RENASANT CORP
Form 10-Q
August 07, 2015


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

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# FORM 10-Q

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(Mark One)
ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2015
Or

o 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 001-13253

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RENASANT CORPORATION
(Exact name of registrant as specified in its charter)

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| | |
|---|---|
| Mississippi<br>(State or other jurisdiction of<br>incorporation or organization) | 64-0676974<br>(I.R.S. Employer<br>Identification No.) |
| 209 Troy Street, Tupelo, Mississippi<br>(Address of principal executive offices) | 38804-4827<br>(Zip Code) |

(662) 680-1001
(Registrant's telephone number, including area code)

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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 ý No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o
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.

| | |
|---|---|
| Large accelerated filer ý | Accelerated filer o |
| Non-accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company o |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý
As of July 31, 2015, 40,264,555 shares of the registrant's common stock, $5.00 par value per share, were outstanding. The registrant has no other classes of securities outstanding.

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Form 10-Q
For the Quarterly Period Ended June 30, 2015
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PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
Renasant Corporation and Subsidiaries
Consolidated Balance Sheets

(In Thousands, Except Share Data)

| | (Unaudited) June 30, 2015 | December 31, 2014 |
|---|---|---|
| Assets | | |
| Cash and due from banks | $79,060 | $95,793 |
| Interest-bearing balances with banks | 75,902 | 65,790 |
| Cash and cash equivalents | 154,962 | 161,583 |
| Securities held to maturity (fair value of $447,660 and $442,488, respectively) | 439,070 | 430,163 |
| Securities available for sale, at fair value | 526,220 | 553,584 |
| Mortgage loans held for sale, at fair value | 108,023 | 25,628 |
| Loans, net of unearned income: | | |
| Acquired and covered by FDIC loss-share agreements ("covered loans") | 121,626 | 143,041 |
| Acquired and not covered by FDIC loss-share agreements ("acquired non-covered loans") | 507,653 | 577,347 |
| Not acquired | 3,407,925 | 3,267,486 |
| Total loans, net of unearned income | 4,037,204 | 3,987,874 |
| Allowance for loan losses | (41,888) | (42,289) |
| Loans, net | 3,995,316 | 3,945,585 |
| Premises and equipment, net | 121,072 | 113,735 |
| Other real estate owned: | | |
| Covered under FDIC loss-share agreements | 3,853 | 6,368 |
| Not covered under FDIC loss-share agreements | 23,211 | 28,104 |
| Total other real estate owned, net | 27,064 | 34,472 |
| Goodwill | 274,698 | 274,706 |
| Other intangible assets, net | 20,110 | 22,624 |
| FDIC loss-share indemnification asset | 6,659 | 12,516 |
| Other assets | 225,996 | 230,533 |
| Total assets | $5,899,190 | $5,805,129 |
| Liabilities and shareholders’ equity | | |
| Liabilities | | |
| Deposits | | |
| Noninterest-bearing | $972,672 | $919,872 |
| Interest-bearing | 3,917,772 | 3,918,546 |
| Total deposits | 4,890,444 | 4,838,418 |
| Short-term borrowings | 64,229 | 32,403 |
| Long-term debt | 154,860 | 156,422 |
| Other liabilities | 58,681 | 66,235 |
| Total liabilities | 5,168,214 | 5,093,478 |
| Shareholders’ equity | | |
| Preferred stock, $.01 par value – 5,000,000 shares authorized; no shares issued and outstanding | — | — |
| Common stock, $5.00 par value – 75,000,000 shares authorized, 32,656,166 shares issued; 31,644,706 and 31,545,145 shares outstanding, respectively | 163,281 | 163,281 |
| Treasury stock, at cost | (21,381) | (22,128) |

| | | |
|---|---|---|
| Additional paid-in capital | 344,969 | 345,213 |
| Retained earnings | 252,718 | 232,883 |
| Accumulated other comprehensive loss, net of taxes | (8,611 ) | (7,598 ) |
| Total shareholders' equity | 730,976 | 711,651 |
| Total liabilities and shareholders' equity | $5,899,190 | $5,805,129 |

See Notes to Consolidated Financial Statements.

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Renasant Corporation and Subsidiaries
Consolidated Statements of Income (Unaudited)
(In Thousands, Except Share Data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Interest income | | | | |
| Loans | $50,454 | $51,279 | $97,891 | $100,825 |
| Securities | | | | |
| Taxable | 4,026 | 6,665 | 8,441 | 8,854 |
| Tax-exempt | 2,246 | 270 | 4,500 | 4,513 |
| Other | 43 | 63 | 103 | 262 |
| Total interest income | 56,769 | 58,277 | 110,935 | 114,454 |
| Interest expense | | | | |
| Deposits | 3,170 | 4,136 | 6,608 | 8,509 |
| Borrowings | 1,929 | 1,972 | 3,815 | 3,805 |
| Total interest expense | 5,099 | 6,108 | 10,423 | 12,314 |
| Net interest income | 51,670 | 52,169 | 100,512 | 102,140 |
| Provision for loan losses | 1,175 | 1,450 | 2,250 | 2,900 |
| Net interest income after provision for loan losses | 50,495 | 50,719 | 98,262 | 99,240 |
| Noninterest income | | | | |
| Service charges on deposit accounts | 6,092 | 6,193 | 12,025 | 12,109 |
| Fees and commissions | 5,384 | 5,515 | 10,278 | 10,487 |
| Insurance commissions | 2,119 | 2,088 | 4,086 | 3,951 |
| Wealth management revenue | 2,248 | 2,170 | 4,438 | 4,314 |
| Gains on sales of securities | 96 | — | 96 | — |
| BOLI income | 710 | 746 | 1,558 | 1,477 |
| Gains on sales of mortgage loans held for sale | 5,407 | 2,006 | 10,040 | 3,591 |
| Other | 861 | 753 | 2,300 | 2,158 |
| Total noninterest income | 22,917 | 19,471 | 44,821 | 38,087 |
| Noninterest expense | | | | |
| Salaries and employee benefits | 30,394 | 29,810 | 58,654 | 58,238 |
| Data processing | 3,152 | 2,850 | 6,333 | 5,545 |
| Net occupancy and equipment | 5,524 | 4,906 | 11,083 | 9,753 |
| Other real estate owned | 954 | 1,068 | 1,486 | 2,769 |
| Professional fees | 1,172 | 1,389 | 1,996 | 2,589 |
| Advertising and public relations | 1,481 | 1,888 | 2,784 | 3,416 |
| Intangible amortization | 1,239 | 1,427 | 2,514 | 2,898 |
| Communications | 1,491 | 1,701 | 2,924 | 3,383 |
| Merger-related expenses | 1,467 | — | 1,945 | 195 |
| Other | 4,302 | 4,357 | 8,871 | 8,255 |
| Total noninterest expense | 51,176 | 49,396 | 98,590 | 97,041 |
| Income before income taxes | 22,236 | 20,794 | 44,493 | 40,286 |
| Income taxes | 6,842 | 5,941 | 13,859 | 11,836 |
| Net income | $15,394 | $14,853 | $30,634 | $28,450 |
| Basic earnings per share | $0.49 | $0.47 | $0.97 | $0.90 |
| Diluted earnings per share | $0.48 | $0.47 | $0.96 | $0.90 |
| Cash dividends per common share | $0.17 | $0.17 | $0.34 | $0.34 |

See Notes to Consolidated Financial Statements.

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Renasant Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income (Unaudited)
(In Thousands, Except Share Data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Net income | $15,394 | $14,853 | $30,634 | $28,450 |
| Other comprehensive income, net of tax: | | | | |
| Securities: | | | | |
| Net change in unrealized holding (losses) gains on securities | (3,836) | 1,206 | (1,212) | 3,990 |
| Reclassification adjustment for gains realized in net income | (60) | — | (60) | — |
| Amortization of unrealized holding gains on securities transferred to the held to maturity category | (28) | (39) | (60) | (83) |
| Total securities | (3,924) | 1,167 | (1,332) | 3,907 |
| Derivative instruments: | | | | |
| Net change in unrealized holding gains (losses) on derivative instruments | 863 | (396) | 194 | (815) |
| Totals derivative instruments | 863 | (396) | 194 | (815) |
| Defined benefit pension and post-retirement benefit plans: | | | | |
| Amortization of net actuarial loss recognized in net periodic pension cost | 68 | 45 | 125 | 90 |
| Total defined benefit pension and post-retirement benefit plans | 68 | 45 | 125 | 90 |
| Other comprehensive (loss) income, net of tax | (2,993) | 816 | (1,013) | 3,182 |
| Comprehensive income | $12,401 | $15,669 | $29,621 | $31,632 |

See Notes to Consolidated Financial Statements.

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Renasant Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In Thousands)

| | Six Months Ended June 30, | |
|---|---|---|
| | 2015 | 2014 |
| Operating activities | | |
| Net income | $30,634 | $28,450 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses | 2,250 | 2,900 |
| Depreciation, amortization and accretion | 2,687 | 8,895 |
| Deferred income tax expense | 5,918 | 5,775 |
| Funding of mortgage loans held for sale | (407,893) | (254,578) |
| Proceeds from sales of mortgage loans held for sale | 335,538 | 263,791 |
| Gains on sales of mortgage loans held for sale | (10,040) | (3,591) |
| Gains on sales of securities | (96) | — |
| Losses (gains) on sales of premises and equipment | 19 | (14) |
| Stock-based compensation | 1,720 | 1,818 |
| Decrease in FDIC loss-share indemnification asset, net of accretion | 3,623 | 5,390 |
| Decrease (increase) in other assets | 12,084 | (6,534) |
| (Decrease) increase in other liabilities | (8,887) | 7,106 |
| Net cash (used in) provided by operating activities | $(32,443) | $59,408 |
| Investing activities | | |
| Purchases of securities available for sale | (29,066) | (100,129) |
| Proceeds from sales of securities available for sale | 1,213 | — |
| Proceeds from call/maturities of securities available for sale | 51,461 | 37,319 |
| Purchases of securities held to maturity | (119,766) | (151,836) |
| Proceeds from call/maturities of securities held to maturity | 109,817 | 124,798 |
| Net increase in loans | (48,164) | (82,399) |
| Purchases of premises and equipment | (11,194) | (5,675) |
| Net cash used in investing activities | (45,699) | (177,922) |
| Financing activities | | |
| Net increase in noninterest-bearing deposits | 52,800 | 46,746 |
| Net decrease in interest-bearing deposits | (774) | (1,927) |
| Net increase in short-term borrowings | 31,826 | 23,222 |
| Repayment of long-term debt | (1,836) | (5,460) |
| Cash paid for dividends | (10,800) | (10,753) |
| Cash received on exercise of stock-based compensation | 73 | 281 |
| Excess tax benefit from stock-based compensation | 232 | 977 |
| Net cash provided by financing activities | 71,521 | 53,086 |
| Net decrease in cash and cash equivalents | (6,621) | (65,428) |
| Cash and cash equivalents at beginning of period | 161,583 | 246,648 |
| Cash and cash equivalents at end of period | $154,962 | $181,220 |
| Supplemental disclosures | | |
| Cash paid for interest | $10,586 | $12,481 |
| Cash paid for income taxes | $5,994 | $9,300 |
| Noncash transactions: | | |
| Transfers of loans to other real estate owned | $6,930 | $6,029 |
| Financed sales of other real estate owned | $637 | $634 |

See Notes to Consolidated Financial Statements.

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Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

Note A – Summary of Significant Accounting Policies
Nature of Operations: Renasant Corporation (referred to herein as the "Company") owns and operates Renasant Bank ("Renasant Bank" or the "Bank") and Renasant Insurance, Inc. The Company offers a diversified range of financial, fiduciary and insurance services to its retail and commercial customers through its subsidiaries and full service offices located throughout north and central Mississippi, Tennessee, north and central Alabama and north Georgia.
Basis of Presentation: The accompanying unaudited consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information regarding the Company's significant accounting policies, refer to the audited consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 filed with the Securities and Exchange Commission on March 2, 2015.
Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.
Subsequent Events: The Company has evaluated, for consideration of recognition or disclosure, subsequent events that have occurred through the date of issuance of its financial statements. Effective July 1, 2015 the Company completed its previously-announced merger with Heritage Financial Group, Inc. ("Heritage"), the terms of which are disclosed in Note M, "Mergers and Acquisitions". The Company has determined that no significant events occurred after June 30, 2015 but prior to the issuance of these financial statements that would have a material impact on its Consolidated Financial Statements.

Note B – Securities
(In Thousands, Except Number of Securities)
The amortized cost and fair value of securities held to maturity were as follows as of the dates presented:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | | Fair Value |
|---|---|---|---|---|---|
| June 30, 2015 | | | | | |
| Obligations of other U.S. Government agencies and corporations | $125,596 | $19 | $(2,603 | ) | $123,012 |
| Obligations of states and political subdivisions | 313,474 | 12,143 | (969 | ) | 324,648 |
| | $439,070 | $12,162 | $(3,572 | ) | $447,660 |
| December 31, 2014 | | | | | |
| Obligations of other U.S. Government agencies and corporations | $125,081 | $10 | $(2,915 | ) | $122,176 |
| Obligations of states and political subdivisions | 305,082 | 15,428 | (198 | ) | 320,312 |
| | $430,163 | $15,438 | $(3,113 | ) | $442,488 |

The amortized cost and fair value of securities available for sale were as follows as of the dates presented:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| June 30, 2015 | | | | |
| Obligations of other U.S. Government agencies and corporations | $6,107 | $142 | $(46) | $6,203 |
| Residential mortgage backed securities: | | | | |
| Government agency mortgage backed securities | 282,024 | 3,408 | (2,021) | 283,411 |
| Government agency collateralized mortgage obligations | 151,403 | 1,606 | (2,498) | 150,511 |
| Commercial mortgage backed securities: | | | | |
| Government agency mortgage backed securities | 41,692 | 1,103 | (102) | 42,693 |
| Government agency collateralized mortgage obligations | 3,496 | 169 | — | 3,665 |
| Trust preferred securities | 24,844 | — | (5,717) | 19,127 |
| Other debt securities | 16,388 | 445 | (52) | 16,781 |
| Other equity securities | 2,500 | 1,329 | — | 3,829 |
| | $528,454 | $8,202 | $(10,436) | $526,220 |

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| December 31, 2014 | | | | |
| Obligations of other U.S. Government agencies and corporations | $6,119 | $147 | $(119) | $6,147 |
| Residential mortgage backed securities: | | | | |
| Government agency mortgage backed securities | 292,283 | 4,908 | (832) | 296,359 |
| Government agency collateralized mortgage obligations | 158,436 | 1,523 | (2,523) | 157,436 |
| Commercial mortgage backed securities: | | | | |
| Government agency mortgage backed securities | 45,714 | 1,608 | (137) | 47,185 |
| Government agency collateralized mortgage obligations | 4,970 | 202 | — | 5,172 |
| Trust preferred securities | 26,400 | 137 | (6,781) | 19,756 |
| Other debt securities | 17,517 | 487 | (74) | 17,930 |
| Other equity securities | 2,331 | 1,268 | — | 3,599 |
| | $553,770 | $10,280 | $(10,466) | $553,584 |

Over the past several quarters, pricing on the Company's pooled trust preferred securities has improved such that the amortized cost on one of its securities (XIII) had been fully recovered as of March 31, 2015. As such, during the second quarter of 2015, the Company sold its pooled trust preferred security XIII with net proceeds of $1,213 and a carrying value of $1,117 at the time of sale for a gain of $96. There were no other sales of securities for the three or six months ended June 30, 2015 or 2014.

At June 30, 2015 and December 31, 2014, securities with a carrying value of $634,947 and $617,189, respectively, were pledged to secure government, public and trust deposits. Securities with a carrying value of $18,292 and $16,410 were pledged as collateral for short-term borrowings and derivative instruments at June 30, 2015 and December 31, 2014, respectively.

The amortized cost and fair value of securities at June 30, 2015 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because issuers may call or prepay obligations with or without call or prepayment penalties.

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Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

| | Held to Maturity | | Available for Sale | |
|---|---|---|---|---|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Due within one year | $12,445 | $12,575 | $— | $— |
| Due after one year through five years | 84,927 | 87,020 | 5,055 | 5,067 |
| Due after five years through ten years | 224,633 | 226,165 | 1,052 | 1,136 |
| Due after ten years | 117,065 | 121,900 | 24,844 | 19,127 |
| Residential mortgage backed securities: | | | | |
| Government agency mortgage backed securities | — | — | 282,024 | 283,411 |
| Government agency collateralized mortgage obligations | — | — | 151,403 | 150,511 |
| Commercial mortgage backed securities: | | | | |
| Government agency mortgage backed securities | — | — | 41,692 | 42,693 |
| Government agency collateralized mortgage obligations | — | — | 3,496 | 3,665 |
| Other debt securities | — | — | 16,388 | 16,781 |
| Other equity securities | — | — | 2,500 | 3,829 |
| | $439,070 | $447,660 | $528,454 | $526,220 |

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Notes to Consolidated Financial Statements (Unaudited)

The following table presents the age of gross unrealized losses and fair value by investment category as of the dates presented:

| | Less than 12 Months | | | 12 Months or More | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | # | Fair Value | Unrealized Losses | # | Fair Value | Unrealized Losses | # | Fair Value | Unrealized Losses |
| Held to Maturity: | | | | | | | | | |
| June 30, 2015 | | | | | | | | | |
| Obligations of other U.S. Government agencies and corporations | 7 | $25,399 | $(586) | 20 | $91,100 | $(2,017) | 27 | $116,499 | $(2,603) |
| Obligations of states and political subdivisions | 46 | 39,717 | (781) | 6 | 3,782 | (188) | 52 | 43,499 | (969) |
| Total | 53 | $65,116 | $(1,367) | 26 | $94,882 | $(2,205) | 79 | 159,998 | $(3,572) |
| December 31, 2014 | | | | | | | | | |
| Obligations of other U.S. Government agencies and corporations | 2 | $1,000 | $(1) | 26 | $119,174 | $(2,914) | 28 | $120,174 | $(2,915) |
| Obligations of states and political subdivisions | 3 | 3,353 | (29) | 16 | 10,052 | (169) | 19 | 13,405 | (198) |
| Total | 5 | $4,353 | $(30) | 42 | $129,226 | $(3,083) | 47 | $133,579 | $(3,113) |
| Available for Sale: | | | | | | | | | |
| June 30, 2015 | | | | | | | | | |
| Obligations of other U.S. Government agencies and corporations | 0 | $— | $— | 1 | $3,954 | $(46) | 1 | $3,954 | $(46) |
| Residential mortgage backed securities: | | | | | | | | | |
| Government agency mortgage backed securities | 25 | 102,829 | (885) | 9 | 29,712 | (1,136) | 34 | 132,541 | (2,021) |
| Government agency collateralized mortgage obligations | 5 | 26,834 | (154) | 16 | 56,483 | (2,344) | 21 | 83,317 | (2,498) |
| Commercial mortgage backed securities: | | | | | | | | | |
| Government agency mortgage backed securities | 1 | 4,804 | (28) | 2 | 5,812 | (74) | 3 | 10,616 | (102) |
| Government agency collateralized | 0 | — | — | 0 | — | — | 0 | — | — |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| mortgage obligations | | | | | | | | | |
| Trust preferred securities | 0 | — | — | 3 | 19,127 | (5,717) | 3 | 19,127 | (5,717) |
| Other debt securities | 0 | — | — | 2 | 4,040 | (52) | 2 | 4,040 | (52) |
| Total | 31 | $134,467 | $(1,067) | 33 | $119,128 | $(9,369) | 64 | $253,595 | $(10,436) |
| December 31, 2014 | | | | | | | | | |
| Obligations of other U.S. Government agencies and corporations | 0 | $— | $— | 1 | $3,881 | $(119) | 1 | $3,881 | $(119) |
| Residential mortgage backed securities: | | | | | | | | | |
| Government agency mortgage backed securities | 3 | 18,924 | (39) | 13 | 49,612 | (793) | 16 | 68,536 | (832) |
| Government agency collateralized mortgage obligations | 6 | 32,169 | (138) | 18 | 65,552 | (2,385) | 24 | 97,721 | (2,523) |
| Commercial mortgage backed securities: | | | | | | | | | |
| Government agency mortgage backed securities | 0 | — | — | 3 | 10,651 | (137) | 3 | 10,651 | (137) |
| Government agency collateralized mortgage obligations | 0 | — | — | 0 | — | — | 0 | — | — |
| Trust preferred securities | 0 | — | — | 3 | 18,503 | (6,781) | 3 | 18,503 | (6,781) |
| Other debt securities | 0 | — | — | 2 | 4,175 | (74) | 2 | 4,175 | (74) |
| Other equity securities | 0 | — | — | 0 | — | — | 0 | — | — |
| Total | 9 | $51,093 | $(177) | 40 | $152,374 | $(10,289) | 49 | $203,467 | $(10,466) |

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Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

The Company evaluates its investment portfolio for other-than-temporary-impairment ("OTTI") on a quarterly basis. Impairment is assessed at the individual security level. The Company considers an investment security impaired if the fair value of the security is less than its cost or amortized cost basis. Impairment is considered to be other-than-temporary if the Company intends to sell the investment security or if the Company does not expect to recover the entire amortized cost basis of the security before the Company is required to sell the security or before the security's maturity.

The Company does not intend to sell any of the securities in an unrealized loss position, and it is not more likely than not that the Company will be required to sell any such security prior to the recovery of its amortized cost basis, which may be at maturity. Furthermore, even though a number of these securities have been in a continuous unrealized loss position for a period greater than twelve months, the Company has experienced an overall improvement in the fair value of its investment portfolio on account of the decrease in interest rates from the prior year and, with the exception of one of its pooled trust preferred securities (discussed below) is collecting principal and interest payments from the respective issuers as scheduled. As such, the Company did not record any OTTI for the three or six month period ending June 30, 2015 or 2014.

The Company holds investments in pooled trust preferred securities that had an amortized cost basis of $24,844 and $26,400 and a fair value of $19,127 and $19,756 at June 30, 2015 and December 31, 2014, respectively. At June 30, 2015, the investments in pooled trust preferred securities consist of three securities representing interests in various tranches of trusts collateralized by debt issued by over 260 financial institutions. Management's determination of the fair value of each of its holdings in pooled trust preferred securities is based on the current credit ratings, the known deferrals and defaults by the underlying issuing financial institutions and the degree to which future deferrals and defaults would be required to occur before the cash flow for the Company's tranches is negatively impacted. In addition, management continually monitors key credit quality and capital ratios of the issuing institutions. This determination is further supported by quarterly valuations, which are performed by third parties, of each security obtained by the Company. The Company does not intend to sell the investments before recovery of the investments' amortized cost, and it is not more likely than not that the Company will be required to sell the investments before recovery of the investments' amortized cost, which may be at maturity. At June 30, 2015, management did not, and does not currently, believe such securities will be settled at a price less than the amortized cost of the investment, but the Company previously concluded that it was probable that there had been an adverse change in estimated cash flows for all three trust preferred securities and recognized credit related impairment losses on these securities in 2010 and 2011. No additional impairment was recognized during the six months ended June 30, 2015.

The Company's analysis of the pooled trust preferred securities during the second quarter of 2015 supported a return to accrual status for one of the three securities (XXVI). During the second quarter of 2014, the Company's analysis supported a return to accrual status for one of the other securities (XXIII). An observed history of principal and interest payments combined with improved qualitative and quantitative factors described above justified the accrual of interest on these securities. However, the remaining security (XXIV) is still in "payment in kind" status where interest payments are not expected until a future date and therefore, the qualitative and quantitative factors described above do not justify a return to accrual status at this time. As a result, pooled trust preferred security XXIV remains classified as nonaccruing asset at June 30, 2015, and investment interest is recorded on the cash-basis method until qualifying for return to accrual status.

The following table provides information regarding the Company's investments in pooled trust preferred securities at June 30, 2015:

| Name | Single/ Pooled | Class/ Tranche | Amortized Cost | Fair Value | Unrealized Loss | Lowest Credit Rating | Issuers Currently in Deferral or |
|---|---|---|---|---|---|---|---|

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | Default | |
| XXIII | Pooled | B-2 | $8,547 | $6,139 | $(2,408 | ) | Baa3 | 17 | % |
| XXIV | Pooled | B-2 | 12,076 | 9,963 | (2,113 | ) | Caa2 | 29 | % |
| XXVI | Pooled | B-2 | 4,221 | 3,025 | (1,196 | ) | Ba3 | 24 | % |
| | | | $24,844 | $19,127 | $(5,717 | ) | | | |

The following table provides a summary of the cumulative credit related losses recognized in earnings for which a portion of OTTI has been recognized in other comprehensive income:

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| | 2015 | 2014 |
|---|---|---|
| Balance at January 1 | $(3,337) | $(3,337) |
| Additions related to credit losses for which OTTI was not previously recognized | — | — |
| Increases in credit loss for which OTTI was previously recognized | — | — |
| Balance at June 30 | $(3,337) | $(3,337) |

Note C – Loans and the Allowance for Loan Losses
(In Thousands, Except Number of Loans)
The following is a summary of loans as of the dates presented:

| | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Commercial, financial, agricultural | $480,559 | $483,283 |
| Lease financing | 17,956 | 10,427 |
| Real estate – construction | 212,576 | 212,061 |
| Real estate – 1-4 family mortgage | 1,275,914 | 1,236,360 |
| Real estate – commercial mortgage | 1,962,989 | 1,956,914 |
| Installment loans to individuals | 87,533 | 89,142 |
| Gross loans | 4,037,527 | 3,988,187 |
| Unearned income | (323) | (313) |
| Loans, net of unearned income | 4,037,204 | 3,987,874 |
| Allowance for loan losses | (41,888) | (42,289) |
| Net loans | $3,995,316 | $3,945,585 |

Past Due and Nonaccrual Loans
Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Generally, the recognition of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Consumer and other retail loans are typically charged-off no later than the time the loan is 120 days past due. In all cases, loans are placed on nonaccrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful. Loans may be placed on nonaccrual regardless of whether or not such loans are considered past due. All interest accrued for the current year, but not collected, for loans that are placed on nonaccrual status or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

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The following table provides an aging of past due and nonaccrual loans, segregated by class, as of the dates presented:

| | Accruing Loans | | | | Nonaccruing Loans | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 30-89 Days Past Due | 90 Days or More Past Due | Current Loans | Total Loans | 30-89 Days Past Due | 90 Days or More Past Due | Current Loans | Total Loans | Total Loans |
| June 30, 2015 | | | | | | | | | |
| Commercial, financial, agricultural | $417 | $602 | $478,768 | $479,787 | $17 | $436 | $319 | $772 | $480,559 |
| Lease financing | — | — | 17,541 | 17,541 | — | 415 | — | 415 | 17,956 |
| Real estate – construction | 112 | 37 | 212,427 | 212,576 | — | — | — | — | 212,576 |
| Real estate – 1-4 family mortgage | 4,782 | 1,832 | 1,256,170 | 1,262,784 | 667 | 5,903 | 6,560 | 13,130 | 1,275,914 |
| Real estate – commercial mortgage | 9,205 | 5,651 | 1,926,430 | 1,941,286 | 817 | 11,224 | 9,662 | 21,703 | 1,962,989 |
| Installment loans to individuals | 389 | 48 | 87,030 | 87,467 | 8 | 58 | — | 66 | 87,533 |
| Unearned income | — | — | (323) | (323) | — | — | — | — | (323) |
| Total | $14,905 | $8,170 | $3,978,043 | $4,001,118 | $1,509 | $18,036 | $16,541 | $36,086 | $4,037,204 |
| December 31, 2014 | | | | | | | | | |
| Commercial, financial, agricultural | $1,113 | $636 | $480,332 | $482,081 | $16 | $820 | $366 | $1,202 | $483,283 |
| Lease financing | 462 | — | 9,965 | 10,427 | — | — | — | — | 10,427 |
| Real estate – construction | — | 37 | 211,860 | 211,897 | — | 164 | — | 164 | 212,061 |
| Real estate – 1-4 family mortgage | 8,398 | 2,382 | 1,212,214 | 1,222,994 | 355 | 4,604 | 8,407 | 13,366 | 1,236,360 |
| Real estate – commercial mortgage | 6,924 | 7,637 | 1,912,758 | 1,927,319 | 1,826 | 16,928 | 10,841 | 29,595 | 1,956,914 |
| Installment loans to individuals | 269 | 21 | 88,782 | 89,072 | — | 59 | 11 | 70 | 89,142 |
| Unearned income | — | — | (313) | (313) | — | — | — | — | (313) |
| Total | $17,166 | $10,713 | $3,915,598 | $3,943,477 | $2,197 | $22,575 | $19,625 | $44,397 | $3,987,874 |

Restructured loans that are not performing in accordance with their restructured terms that are either contractually 90 days or more past due or placed on nonaccrual status are reported as nonperforming loans. There was one restructured loan in the amount of $21 contractually 90 days past due or more and still accruing at June 30, 2015. There were no restructured loans 90 days or more past due and accruing at December 31, 2014. The outstanding balance of restructured loans on nonaccrual status was $8,512 and $11,392 at June 30, 2015 and December 31, 2014, respectively.

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Impairment is measured on a loan-by-loan basis for commercial, consumer and construction loans above a minimum dollar amount threshold by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent. Large groups of smaller balance homogeneous loans are evaluated collectively for impairment. When the ultimate collectability of an impaired loan's principal is in doubt, wholly or partially, all cash receipts are applied to principal. Once the recorded balance has been reduced to zero, future cash receipts are applied to interest income, to the extent any interest has been foregone, and then they are recorded as recoveries of any amounts previously charged-off. For impaired loans, a specific reserve is established to adjust the carrying value of the loan to its estimated net realizable value.

Impaired loans recognized in conformity with Financial Accounting Standards Board Accounting Standards Codification Topic ("ASC") 310, “Receivables” (“ASC 310”), segregated by class, were as follows as of the dates presented:

| | Unpaid Contractual Principal Balance | Recorded Investment With Allowance | Recorded Investment With No Allowance | Total Recorded Investment | Related Allowance |
|---|---|---|---|---|---|
| June 30, 2015 | | | | | |
| Commercial, financial, agricultural | $3,662 | $1,746 | $72 | $1,818 | $342 |
| Real estate – construction | — | — | — | — | — |
| Real estate – 1-4 family mortgage | 31,118 | 18,231 | 7,607 | 25,838 | 4,454 |
| Real estate – commercial mortgage | 62,015 | 32,352 | 11,431 | 43,783 | 3,898 |
| Installment loans to individuals | 799 | 470 | 11 | 481 | 211 |
| Total | $97,594 | $52,799 | $19,121 | $71,920 | $8,905 |
| December 31, 2014 | | | | | |
| Commercial, financial, agricultural | $4,871 | $984 | $1,375 | $2,359 | $171 |
| Real estate – construction | 164 | 164 | — | 164 | — |
| Real estate – 1-4 family mortgage | 31,906 | 18,401 | 7,295 | 25,696 | 4,824 |
| Real estate – commercial mortgage | 90,196 | 29,079 | 28,784 | 57,863 | 5,767 |
| Installment loans to individuals | 397 | 21 | 51 | 72 | — |
| Totals | $127,534 | $48,649 | $37,505 | $86,154 | $10,762 |

The following table presents the average recorded investment and interest income recognized on impaired loans for the periods presented:

| | Three Months Ended June 30, 2015 | | Three Months Ended June 30, 2014 | |
|---|---|---|---|---|
| | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized |
| Commercial, financial, agricultural | $1,970 | $7 | $5,279 | $— |
| Lease financing | — | — | — | — |
| Real estate – construction | — | — | 2,034 | — |
| Real estate – 1-4 family mortgage | 27,571 | 172 | 21,747 | 170 |
| Real estate – commercial mortgage | 45,758 | 262 | 93,402 | 752 |
| Installment loans to individuals | 506 | — | — | — |
| Total | $75,805 | $441 | $122,462 | $922 |

| | Six Months Ended June 30, 2015 | | Six Months Ended June 30, 2014 | |
|---|---|---|---|---|
| | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized |
| Commercial, financial, agricultural | $2,009 | $15 | $5,382 | $— |
| Real estate – construction | — | — | 2,036 | 2 |

| | | | | |
|---|---|---|---|---|
| Real estate – 1-4 family mortgage | 27,776 | 244 | 22,122 | 204 |
| Real estate – commercial mortgage | 46,563 | 536 | 94,641 | 816 |
| Installment loans to individuals | 513 | — | — | — |
| Total | $76,861 | $795 | $124,181 | $1,022 |

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Restructured Loans
Restructured loans are those for which concessions have been granted to the borrower due to a deterioration of the borrower's financial condition and which are performing in accordance with the new terms. Such concessions may include reduction in interest rates or deferral of interest or principal payments. In evaluating whether to restructure a loan, management analyzes the long-term financial condition of the borrower, including guarantor and collateral support, to determine whether the proposed concessions will increase the likelihood of repayment of principal and interest.
The following table presents restructured loans segregated by class as of the dates presented:

| | Number of Loans | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment |
|---|---|---|---|
| June 30, 2015 | | | |
| Commercial, financial, agricultural | 2 | $507 | $479 |
| Real estate – construction | — | — | — |
| Real estate – 1-4 family mortgage | 58 | 7,163 | 6,581 |
| Real estate – commercial mortgage | 22 | 16,126 | 14,958 |
| Installment loans to individuals | — | — | — |
| Total | 82 | $23,796 | $22,018 |
| December 31, 2014 | | | |
| Commercial, financial, agricultural | 2 | $507 | $507 |
| Real estate – construction | — | — | — |
| Real estate – 1-4 family mortgage | 35 | 5,212 | 4,567 |
| Real estate – commercial mortgage | 16 | 10,590 | 9,263 |
| Installment loans to individuals | — | — | — |
| Total | 53 | $16,309 | $14,337 |

Changes in the Company's restructured loans are set forth in the table below:

| | Number of Loans | Recorded Investment |
|---|---|---|
| Totals at January 1, 2015 | 53 | $14,337 |
| Additional loans with concessions | 38 | 9,490 |
| Reductions due to: | | |
| Reclassified as nonperforming | (1) | (21) |
| Paid in full | (8) | (1,494) |
| Principal paydowns | — | (294) |
| Totals at June 30, 2015 | 82 | $22,018 |

The allocated allowance for loan losses attributable to restructured loans was $1,622 and $1,547 at June 30, 2015 and December 31, 2014, respectively. The Company had no remaining availability under commitments to lend additional funds on these restructured loans at June 30, 2015 or December 31, 2014.
Credit Quality

For loans originated for commercial purposes, internal risk-rating grades are assigned by lending, credit administration or loan review personnel, based on an analysis of the financial and collateral strength and other credit attributes underlying each loan. Management analyzes the resulting ratings, as well as other external statistics and factors such as delinquency, to track the migration performance of the portfolio balances of these loans. Loan grades range between 1 and 9, with 1 being loans with the least credit risk. Loans that migrate toward the "Pass" grade (those with a risk rating between 1 and 4) or within the "Pass" grade generally have a lower risk of loss and therefore a lower risk factor applied to the loan balances. The "Watch" grade (those with a risk rating of 5) is utilized on a temporary basis for "Pass" grade loans where a significant adverse risk-modifying action is anticipated in the near term. Loans that migrate toward the "Substandard" grade (those with a risk rating between 6 and 9) generally have a higher risk of loss and therefore a higher risk factor applied to the related loan balances. The following table presents the Company's loan portfolio by risk-rating grades as of the dates presented:

| | Pass | Watch | Substandard | Total |
|---|---|---|---|---|
| June 30, 2015 | | | | |
| Commercial, financial, agricultural | $325,883 | $3,686 | $1,122 | $330,691 |
| Lease financing | — | — | 415 | 415 |
| Real estate – construction | 148,161 | 635 | — | 148,796 |
| Real estate – 1-4 family mortgage | 126,332 | 4,079 | 12,110 | 142,521 |
| Real estate – commercial mortgage | 1,430,488 | 25,347 | 23,434 | 1,479,269 |
| Installment loans to individuals | 9 | — | — | 9 |
| Total | $2,030,873 | $33,747 | $37,081 | $2,101,701 |
| December 31, 2014 | | | | |
| Commercial, financial, agricultural | $337,998 | $5,255 | $1,451 | $344,704 |
| Lease financing | — | — | — | — |
| Real estate – construction | 150,683 | 855 | — | 151,538 |
| Real estate – 1-4 family mortgage | 122,608 | 6,079 | 11,479 | 140,166 |
| Real estate – commercial mortgage | 1,389,787 | 31,109 | 33,554 | 1,454,450 |
| Installment loans to individuals | 1,402 | — | — | 1,402 |
| Total | $2,002,478 | $43,298 | $46,484 | $2,092,260 |

For portfolio balances of consumer, consumer mortgage and certain other loans originated for other than commercial purposes, allowance factors are determined based on historical loss ratios by portfolio for the preceding eight quarters and may be adjusted by other qualitative criteria. The following table presents the performing status of the Company's loan portfolio not subject to risk rating as of the dates presented:

| | Performing | Non-Performing | Total |
|---|---|---|---|
| June 30, 2015 | | | |
| Commercial, financial, agricultural | $137,693 | $255 | $137,948 |
| Lease financing | 17,218 | — | 17,218 |
| Real estate – construction | 63,743 | 37 | 63,780 |
| Real estate – 1-4 family mortgage | 1,055,294 | 2,750 | 1,058,044 |
| Real estate – commercial mortgage | 280,507 | 1,514 | 282,021 |
| Installment loans to individuals | 84,322 | 70 | 84,392 |
| Total | $1,638,777 | $4,626 | $1,643,403 |
| December 31, 2014 | | | |
| Commercial, financial, agricultural | $114,996 | $179 | $115,175 |
| Lease financing | 10,114 | — | 10,114 |
| Real estate – construction | 60,323 | 200 | 60,523 |
| Real estate – 1-4 family mortgage | 1,010,645 | 2,730 | 1,013,375 |
| Real estate – commercial mortgage | 266,867 | 1,352 | 268,219 |
| Installment loans to individuals | 83,744 | 39 | 83,783 |
| Total | $1,546,689 | $4,500 | $1,551,189 |

Loans Acquired with Deteriorated Credit Quality

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Loans acquired in business combinations that exhibited, at the date of acquisition, evidence of deterioration of the credit quality since origination, such that it was probable that all contractually required payments would not be collected, were as follows as of the dates presented:

| | Impaired Covered Loans | Other Covered Loans | Not Covered Loans | Total |
|---|---|---|---|---|
| June 30, 2015 | | | | |
| Commercial, financial, agricultural | $15 | $3,711 | $8,194 | $11,920 |
| Lease financing | — | — | — | — |
| Real estate – construction | — | — | — | — |
| Real estate – 1-4 family mortgage | 3,233 | 37,100 | 35,016 | 75,349 |
| Real estate – commercial mortgage | 12,110 | 65,426 | 124,163 | 201,699 |
| Installment loans to individuals | — | 31 | 3,101 | 3,132 |
| Total | $15,358 | $106,268 | $170,474 | $292,100 |
| December 31, 2014 | | | | |
| Commercial, financial, agricultural | $— | $6,684 | $16,720 | $23,404 |
| Lease financing | — | — | — | — |
| Real estate – construction | — | — | — | — |
| Real estate – 1-4 family mortgage | 420 | 43,597 | 38,802 | 82,819 |
| Real estate – commercial mortgage | 7,584 | 84,720 | 141,941 | 234,245 |
| Installment loans to individuals | — | 36 | 3,921 | 3,957 |
| Total | $8,004 | $135,037 | $201,384 | $344,425 |

The references in the table above and elsewhere in these Notes to "covered loans" and "not covered loans" (as well as to "covered OREO" and "not covered OREO") refer to loans (or OREO, as applicable) covered and not covered, respectively, by loss-share agreements with the FDIC. See Note E, "FDIC Loss-Share Indemnification Asset," below for more information.

The following table presents the fair value of loans determined to be impaired at the time of acquisition and determined not to be impaired at the time of acquisition at June 30, 2015:

| | Impaired Covered Loans | Other Covered Loans | Not Covered Loans | Total |
|---|---|---|---|---|
| Contractually-required principal and interest | $35,544 | $122,104 | $245,223 | $402,871 |
| Nonaccretable difference[1] | (20,180) | (15,139) | (52,142) | (87,461) |
| Cash flows expected to be collected | 15,364 | 106,965 | 193,081 | 315,410 |
| Accretable yield[2] | (6) | (697) | (22,607) | (23,310) |
| Fair value | $15,358 | $106,268 | $170,474 | $292,100 |

(1) Represents contractual principal and interest cash flows of $82,546 and $4,915, respectively, not expected to be collected.
(2) Represents contractual interest payments of $788 expected to be collected and purchase discount of $22,522.

Changes in the accretable yield of loans acquired with deteriorated credit quality were as follows:

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| | Impaired Covered Loans | Other Covered Loans | Not Covered Loans | Total |
|---|---|---|---|---|
| Balance at January 1, 2015 | $(1) | $(2,623) | $(29,809) | $(32,433) |
| Reclasses from nonaccretable difference | (45) | (1,144) | 175 | (1,014) |
| Accretion | 40 | 3,070 | 5,558 | 8,668 |
| Chargeoff | — | — | 1,469 | 1,469 |
| Balance at June 30, 2015 | $(6) | $(697) | $(22,607) | $(23,310) |

The following table presents the fair value of loans acquired from First M&F Corporation ("First M&F") as of the September 1, 2013 acquisition date.

| At acquisition date: | September 1, 2013 |
|---|---|
| Contractually-required principal and interest | $1,112,979 |
| Nonaccretable difference | 70,334 |
| Cash flows expected to be collected | 1,042,645 |
| Accretable yield | 143,409 |
| Fair value | $899,236 |

Allowance for Loan Losses

The allowance for loan losses is maintained at a level believed adequate by management based on its ongoing analysis of the loan portfolio to absorb probable credit losses inherent in the entire loan portfolio, including collective impairment as recognized under ASC 450, “Contingencies”. Collective impairment is calculated based on loans grouped by grade. Another component of the allowance is losses on loans assessed as impaired under ASC 310. The balance of these loans and their related allowance is included in management’s estimation and analysis of the allowance for loan losses. Management and the internal loan review staff evaluate the adequacy of the allowance for loan losses quarterly. The allowance for loan losses is evaluated based on a continuing assessment of problem loans, the types of loans, historical loss experience, new lending products, emerging credit trends, changes in the size and character of loan categories and other factors, including its risk rating system, regulatory guidance and economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance for loan losses is established through a provision for loan losses charged to earnings resulting from measurements of inherent credit risk in the loan portfolio and estimates of probable losses or impairments of individual loans. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The following table provides a roll forward of the allowance for loan losses and a breakdown of the ending balance of the allowance based on the Company’s impairment methodology for the periods presented:

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| | Commercial | Real Estate - Construction | Real Estate - 1-4 Family Mortgage | Real Estate - Commercial Mortgage | Installment and Other[(1)] | Total |
|---|---|---|---|---|---|---|
| Three Months Ended June 30, 2015 | | | | | | |
| Allowance for loan losses: | | | | | | |
| Beginning balance | $ 4,109 | $ 1,359 | $ 14,045 | $ 21,508 | $ 1,281 | $ 42,302 |
| Charge-offs | (123 ) | (26 ) | (869 ) | (1,224 ) | (56 ) | (2,298 ) |
| Recoveries | 104 | 7 | 215 | 357 | 26 | 709 |
| Net charge-offs | (19 ) | (19 ) | (654 ) | (867 ) | (30 ) | (1,589 ) |
| Provision for loan losses | (96 ) | (43 ) | (130 ) | 1,078 | 30 | 839 |
| Benefit attributable to FDIC loss-share agreements | (30 ) | — | (43 ) | (385 ) | — | (458 ) |
| Recoveries payable to FDIC | 7 | — | 574 | 213 | — | 794 |
| Provision for loan losses charged to operations | (119 ) | (43 ) | 401 | 906 | 30 | 1,175 |
| Ending balance | $ 3,971 | $ 1,297 | $ 13,792 | $ 21,547 | $ 1,281 | $ 41,888 |

| | Commercial | Real Estate - Construction | Real Estate - 1-4 Family Mortgage | Real Estate - Commercial Mortgage | Installment and Other[(1)] | Total |
|---|---|---|---|---|---|---|
| Six Months Ended June 30, 2015 | | | | | | |
| Allowance for loan losses: | | | | | | |
| Beginning balance | $ 3,305 | $ 1,415 | $ 13,549 | $ 22,759 | $ 1,261 | $ 42,289 |
| Charge-offs | (358 ) | (26 ) | (1,354 ) | (1,857 ) | (106 ) | (3,701 ) |
| Recoveries | 139 | 13 | 370 | 469 | 59 | 1,050 |
| Net charge-offs | (219 ) | (13 ) | (984 ) | (1,388 ) | (47 ) | (2,651 ) |
| Provision for loan losses | 931 | (106 ) | 488 | 191 | 67 | 1,571 |
| Benefit attributable to FDIC loss-share agreements | (55 ) | — | (43 ) | (486 ) | — | (584 ) |
| Recoveries payable to FDIC | 9 | 1 | 782 | 471 | — | 1,263 |
| Provision for loan losses charged to operations | 885 | (105 ) | 1,227 | 176 | 67 | 2,250 |
| Ending balance | $ 3,971 | $ 1,297 | $ 13,792 | $ 21,547 | $ 1,281 | $ 41,888 |
| Period-End Amount Allocated to: | | | | | | |
| Individually evaluated for impairment | $ — | $ — | $ 4,125 | $ 1,566 | $ 211 | $ 5,902 |
| Collectively evaluated for impairment | 3,609 | 1,297 | 9,478 | 19,121 | 1,069 | 34,574 |
| Acquired with deteriorated credit quality | 362 | — | 189 | 860 | 1 | 1,412 |
| Ending balance | $ 3,971 | $ 1,297 | $ 13,792 | $ 21,547 | $ 1,281 | $ 41,888 |

| | Commercial | Real Estate - Construction | Real Estate - 1-4 Family Mortgage | Real Estate - Commercial Mortgage | Installment and Other(1) | Total |
|---|---|---|---|---|---|---|
| Three Months Ended June 30, 2014 | | | | | | |
| Allowance for loan losses: | | | | | | |
| Beginning balance | $ 3,128 | $ 1,109 | $ 18,478 | $ 24,147 | $ 1,186 | $ 48,048 |
| Charge-offs | — | — | (1,985) | (483) | (61) | (2,529) |
| Recoveries | 75 | 3 | 206 | 28 | 23 | 335 |
| Net (charge-offs) recoveries | 75 | 3 | (1,779) | (455) | (38) | (2,194) |
| Provision for loan losses | (95) | 154 | (5,187) | 7,522 | 57 | 2,451 |
| Benefit attributable to FDIC loss-share agreements | — | — | (66) | (1,476) | — | (1,542) |
| Recoveries payable to FDIC | 156 | 1 | 351 | 33 | — | 541 |
| Provision for loan losses charged to operations | 61 | 155 | (4,902) | 6,079 | 57 | 1,450 |
| Ending balance | $ 3,264 | $ 1,267 | $ 11,797 | $ 29,771 | $ 1,205 | $ 47,304 |

| | Commercial | Real Estate - Construction | Real Estate - 1-4 Family Mortgage | Real Estate - Commercial Mortgage | Installment and Other(1) | Total |
|---|---|---|---|---|---|---|
| Six Months Ended June 30, 2014 | | | | | | |
| Allowance for loan losses: | | | | | | |
| Beginning balance | $ 3,090 | $ 1,091 | $ 18,629 | $ 23,688 | $ 1,167 | $ 47,665 |
| Charge-offs | (119) | — | (2,872) | (543) | (292) | (3,826) |
| Recoveries | 112 | 8 | 357 | 58 | 30 | 565 |
| Net (charge-offs) recoveries | (7) | 8 | (2,515) | (485) | (262) | (3,261) |
| Provision for loan losses | 88 | 167 | (4,691) | 8,002 | 300 | 3,866 |
| Benefit attributable to FDIC loss-share agreements | (68) | — | (135) | (1,471) | — | (1,674) |
| Recoveries payable to FDIC | 161 | 1 | 509 | 37 | — | 708 |
| Provision for loan losses charged to operations | 181 | 168 | (4,317) | 6,568 | 300 | 2,900 |
| Ending balance | $ 3,264 | $ 1,267 | $ 11,797 | $ 29,771 | $ 1,205 | $ 47,304 |
| Period-End Amount Allocated to: | | | | | | |
| Individually evaluated for impairment | $ 245 | $ — | $ 2,062 | $ 8,584 | $ — | $ 10,891 |
| Collectively evaluated for impairment | 3,019 | 1,267 | 9,735 | 21,187 | 1,205 | 36,413 |
| Acquired with deteriorated credit quality | — | — | — | — | — | — |
| Ending balance | $ 3,264 | $ 1,267 | $ 11,797 | $ 29,771 | $ 1,205 | $ 47,304 |

(1) Includes lease financing receivables.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

The following table provides the recorded investment in loans, net of unearned income, based on the Company's impairment methodology as of the dates presented:

| | Commercial | Real Estate - Construction | Real Estate - 1-4 Family Mortgage | Real Estate - Commercial Mortgage | Installment and Other[1] | Total |
|---|---|---|---|---|---|---|
| June 30, 2015 | | | | | | |
| Individually evaluated for impairment | $765 | $— | $17,476 | $23,911 | $438 | $42,590 |
| Collectively evaluated for impairment | 467,874 | 212,576 | 1,183,089 | 1,737,379 | 101,596 | 3,702,514 |
| Acquired with deteriorated credit quality | 11,920 | — | 75,349 | 201,699 | 3,132 | 292,100 |
| Ending balance | $480,559 | $212,576 | $1,275,914 | $1,962,989 | $105,166 | $4,037,204 |
| December 31, 2014 | | | | | | |
| Individually evaluated for impairment | $984 | $164 | $18,401 | $29,079 | $21 | $48,649 |
| Collectively evaluated for impairment | 458,895 | 211,897 | 1,135,140 | 1,693,590 | 95,278 | 3,594,800 |
| Acquired with deteriorated credit quality | 23,404 | — | 82,819 | 234,245 | 3,957 | 344,425 |
| Ending balance | $483,283 | $212,061 | $1,236,360 | $1,956,914 | $99,256 | $3,987,874 |

(1) Includes lease financing receivables.

Note D – Other Real Estate Owned
(In Thousands)
The following table provides details of the Company's other real estate owned ("OREO") covered and not covered under a loss-share agreement, net of valuation allowances and direct write-downs as of the dates presented:

| | Covered OREO | Not Covered OREO | Total OREO |
|---|---|---|---|
| June 30, 2015 | | | |
| Residential real estate | $534 | $3,174 | $3,708 |
| Commercial real estate | 1,688 | 8,737 | 10,425 |
| Residential land development | 343 | 3,926 | 4,269 |
| Commercial land development | 1,288 | 7,374 | 8,662 |
| Total | $3,853 | $23,211 | $27,064 |
| December 31, 2014 | | | |
| Residential real estate | $657 | $4,549 | $5,206 |
| Commercial real estate | 470 | 9,179 | 9,649 |
| Residential land development | 2,445 | 4,990 | 7,435 |
| Commercial land development | 2,796 | 9,386 | 12,182 |
| Total | $6,368 | $28,104 | $34,472 |

Changes in the Company's OREO covered and not covered under a loss-share agreement were as follows:

| | Covered OREO | Not Covered OREO | Total OREO |
|---|---|---|---|
| Balance at January 1, 2015 | $6,368 | $28,104 | $34,472 |
| Transfers of loans | 2,697 | 4,233 | 6,930 |
| Impairments[1] | (264) | (1,342) | (1,606) |
| Dispositions | (4,895) | (7,761) | (12,656) |
| Other | (53) | (23) | (76) |
| Balance at June 30, 2015 | $3,853 | $23,211 | $27,064 |

(1) Of the total impairment charges of $264 recorded for covered OREO, $53 was included in the Consolidated Statements of Income for the six months ended June 30, 2015, while the remaining $211 increased the FDIC loss-share indemnification asset.

Components of the line item "Other real estate owned" in the Consolidated Statements of Income were as follows for the periods presented:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Repairs and maintenance | $105 | $756 | $298 | $1,537 |
| Property taxes and insurance | 148 | 56 | 384 | 297 |
| Impairments | 953 | 207 | 1,395 | 1,045 |
| Net (gains) losses on OREO sales | (195) | 102 | (483) | (12) |
| Rental income | (57) | (53) | (108) | (98) |
| Total | $954 | $1,068 | $1,486 | $2,769 |

Note E – FDIC Loss-Share Indemnification Asset
(In Thousands)
As part of the loan portfolio and OREO fair value estimation in connection with FDIC-assisted acquisitions, a FDIC loss-share indemnification asset is established, which represents the present value as of the acquisition date of the estimated losses on covered assets to be reimbursed by the FDIC. Pursuant to the terms of both of our loss-share agreements, the FDIC is obligated to reimburse the Bank for 80% of all eligible losses with respect to covered assets, beginning with the first dollar of loss incurred. The Bank has a corresponding obligation to reimburse the FDIC for 80% of eligible recoveries with respect to covered assets. The estimated losses are based on the same cash flow estimates used in determining the fair value of the covered assets. The FDIC loss-share indemnification asset is reduced as losses are recognized on covered assets and loss-share payments are received from the FDIC. Realized losses in excess of estimates as of the date of the acquisition increase the FDIC loss-share indemnification asset. Conversely, when realized losses are less than these estimates, the portion of the FDIC loss-share indemnification asset no longer expected to result in a payment from the FDIC is amortized into interest income using the effective interest method.

Changes in the FDIC loss-share indemnification asset were as follows:

| | |
|---|---|
| Balance at January 1, 2015 | $12,516 |
| Changes in expected cash flows from initial estimates on: | |

| | |
|---|---|
| Covered Loans | (2,434 ) |
| Covered OREO | (71 ) |
| Reimbursable expenses | 186 |
| Accretion | — |
| Reimbursements received from the FDIC | (3,538 ) |
| Balance at June 30, 2015 | $6,659 |

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Note F – Mortgage Servicing Rights
(In Thousands)
The Company retains the right to service certain mortgage loans that it sells to secondary market investors. These mortgage servicing rights, included in “Other assets” on the Consolidated Balance Sheets, are recognized as a separate asset on the date the corresponding mortgage loan is sold. Mortgage servicing rights are amortized in proportion to and over the period of estimated net servicing income. These servicing rights are carried at the lower of amortized cost or fair market value. Fair market value is determined using an income approach with various assumptions including expected cash flows, prepayment speeds, market discount rates, servicing costs, and other factors. Impairment losses on mortgage servicing rights are recognized to the extent by which the unamortized cost exceeds fair value. No impairment losses on mortgage servicing rights were recognized in earnings for the six months ended June 30, 2015 or 2014.
Changes in the Company’s mortgage servicing rights were as follows:

| | |
|---|---|
| Balance at January 1, 2015 | $11,662 |
| Capitalization | 2,360 |
| Amortization | (1,102) |
| Balance at June 30, 2015 | $12,920 |

Data and key economic assumptions related to the Company’s mortgage servicing rights as of June 30, 2015 are as follows:

| | |
|---|---|
| Unpaid principal balance | $1,321,200 |
| Weighted-average prepayment speed (CPR) | 5.28% |
| Estimated impact of a 10% increase | $(1,046) |
| Estimated impact of a 20% increase | (1,454) |
| Discount rate | 10.76% |
| Estimated impact of a 10% increase | $(1,088) |
| Estimated impact of a 20% increase | (15,529) |
| Weighted-average coupon interest rate | 3.83% |
| Weighted-average servicing fee (basis points) | 25.03 |
| Weighted-average remaining maturity (in years) | 24.3 |

Note G - Employee Benefit and Deferred Compensation Plans
(In Thousands, Except Share Data)
The Company sponsors a noncontributory defined benefit pension plan, under which participation and future benefit accruals ceased as of December 31, 1996. The Company also provides retiree health benefits for certain employees who were employed by the Company and enrolled in the Company's health plan as of December 31, 2004. To receive benefits, an eligible employee must retire from service with the Company and its affiliates between age 55 and 65 and be credited with at least 15 years of service or with 70 points, determined as the sum of age and service at retirement. The Company periodically determines the portion of the premium to be paid by each eligible retiree and the portion to be paid by the Company. Coverage ceases when an employee attains age 65 and is eligible for Medicare. The Company also provides life insurance coverage for each retiree in the face amount of $5 until age 70. Retirees can

purchase additional insurance or continue coverage beyond age 70 at their sole expense.

The plan expense for the Company-sponsored noncontributory defined benefit pension plan (“Pension Benefits”) and post-retirement health and life plans (“Other Benefits”) for the periods presented was as follows:

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| | Pension Benefits Three Months Ended June 30, | | Other Benefits Three Months Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Service cost | $— | $— | $4 | $6 |
| Interest cost | 274 | 318 | 15 | 23 |
| Expected return on plan assets | (510) | (539) | — | — |
| Prior service cost recognized | — | — | — | — |
| Recognized actuarial loss | 83 | 46 | 26 | 27 |
| Net periodic benefit cost (return) | $(153) | $(175) | $45 | $56 |

| | Pension Benefits Six Months Ended June 30, | | Other Benefits Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Service cost | $— | $— | $8 | $12 |
| Interest cost | 545 | 636 | 30 | 46 |
| Expected return on plan assets | (1,021) | (1,078) | — | — |
| Prior service cost recognized | — | — | — | — |
| Recognized actuarial loss | 156 | 91 | 46 | 54 |
| Net periodic benefit (return) cost | $(320) | $(351) | $84 | $112 |

In March 2011, the Company adopted a long-term equity incentive plan, which provides for the grant of stock options and the award of restricted stock. The plan replaced the long-term incentive plan adopted in 2001, which expired in October 2011. The Company issues shares of treasury stock to satisfy stock options exercised or restricted stock granted under the plan. Options granted under the plan allow participants to acquire shares of the Company's common stock at a fixed exercise price and expire ten years after the grant date. Options vest and become exercisable in installments over a three-year period measured from the grant date. Options that have not vested are forfeited and canceled upon the termination of a participant's employment. There were no stock options granted during the three and six months ended June 30, 2015 and 2014.

The following table summarizes the changes in stock options as of and for the six months ended June 30, 2015:

| | Shares | Weighted Average Exercise Price |
|---|---|---|
| Options outstanding at beginning of period | 830,950 | $18.70 |
| Granted | — | — |
| Exercised | (109,137) | 19.57 |
| Forfeited | (7,500) | 30.63 |
| Options outstanding at end of period | 714,313 | $18.45 |

The Company awards performance-based restricted stock to executives and time-based restricted stock to directors and other officers and employees under the long-term equity incentive plan. The performance-based restricted stock vests upon completion of a one-year service period and the attainment of certain performance goals. Performance-based restricted stock is issued at the target level; the number of shares ultimately awarded is determined at the end of each year and may be increased or decreased depending on the Company falling short of, meeting or exceeding financial performance measures defined by the Board of Directors. Time-based restricted stock vests at the end of the service period defined in the respective grant. The fair value of each restricted stock award is the closing price of the Company's common stock on the day immediately preceding the award date. The following table summarizes the changes in restricted stock as of and for the six months ended June 30, 2015:

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Notes to Consolidated Financial Statements (Unaudited)

| | Performance-Based Restricted Stock | Weighted Average Grant-Date Fair Value | Time- Based Restricted Stock | Weighted Average Grant-Date Fair Value |
|---|---|---|---|---|
| Nonvested at beginning of period | — | $— | 38,336 | $27.26 |
| Awarded | 81,750 | 28.93 | 33,588 | 29.40 |
| Vested | — | — | (11,486) | 27.86 |
| Cancelled | — | — | — | — |
| Nonvested at end of period | 81,750 | $28.93 | 60,438 | $28.65 |

During the six months ended June 30, 2015, the Company reissued 99,561 shares from treasury in connection with the exercise of stock options and award of restricted stock. The Company recorded total stock-based compensation expense of $857 and $951 for the three months ended June 30, 2015 and 2014, respectively, and $1,720 and $1,822 for the six months ended June 30, 2015 and 2014, respectively.

Note H – Segment Reporting
(In Thousands)
The operations of the Company’s reportable segments are described as follows:

- The Community Banks segment delivers a complete range of banking and financial services to individuals and small to medium-sized businesses including checking and savings accounts, business and personal loans, asset-based lending and equipment leasing, as well as safe deposit and night depository facilities.
- The Insurance segment includes a full service insurance agency offering all major lines of commercial and personal insurance through major carriers.
- The Wealth Management segment offers a broad range of fiduciary services which includes the administration and management of trust accounts including personal and corporate benefit accounts, self-directed IRAs, and custodial accounts. In addition, the Wealth Management segment offers annuities, mutual funds and other investment services through a third party broker-dealer.

In order to give the Company’s divisional management a more precise indication of the income and expenses they can control, the results of operations for the Community Banks, the Insurance and the Wealth Management segments reflect the direct revenues and expenses of each respective segment. Indirect revenues and expenses, including but not limited to income from the Company’s investment portfolio, as well as certain costs associated with data processing and back office functions, primarily support the operations of the community banks and, therefore, are included in the results of the Community Banks segment. Included in “Other” are the operations of the holding company and other eliminations which are necessary for purposes of reconciling to the consolidated amounts.
The following table provides financial information for the Company’s operating segments for the periods presented:

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Notes to Consolidated Financial Statements (Unaudited)

| | Community Banks | Insurance | Wealth Management | Other | Consolidated |
|---|---|---|---|---|---|
| Three months ended June 30, 2015 | | | | | |
| Net interest income | $52,277 | $78 | $395 | $(1,080) | $51,670 |
| Provision for loan losses | 1,175 | — | — | — | 1,175 |
| Noninterest income | 18,325 | 2,183 | 2,385 | 24 | 22,917 |
| Noninterest expense | 47,377 | 1,727 | 1,904 | 168 | 51,176 |
| Income (loss) before income taxes | 22,050 | 534 | 876 | (1,224) | 22,236 |
| Income taxes | 7,102 | 218 | — | (478) | 6,842 |
| Net income (loss) | $14,948 | $316 | $876 | $(746) | $15,394 |
| | | | | | |
| Total assets | $5,819,329 | $20,438 | $43,719 | $15,704 | $5,899,190 |
| Goodwill | 271,931 | 2,767 | — | — | 274,698 |
| | | | | | |
| Three months ended June 30, 2014 | | | | | |
| Net interest income | $52,744 | $49 | $320 | $(944) | $52,169 |
| Provision for loan losses | 1,501 | — | (51) | — | 1,450 |
| Noninterest income | 15,129 | 2,138 | 2,181 | 23 | 19,471 |
| Noninterest expense | 45,530 | 1,684 | 1,999 | 183 | 49,396 |
| Income (loss) before income taxes | 20,842 | 503 | 553 | (1,104) | 20,794 |
| Income taxes | 6,168 | 202 | — | (429) | 5,941 |
| Net income (loss) | $14,674 | $301 | $553 | $(675) | $14,853 |
| | | | | | |
| Total assets | $5,744,942 | $17,864 | $46,259 | $16,955 | $5,826,020 |
| Goodwill | 273,379 | 2,767 | — | — | 276,146 |

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

| | Community Banks | Insurance | Wealth Management | Other | Consolidated |
|---|---|---|---|---|---|
| Six months ended June 30, 2015 | | | | | |
| Net interest income | $101,870 | $147 | $810 | $(2,315) | $100,512 |
| Provision for loan losses | 2,250 | — | — | — | 2,250 |
| Noninterest income | 35,461 | 4,578 | 4,749 | 33 | 44,821 |
| Noninterest expense | 91,068 | 3,348 | 3,798 | 376 | 98,590 |
| Income (loss) before income taxes | 44,013 | 1,377 | 1,761 | (2,658) | 44,493 |
| Income taxes | 14,358 | 538 | — | (1,037) | 13,859 |
| Net income (loss) | $29,655 | $839 | $1,761 | $(1,621) | $30,634 |
| | | | | | |
| Total assets | $5,819,329 | $20,438 | $43,719 | $15,704 | $5,899,190 |
| Goodwill | 271,931 | 2,767 | — | — | 274,698 |
| | | | | | |
| Six months ended June 30, 2014 | | | | | |
| Net interest income | $103,380 | $112 | $631 | $(1,983) | $102,140 |
| Provision for loan losses | 2,890 | — | 10 | — | 2,900 |
| Noninterest income | 29,212 | 4,531 | 4,297 | 47 | 38,087 |
| Noninterest expense | 89,655 | 3,158 | 3,867 | 361 | 97,041 |
| Income (loss) before income taxes | 40,047 | 1,485 | 1,051 | (2,297) | 40,286 |