653	$20,724
Real estate				
Consumer mortgage	31,793	4,386	32,143	36,529
Home equity	675	48	8,582	8,630
Agricultural	3,096	380	3,541	3,921
Commercial and industrial-owner occupied	24,801	3,601	18,328	21,929
Construction, acquisition and development	128,179	21,581	23,981	45,562
Commercial real estate	36,122	5,324	34,120	39,444
Credit cards	-	-	4,021	4,021
All other	2,424	317	14,041	14,358
Total	$234,923	$39,708	$155,410	$195,118

Management evaluates impaired loans individually in determining the adequacy of the allowance for impaired loans.

NOTE 4 – OTHER REAL ESTATE OWNED

The following table presents the activity in other real estate owned for the periods indicated:

	Nine months ended September 30,		Year ended December 31,
	2012	2011	2011
	(In thousands)		
Balance at beginning of period	$173,805	$133,412	$133,412
Additions to foreclosed properties			
New foreclosed properties	23,938	88,726	125,234
Reductions in foreclosed properties			
Sales	(53,328)	(47,799)	(64,488)
Writedowns	(16,204)	(11,653)	(20,353)
Balance at end of period	$128,211	$162,686	$173,805

The following tables present the other real estate owned by geographical location, segment and class as of the dates indicated:

	September 30, 2012								
	Alabama and Florida	Arkansas*	Mississippi*	Missouri	Greater Memphis Area	Tennessee*	Texas and Louisiana	Other	Total

	Panhandle								
					(In thousands)				
Commercial and industrial	$411	$94	$ 105	$-	$797	$ -	$ -	$-	$1,407
Real estate									
Consumer mortgages	2,621	251	2,645	71	1,350	634	290	4,084	11,946
Home equity	-	-	216	-	-	-	-	-	216
Agricultural	876	-	-	-	1,130	2,303	-	-	4,309
Commercial and industrial-owner occupied	533	69	1,510	-	375	50	146	-	2,683
Construction, acquisition and development	16,953	1,647	15,800	880	41,732	13,929	2,163	523	93,627
Commercial real estate	826	1,548	2,219	362	7,014	245	226	-	12,440
All other	46	16	224	113	1,152	-	-	32	1,583
Total	$22,266	$3,625	$ 22,719	$1,426	$53,550	$ 17,161	$ 2,825	$4,639	$128,211

* Excludes the Greater Memphis Area.

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	December 31, 2011								
	Alabama and Florida Panhandle	Arkansas*	Mississippi*	Missouri	Greater Memphis Area	Tennessee*	Texas and Louisiana	Other	Total
	(In thousands)								
Commercial and industrial	$436	$ 17	$ -	$-	$940	$ -	$ -	$-	$1,393
Real estate									
Consumer mortgages	3,816	448	3,400	-	5,199	4,160	733	2,889	20,645
Home equity	-	-	51	-	600	-	-	-	651
Agricultural	899	-	275	-	4,542	-	-	-	5,716
Commercial and industrial-owner occupied	1,022	303	1,972	76	2,371	426	174	-	6,344
Construction, acquisition and development	19,318	2,241	18,850	1,974	69,822	6,918	2,763	-	121,886
Commercial real estate	1,121	1,605	3,604	-	7,672	753	232	-	14,987
All other	276	83	220	193	1,358	-	53	-	2,183
Total	$26,888	$4,697	$ 28,372	$2,243	$92,504	$ 12,257	$ 3,955	$2,889	$173,805

* Excludes the Greater Memphis Area.

	September 30, 2011								
	Alabama and Florida Panhandle	Arkansas*	Mississippi*	Missouri	Greater Memphis Area	Tennessee*	Texas and Louisiana	Other	Total
	(In thousands)								
Commercial and industrial	$439	$ 17	$ -	$-	$946	$ -	$ -	$-	$1,402
Real estate									
Consumer mortgages	5,368	475	3,533	-	5,259	2,090	821	1,976	19,522
Home equity	-	63	155	-	-	368	100	-	686
Agricultural	951	-	968	-	4,233	-	78	-	6,230
Commercial and industrial-owner occupied	1,093	109	2,216	77	3,225	525	378	-	7,623
Construction, acquisition and development	11,355	2,384	18,890	2,706	70,189	6,072	2,998	-	114,594
Commercial real estate	2,939	1,631	1,266	451	2,601	848	234	-	9,970

All other	68	87	276	195	1,980	-	53	-	2,659
Total	$22,213	$4,766	$ 27,304	$3,429	$88,433	$ 9,903	$4,662	$1,976	$162,686

* Excludes the Greater Memphis Area.

The Company incurred total foreclosed property expenses of $8.8 million and $6.1 million for the three months ended September 30, 2012 and 2011, respectively. Realized net losses on dispositions and holding losses on valuations of these properties, a component of total foreclosed property expenses, were $7.0 million and $4.5 million for the three months ended September 30, 2012 and 2011, respectively. The Company incurred total foreclosed property expenses of $27.4 and $17.0 million for the nine months ended September 30, 2012 and 2011, respectively. Realized net losses on dispositions and holding losses on valuations of these properties, a component of total foreclosed property expenses, were $20.4 and $12.0 million for the nine months ended September 30, 2012 and 2011, respectively.

NOTE 5 – SECURITIES

During the second quarter of 2011, the Company determined that it no longer had the intent to hold until maturity all securities that were previously classified as held-to-maturity. As a result of this determination, all securities were classified as available-for-sale and recorded at fair value as of June 30, 2011. The Company reclassified held-to-maturity securities with amortized cost of $1.6 billion and fair value of $1.7 billion to available-for-sale resulting in an increase in other comprehensive income of $19.7 million during the second quarter of 2011. A comparison of amortized cost and estimated fair values of available-for-sale securities as of September 30, 2012 and December 31, 2011 follows:

	September 30, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
U.S. Government agencies	$1,448,179	$24,612	$44	$1,472,747
Government agency issued residential mortgage-backed securities	327,757	10,647	174	338,230
Government agency issued commercial mortgage-backed securities	86,455	3,986	135	90,306
Obligations of states and political subdivisions	538,473	36,174	88	574,559
Other	7,046	718	-	7,764
Total	$2,407,910	$76,137	$441	$2,483,606

	December 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
U.S. Government agencies	$1,471,920	$29,347	$24	$1,501,243
Government agency issued residential mortgage-backed securities	394,894	9,786	70	404,610
Government agency issued commercial mortgage-backed securities	31,161	3,438	-	34,599
Obligations of states and political subdivisions	541,138	22,705	323	563,520
Other	8,938	608	-	9,546
Total	$2,448,051	$65,884	$417	$2,513,518

Gross gains of approximately $329,000 and gross losses of approximately $39,000 were recognized on available-for-sale securities during the first nine months of 2012, while gross gains of $12.4 million and gross losses of approximately $327,000 were recognized during the first nine months of 2011.

The amortized cost and estimated fair value of available-for-sale securities at September 30, 2012 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, 2012		
	Amortized Cost	Estimated Fair Value	Weighted Average Yield
	(Dollars in thousands)		
Maturing in one year or less	$483,074	$487,503	2.06 %
Maturing after one year through five years	1,351,410	1,382,562	1.75
Maturing after five years through ten years	139,123	143,655	3.39
Maturing after ten years	434,303	469,886	5.62
Total	$2,407,910	$2,483,606	

The following tables summarize information pertaining to temporarily impaired available-for-sale securities with continuous unrealized loss positions at September 30, 2012 and December 31, 2011:

	September 30, 2012					
	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	$47,417	$44	$-	$-	$47,417	$44
Government agency issued residential mortgage-backed securities	6,484	68	3,118	106	9,602	174
Government agency issued commercial mortgage-backed securities	20,065	135	-	-	20,065	135
Obligations of states and political subdivisions	2,336	29	314	59	2,650	88
Other	-	-	-	-	-	-
Total	$76,302	$276	$3,432	$165	$79,734	$441

	December 31, 2011					
	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	$34,850	$24	$-	$-	$34,850	$24
Government agency issued residential mortgage-backed securities	-	-	3,751	70	3,751	70
Government agency issued commercial mortgage-backed securities	-	-	-	-	-	-
Obligations of states and political subdivisions	20,820	144	9,214	179	30,034	323
Other	-	-	-	-	-	-
Total	$55,670	$168	$12,965	$249	$68,635	$417

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 had no intent to sell these securities, 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 2012.

NOTE 6 – PER SHARE DATA

The computation of basic earnings per share ("EPS") is based on the weighted average number of shares of common stock outstanding. The computation of diluted earnings per share is based on the weighted average number of shares of common stock outstanding 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 2.9 million shares of Company common stock for both the three months and nine months ended September 30, 2012, with a weighted average exercise price of $20.59 and $20.67 per share for the three months and nine months ended September 30, 2012, respectively, were excluded from diluted shares. Weighted-average antidilutive stock options to purchase 2.9 million shares of Company common stock for both the three months and nine months ended September 30, 2011, respectively, with a weighted average exercise price of $21.50 and $21.45 per share for the three months and nine months ended September 30, 2011, respectively, were excluded from diluted shares. Antidilutive other equity awards of approximately 50,000 and 17,000 shares of Company common stock for the three months and nine months ended September 30, 2012, respectively, were also excluded from diluted shares. There were no antidilutive other equity awards for the three months and nine months ended September 30, 2011. The basic and diluted earnings per share computations for the first nine months of 2012 reflect the Company's issuance of 10,952,381 shares of common stock on January 24, 2012 in connection with an underwritten public offering. The following tables provide 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,					
	2012			2011		
	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	$23,825	94,438	$0.25	$11,934	83,489	$0.14
Effect of dilutive share-based awards	-	91		-	-	
Diluted EPS						
Income available to common shareholders plus assumed exercise of all outstanding share-based awards	$23,825	94,529	$0.25	$11,934	83,489	$0.14

	Nine months ended September 30,					
	2012			2011		
	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	$67,315	93,534	$0.72	$24,266	83,486	$0.29
Effect of dilutive share-based awards	-	79		-	26	
Diluted EPS						
Income available to common shareholders plus assumed exercise of all outstanding share-based awards	$67,315	93,613	$0.72	$24,266	83,512	$0.29

NOTE 7 – COMPREHENSIVE INCOME

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

	Three months ended September 30,					
	2012			2011		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
	(In thousands)					
Net unrealized gains on available-for-sale securities:						
Unrealized gains arising during holding period	$6,820	$(2,613)	$4,207	$14,563	$(5,578)	$8,985
Less: Reclassification adjustment for net gains realized in net income	(39)	15	(24)	(2,047)	783	(1,264)
Recognized employee benefit plan net periodic benefit cost	704	(269)	435	947	(362)	585
Other comprehensive income	$7,485	$(2,867)	$4,618	$13,463	$(5,157)	$8,306
Net income			23,825			11,934
Comprehensive income			$28,443			$20,240

	Nine months ended September 30,					
	2012			2011		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
	(In thousands)					
Net unrealized gains on available-for-sale securities:						
Unrealized gains arising during holding period	$10,519	$(4,034)	$6,485	$56,981	$(21,823)	$35,158
Less: Reclassification adjustment for net gains realized in net income	(290)	111	(179)	(12,109)	4,632	(7,477)
Recognized employee benefit plan net periodic benefit cost	3088	(1181)	1,907	2,213	(846)	1,367
Other comprehensive income	$13,317	$(5,104)	$8,213	$47,085	$(18,037)	$29,048

Net income	67,315	24,266
Comprehensive income	$75,528	$53,314

NOTE 8 – GOODWILL AND OTHER INTANGIBLE ASSETS

The carrying amounts of goodwill by operating segment for the nine months ended September 30, 2012 were as follows:

	Community Banking (In thousands)	Insurance Agencies	Total
Balance as of December 31, 2011	$217,618	$53,679	$271,297
Goodwill recorded during the period	-	3,876	3,876
Balance as of September 30, 2012	$217,618	$57,555	$275,173

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 unit 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 third quarter or first nine months of 2012 that indicated the necessity of an earlier goodwill impairment assessment.

In the current 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, 2012		As of December 31, 2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:		(In thousands)		
Core deposit intangibles	$27,801	$ 21,440	$27,801	$ 20,728
Customer relationship intangibles	35,985	25,523	32,749	23,935
Non-solicitation intangibles	525	104	75	38
Total	$64,311	$ 47,067	$60,625	$ 44,701
Unamortized intangible assets:				
Trade names	$688	$ -	$688	$ -

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Aggregate amortization expense for:		(In thousands)		
Core deposit intangibles	$235	$248	$712	$764
Customer relationship intangibles	579	565	1,588	1,718
Non-solicitation intangibles	47	9	66	28
Total	$861	$822	$2,366	$2,510

The following table presents information regarding estimated amortization expense on the Company's amortizable identifiable intangible assets for the year ending December 31, 2012 and the succeeding four years:

	Core Deposit Intangibles	Customer Relationship Intangibles	Non-Solicitation Intangibles	Total
Estimated Amortization Expense:		(In thousands)		
For year ending December 31, 2012	$946	$ 2,159	$112	$3,217
For year ending December 31, 2013	582	2,059	150	2,791
For year ending December 31, 2014	526	1,782	150	2,458
For year ending December 31, 2015	487	1,465	75	2,027
For year ending December 31, 2016	451	1,133	-	1,584

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,	
	2012	2011	2012	2011
	(In thousands)			
Service cost	$2,068	$1,898	$7,252	$6,062
Interest cost	1,934	2,214	6,078	6,270
Expected return on assets	(2,765)	(3,745)	(8,447)	(11,171)
Amortization of unrecognized transition amount	3	4	13	14
Recognized prior service cost	(192)	52	(576)	152
Recognized net loss	893	891	3,651	2,047
Net periodic benefit costs	$1,941	$1,314	$7,971	$3,374

NOTE 10 – RECENT PRONOUNCEMENTS

In April 2011, the FASB issued an accounting standards update (“ASU”) regarding reconsideration of effective control for repurchase agreements. This ASU removes from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion. Other criteria applicable to the assessment of effective control are not changed by this ASU. The ASU is effective for the first interim or annual period beginning on or after December 15, 2011 and should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. The adoption of this ASU did not have a material impact on the financial position and results of operations of the Company.

In May 2011, the FASB issued an ASU regarding amendments to achieve common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards (“IFRS”). This ASU provides amendments to ensure that fair value has the same meaning in U.S. GAAP and IFRS and that their respective fair value measurements and disclosure requirements are the same. The ASU is effective during interim and annual periods beginning after December 15, 2011 and should be applied prospectively. The adoption of this ASU did not have a material impact on the financial position and results of operations of the Company.

In June 2011, the FASB issued an ASU regarding the presentation of comprehensive income. This ASU amends existing guidance and eliminates the option to present the components of other comprehensive income as part of the statement of changes in shareholder’s equity. This ASU requires that comprehensive income be presented in either a single continuous statement or in two separate but consecutive statements. This ASU is effective for interim and annual periods beginning on or after December 15, 2011. The adoption of this ASU changed the manner in which the Company’s other comprehensive income is disclosed and did not have an impact on the financial position and results of operations of the Company.

In September 2011, the FASB issued an ASU regarding goodwill impairment. This ASU gives companies the option to perform a qualitative assessment of whether it is more likely than not that a reporting unit’s fair value is less than its carrying value as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. This ASU is effective for interim and annual periods beginning after December 15, 2011. The adoption of this ASU did not have a material impact on the financial position and results of operations of the Company.

In July 2012, the FASB issued an ASU regarding indefinite-lived intangible assets impairment. This ASU permits companies to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test on that asset. This ASU is effective for interim and annual periods beginning after September 15, 2012. Early adoption is permitted. The Company is currently assessing the impact of the adoption of this ASU 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 lending, 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, 2012 and 2011 were as follows:

	Community Banking	Insurance Agencies	General Corporate and Other	Total
		(In thousands)		
Three months ended September 30, 2012:				
Results of Operations				
Net interest revenue	$105,075	$62	$(1,758)	$103,379
Provision for credit losses	5,726	-	274	6,000
Net interest revenue after provision for credit losses	99,349	62	(2,032)	97,379
Noninterest revenue	31,026	23,461	15,933	70,420
Noninterest expense	87,039	20,721	26,028	133,788
Income (loss) before income taxes	43,336	2,802	(12,127)	34,011
Income tax expense (benefit)	14,107	1,147	(5,068)	10,186
Net income (loss)	$29,229	$1,655	$(7,059)	$23,825
Selected Financial Information				
Total assets at end of period	$10,693,813	$176,027	$2,365,897	$13,235,737
Depreciation and amortization	6,012	953	693	7,658
Three months ended September 30, 2011:				
Results of Operations				
Net interest revenue	$101,092	$79	$6,904	$108,075
Provision for credit losses	23,416	-	1,696	25,112
Net interest revenue after provision for credit losses	77,676	79	5,208	82,963
Noninterest revenue	30,940	22,009	9,106	62,055
Noninterest expense	83,028	19,032	28,638	130,698
Income (loss) before income taxes	25,588	3,056	(14,324)	14,320
Income tax expense (benefit)	5,669	1,238	(4,521)	2,386
Net income (loss)	$19,919	$1,818	$(9,803)	$11,934
Selected Financial Information				
Total assets at end of period	$10,305,304	$166,572	$2,726,642	$13,198,518
Depreciation and amortization	5,967	947	1,073	7,987

	Community Banking	Insurance Agencies	General Corporate and Other	Total
	(In thousands)			
Nine months ended September 30, 2012				
Results of Operations				
Net interest revenue	$319,376	$211	$(5,857)	$313,730
Provision for credit losses	20,242	-	1,758	22,000
Net interest revenue after provision for credit losses	299,134	211	(7,615)	291,730
Noninterest revenue	91,956	69,516	47,776	209,248
Noninterest expense	270,155	58,882	76,937	405,974
Income (loss) before income taxes	120,935	10,845	(36,776)	95,004
Income tax expense (benefit)	39,128	4,370	(15,809)	27,689
Net income (loss)	$81,807	$6,475	$(20,967)	$67,315
Selected Financial Information				
Total assets at end of period	$10,693,813	$176,027	$2,365,897	$13,235,737
Depreciation and amortization	17,945	2,669	2,088	22,702
Nine months ended September 30, 2011				
Results of Operations				
Net interest revenue	$306,635	$258	$20,531	$327,424
Provision for credit losses	109,191	-	1,640	110,831
Net interest revenue after provision for credit losses	197,444	258	18,891	216,593
Noninterest revenue	99,845	67,436	38,229	205,510
Noninterest expense	257,683	56,095	83,999	397,777
Income (loss) before income taxes	39,606	11,599	(26,879)	24,326
Income tax expense (benefit)	13,313	4,639	(17,892)	60
Net income (loss)	$26,293	$6,960	$(8,987)	$24,266
Selected Financial Information				
Total assets at end of period	$10,305,304	$166,572	$2,726,642	$13,198,518
Depreciation and amortization	18,348	2,893	3,219	24,460

The increased net income of the Community Banking operating segment for the three months and nine months ended September 30, 2012 was primarily related to the decrease in the provision for credit losses.

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, 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, 2012	September 30, 2011	December 31, 2011
	(Dollars in thousands)		
Unpaid principal balance	$4,841,075	$4,143,880	$4,293,552

Weighted-average prepayment speed (CPR)	18.4	22.7	22.7
Discount rate (annual percentage)	10.8	10.3	10.3
Weighted-average coupon interest rate (percentage)	4.5	5.1	4.9
Weighted-average remaining maturity (months)	307.0	314.0	311.0
Weighted-average servicing fee (basis points)	27.4	28.1	28.0

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. The Company does not hedge the change in fair value of MSRs and, therefore, the Company is susceptible to significant fluctuations in the fair 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:

	2012	2011
	(In thousands)	
Fair value as of January 1	$30,174	$38,642
Additions:		
Origination of servicing assets	13,385	7,938
Changes in fair value:		
Due to payoffs/paydowns	(5,644)	(4,435)
Due to change in valuation inputs or assumptions used in the valuation model	(3,346)	(12,975)
Other changes in fair value	(7)	(11)
Fair value as of September 30	$34,562	$29,159

All of the changes to the fair value of the MSRs are recorded as part of mortgage lending noninterest revenue on the income statement. As part of mortgage lending noninterest revenue, the Company recorded contractual servicing fees of $3.2 million and $2.9 million and late and other ancillary fees of approximately $361,000 and $334,000 for the three months ended September 30, 2012 and 2011, respectively. The Company recorded contractual servicing fees of $9.5 million and $8.6 million and late and other ancillary fees of $1.0 million and approximately $966,000 for the nine months ended September 30, 2012 and 2011, respectively.

NOTE 13 – DERIVATIVE INSTRUMENTS

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, 2012, the notional amount of forward commitments to sell individual fixed-rate mortgage loans was $220.9 million with a carrying value and fair value reflecting a loss of $4.4 million. At September 30, 2011, the notional amount of forward commitments to sell individual fixed-rate mortgage loans was $167.5 million with a carrying value and fair value reflecting a loss of $2.4 million. At September 30, 2012, the notional amount of commitments to fund individual fixed-rate mortgage loans was $251.5 million with a carrying value and fair value reflecting a gain of $7.1 million. At September 30, 2011, the notional amount of commitments to fund individual fixed-rate mortgage loans was $177.7 million with a carrying value and fair value reflecting a gain of $3.9 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, 2012, the notional amount of customer related derivative financial instruments was $483.0 million with an average maturity of 60 months, an average interest receive rate of 2.5% and an average interest pay rate of 5.8%.

NOTE 14 – FAIR VALUE DISCLOSURES

"Fair value" is defined by FASB ASC 820, Fair Value Measurements and Disclosure ("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 1.6% to 4.5%. 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 the lower of cost or estimated fair value and are subject to nonrecurring fair value adjustments. Estimated fair value is determined on the basis of existing commitments or the current market value of similar loans. All of the Company’s loans held for sale are classified as Level 2.

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. 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.

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, 2012 and 2011:

	September 30, 2012			
	Level 1	Level 2	Level 3	Total
Assets:	(In thousands)			
Available-for-sale securities:				
U.S. Government agencies	$-	$1,472,747	$-	$1,472,747
Government agency issued residential mortgage-backed securities	-	338,230	-	338,230
Government agency issued commercial mortgage-backed securities	-	90,306	-	90,306
Obligations of states and political subdivisions	-	574,559	-	574,559
Other	672	7,092	-	7,764
Mortgage servicing rights	-	-	34,562	34,562
Derivative instruments	-	-	62,088	62,088
Total	$672	$2,482,934	$96,650	$2,580,256
Liabilities:				
Derivative instruments	$-	$-	$60,077	$60,077

	September 30, 2011			
	Level 1	Level 2	Level 3	Total
Assets:	(In thousands)			
Available-for-sale securities:				
U.S. Government agencies	$-	$1,497,456	$-	$1,497,456
Government agency issued residential mortgage-backed securities	-	420,689	-	420,689
Government agency issued commercial mortgage-backed securities	-	34,475	-	34,475
Obligations of states and political subdivisions	-	519,431	-	519,431
Other	528	8,976	-	9,504
Mortgage servicing rights	-	-	29,159	29,159
Derivative instruments	-	-	59,703	59,703
Total	$528	$2,481,027	$88,862	$2,570,417
Liabilities:				
Derivative instruments	$-	$-	$58,916	$58,916

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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, 2012 and 2011:

	Mortgage Servicing Rights	Derivative Instruments (In thousands)	Available-for-sale Securities
Balance at December 31, 2011	$30,174	$342	$-
Year to date net gains included in:			
Net income	4,388	1,669	-
Other comprehensive income	-	-	-
Purchases, sales, issuances and settlements, net	-	-	-
Transfers in and/or out of Level 3	-	-	-
Balance at September 30, 2012	$34,562	$2,011	$-
Net unrealized gains (losses) included in net income for the quarter relating to assets and liabilities held at September 30, 2012	$395	$(811)	$-

	Mortgage Servicing Rights	Derivative Instruments (In thousands)	Available-for-sale Securities
Balance at December 31, 2010	$38,642	$2,685	$-
Year to date net gains (losses) included in:			
Net income (loss)	(9,483)	(1,898)	-
Other comprehensive income	-	-	-
Purchases, sales, issuances and settlements, net	-	-	-
Transfers in and/or out of Level 3	-	-	-
Balance at September 30, 2011	$29,159	$787	$-
Net unrealized (losses) gains included in net income for the quarter relating to assets and liabilities held at September 30, 2011	$(10,296)	$380	$-

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, 2012 and 2011:

	September 30, 2012				
	Level 1	Level 2	Level 3	Total	Total Losses
Assets:			(In thousands)		
Loans held for sale	$-	$129,408	$-	$129,408	$-
Impaired loans	-	-	176,139	176,139	(18,205)
Other real estate owned	-	-	128,211	128,211	(26,216)

	September 30, 2011				
	Level 1	Level 2	Level 3	Total	Total Losses

Assets:			(In thousands)		
Loans held for sale	$-	$100,687	$-	$100,687	$-
Impaired loans	-	-	279,889	279,889	(38,657)
Other real estate owned	-	-	162,686	162,686	(16,277)

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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.

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 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 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 1.

The following table presents carrying and fair value information of financial instruments at September 30, 2012 and December 31, 2011:

	September 30, 2012		December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:	(In thousands)			
Cash and due from banks	$176,529	$176,529	$195,681	$195,681
Interest bearing deposits with other banks	757,207	757,207	303,663	303,663
Available-for-sale securities	2,483,606	2,483,606	2,513,518	2,513,518
Net loans and leases	8,510,950	8,557,412	8,675,193	8,730,819
Loans held for sale	129,408	129,502	83,458	83,503
Liabilities:				
Noninterest bearing deposits	2,492,508	2,492,508	2,269,799	2,269,799
Savings and interest bearing deposits	5,800,750	5,800,750	5,698,527	5,698,527
Other time deposits	2,681,382	2,718,028	2,986,863	3,029,147
Federal funds purchased and securities sold under agreement to repurchase and other short-term borrowings	377,676	377,411	375,433	375,285
Long-term debt and other borrowings	193,870	207,136	193,880	200,166
Derivative instruments:				
Forward commitments to sell fixed rate mortgage loans	(4,371)	(4,371)	(1,057)	(1,057)
Commitments to fund fixed rate mortgage loans	7,065	7,065	2,140	2,140
Interest rate swap position to receive	55,023	55,023	53,608	53,608
Interest rate swap position to pay	(55,706)	(55,706)	(54,349)	(54,349)

NOTE 15 – OTHER NONINTEREST REVENUE AND EXPENSE

The following table details other noninterest revenue for the three months and nine months ended September 30, 2012 and 2011:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	(In thousands)			
Annuity fees	$548	$552	$1,825	$2,942
Brokerage commissions and fees	1,782	1,627	4,999	4,702
Bank-owned life insurance	1,750	1,734	6,175	5,656
Other miscellaneous income	3,673	2,357	11,488	11,772
Total other noninterest income	$7,753	$6,270	$24,487	$25,072

The following table details other noninterest expense for the three months and nine months ended September 30, 2012 and 2011:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	(In thousands)			
Advertising	$1,081	$1,140	$2,824	$3,320
Foreclosed property expense	8,794	6,116	27,415	16,963
Telecommunications	2,118	2,097	6,347	6,276
Public relations	1,309	1,415	4,130	4,483
Data processing	2,312	2,614	7,520	7,280
Computer software	1,856	1,863	5,445	5,610
Amortization of intangibles	860	823	2,365	2,510
Legal	3,004	1,586	6,201	5,267
Postage and shipping	1,060	1,182	3,348	3,650
Other miscellaneous expense	16,540	19,740	52,546	55,984
Total other noninterest expense	$38,934	$38,576	$118,141	$111,343

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 investigations 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. From time to time, borrowers, customers, 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's insurance has deductibles, and will likely not cover all such litigation or other proceedings or the costs of defense. 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 Department of Justice, 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 or threatened claims, however, may turn out to be substantially higher than the amount accrued. Further, the Company's insurance will 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, management believes that the litigation-related expense accrued as of September 30, 2012 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 given fiscal period.

On May 12, 2010, the Company and its Chief Executive Officer, President and Chief Financial Officer were named in a 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. On September 17, 2010, an Executive Vice President of the Company was added as a party to the lawsuit. The amended complaint alleges that the defendants issued materially false and misleading statements regarding the Company's business and financial results. In particular, the allegations relate to the Company's recording and reporting of its unaudited financial statements, including the allowance and provision for credit losses, and its internal control over financial reporting leading up to the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2009. The plaintiff sought class certification, an unspecified amount of damages and awards of costs and attorneys' fees and other equitable relief. On May 24, 2012, the Company reached a settlement with the plaintiff. Pursuant to the terms of the settlement, subject to final court approval, the Company's insurance carriers funded the settlement payment, other than an immaterial amount of incidental expenses that the Company has covered. On July 11, 2012, the court preliminarily approved the settlement on the terms submitted by the parties and granted final approval of the settlement on October 31, 2012. This settlement will not have a material adverse effect on the Company's business, consolidated financial position or results of operations.

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 the members of the Board of Directors of the Company. The plaintiff in this shareholder derivative lawsuit asserts that the individual defendants violated their fiduciary duties based upon substantially the same facts as alleged in the purported class action lawsuit described above. The plaintiff is seeking to recover damages in an unspecified amount and equitable and/or injunctive relief. Although it is not possible to predict the ultimate resolution or financial liability with respect to this 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.

In November 2010, the Company was informed that the Atlanta Regional Office of the SEC had issued an Order of Investigation concerning the Company. This investigation is ongoing and is primarily focused on the Company's recording and reporting of its unaudited financial statements, including the allowance and provision for credit losses, its internal control over financial reporting and its communications with the independent auditors prior to the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2009. In connection with its investigation, the SEC issued subpoenas for documents and testimony, with which the Company has fully complied. The Company is cooperating fully with the SEC. No claims have been made by the SEC against the Company or against any individuals affiliated with the Company. At this time, it is not possible to predict when or how the investigation will be resolved or the cost or potential liabilities associated with this matter.

On May 18, 2010, the Bank was named as a defendant in a purported class action lawsuit filed by an Arkansas customer of the Bank in the U.S. District Court for the Northern District of Florida. The suit challenges the manner in which overdraft fees were charged and the policies related to posting order of debit card and ATM transactions. The suit also makes a claim under Arkansas' consumer protection statute. The plaintiff is seeking to recover damages in an unspecified amount and equitable relief. The case was transferred to pending multi-district litigation in the U.S. District Court for the Southern District of Florida. On May 4, 2012, the judge presiding over the multi-district litigation entered an order certifying a class in this case. The Company has filed a petition for leave to appeal the class certification order, which, if granted, would provide the Company with an immediate right to appeal the class certification order. At this stage of the lawsuit, management of the Company cannot determine the probability of an unfavorable outcome to the Company. There are significant uncertainties involved in any purported class action litigation. Although it is not possible to predict the ultimate resolution or financial liability with respect to this 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.

However, there can be no assurance that an adverse outcome or settlement would not have a material adverse effect on the Company’s consolidated results of operations for a given fiscal period.

NOTE 17 – BUSINESS COMBINATIONS

On July 2, 2012, the Company purchased certain assets of The Securance Group, an independent insurance agency with locations in Brewton, Montgomery and Troy, Alabama. Consideration paid to complete this transaction consisted of cash paid to The Securance Group shareholders in the aggregate amount of approximately $6,750,000. The provisions of the agreement also provide for additional aggregate consideration of up to $2,000,000 in cash to be paid in three annual installments if certain performance criteria are met. This acquisition was not material to the financial position or results of operations of the Company.

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 on 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. These forward-looking statements may be identified by reference to a future period(s) or by the use of forward-looking terminology, such as “anticipate,” “assume,” “believe,” “estimate,” “expect,” “n “might,” “will,” “intend,” “indicated,” “could,” or “would,” or future or conditional verb tenses, and variations or negatives of terms. These forward-looking statements include, without limitation, those relating to 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, continued weakness in the economic environment, 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 impact of the Durbin Debit Interchange Amendment on the Company’s debit card revenue, 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, troubled debt restru