

RENASANT CORP
Form 10-Q
August 07, 2015
Table of Contents

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

FORM 10-Q

(Mark One)

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

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
Commission file number 001-13253

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

Mississippi	64-0676974
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

209 Troy Street, Tupelo, Mississippi	38804-4827
(Address of principal executive offices)	(Zip Code)
(662) 680-1001	
(Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of 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.

Table of Contents

Renasant Corporation and Subsidiaries
Form 10-Q
For the Quarterly Period Ended June 30, 2015
CONTENTS

	Page
PART I	
Item 1.	
<u>Financial Information</u>	
<u>Financial Statements (Unaudited)</u>	
<u>Consolidated Balance Sheets</u>	<u>1</u>
<u>Consolidated Statements of Income</u>	<u>2</u>
<u>Consolidated Statements of Comprehensive Income</u>	<u>3</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>4</u>
<u>Notes to Consolidated Financial Statements</u>	<u>5</u>
Item 2.	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>45</u>
Item 3.	
<u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>73</u>
Item 4.	
<u>Controls and Procedures</u>	<u>73</u>
PART II	
Item 1	
<u>Other Information</u>	
<u>Legal Proceedings</u>	<u>74</u>
Item 1A.	
<u>Risk Factors</u>	<u>74</u>
Item 2.	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>74</u>
Item 6.	
<u>Exhibits</u>	<u>74</u>
<u>SIGNATURES</u>	<u>76</u>
<u>EXHIBIT INDEX</u>	<u>77</u>

Table of Contents

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, \$.01 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)

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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.		

1

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.		

Table of Contents

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

Table of Contents

Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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.

Table of Contents

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

Table of Contents

Renasant Corporation and Subsidiaries

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	—	—

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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)

Table of Contents

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
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								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:

Table of Contents

Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

	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.

Table of Contents

Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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.

Table of Contents

Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

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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

Table of Contents

Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

Table of Contents

Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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