RENASANT CORP
Form 10-Q
May 08, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2015
Or

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

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

Mississippi (State or other jurisdiction of incorporation or organization)	64-0676974 (I.R.S. Employer Identification No.)
209 Troy Street, Tupelo, Mississippi (Address of principal executive offices)	38804-4827 (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 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 April 30, 2015, 31,625,581 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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Renasant Corporation and Subsidiaries
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For the Quarterly Period Ended March 31, 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) March 31, 2015	December 31, 2014
Assets		
Cash and due from banks	$78,716	$ 95,793
Interest-bearing balances with banks	95,663	65,790
Cash and cash equivalents	174,379	161,583
Securities held to maturity (fair value of $486,624 and $442,488, respectively)	470,597	430,163
Securities available for sale, at fair value	545,797	553,584
Mortgage loans held for sale, at fair value	102,780	25,628
Loans, net of unearned income:		
Acquired and covered by FDIC loss-share agreements ("covered loans")	125,773	143,041
Acquired and not covered by FDIC loss-share agreements ("acquired non-covered loans")	553,574	577,347
Not acquired	3,274,314	3,267,486
Total loans, net of unearned income	3,953,661	3,987,874
Allowance for loan losses	(42,302)	(42,289)
Loans, net	3,911,359	3,945,585
Premises and equipment, net	117,769	113,735
Other real estate owned:		
Covered under FDIC loss-share agreements	4,325	6,368
Not covered under FDIC loss-share agreements	27,361	28,104
Total other real estate owned, net	31,686	34,472
Goodwill	274,705	274,706
Other intangible assets, net	21,348	22,624
FDIC loss-share indemnification asset	8,934	12,516
Other assets	222,495	230,533
Total assets	$5,881,849	$ 5,805,129
Liabilities and shareholders' equity		
Liabilities		
Deposits		
Noninterest-bearing	$959,351	$ 919,872
Interest-bearing	3,983,418	3,918,546
Total deposits	4,942,769	4,838,418
Short-term borrowings	6,732	32,403
Long-term debt	155,581	156,422
Other liabilities	53,571	66,235
Total liabilities	5,158,653	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; 31,604,937 and 31,545,145 shares outstanding, respectively	163,281	163,281
Treasury stock, at cost	(21,312)	(22,128)

Additional paid-in capital	344,119	345,213
Retained earnings	242,726	232,883
Accumulated other comprehensive loss, net of taxes	(5,618)	(7,598)
Total shareholders' equity	723,196	711,651
Total liabilities and shareholders' equity	$5,881,849	$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 March 31,	
	2015	2014
Interest income		
Loans	$47,437	$49,546
Securities		
Taxable	4,415	4,243
Tax-exempt	2,254	2,189
Other	60	199
Total interest income	54,166	56,177
Interest expense		
Deposits	3,438	4,373
Borrowings	1,886	1,833
Total interest expense	5,324	6,206
Net interest income	48,842	49,971
Provision for loan losses	1,075	1,450
Net interest income after provision for loan losses	47,767	48,521
Noninterest income		
Service charges on deposit accounts	5,933	5,916
Fees and commissions	4,894	4,972
Insurance commissions	1,967	1,863
Wealth management revenue	2,190	2,144
BOLI income	848	731
Gains on sales of mortgage loans held for sale	4,633	1,585
Other	1,439	1,405
Total noninterest income	21,904	18,616
Noninterest expense		
Salaries and employee benefits	28,260	28,428
Data processing	3,181	2,695
Net occupancy and equipment	5,559	4,847
Other real estate owned	532	1,701
Professional fees	824	1,200
Advertising and public relations	1,303	1,528
Intangible amortization	1,275	1,471
Communications	1,433	1,682
Merger-related expenses	478	195
Other	4,569	3,898
Total noninterest expense	47,414	47,645
Income before income taxes	22,257	19,492
Income taxes	7,017	5,895
Net income	$15,240	$13,597
Basic earnings per share	$0.48	$0.43
Diluted earnings per share	$0.48	$0.43
Cash dividends per common share	$0.17	$0.17

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 March 31,	
	2015	2014
Net income	$15,240	$13,597
Other comprehensive income, net of tax:		
Securities:		
Net change in unrealized holding gains on securities	2,624	2,784
Amortization of unrealized holding losses on securities transferred to the held to maturity category	(32)	(44)
Total securities	2,592	2,740
Derivative instruments:		
Net change in unrealized holding losses on derivative instruments	(669)	(419)
Totals derivative instruments	(669)	(419)
Defined benefit pension and post-retirement benefit plans:		
Amortization of net actuarial loss recognized in net periodic pension cost	57	45
Total defined benefit pension and post-retirement benefit plans	57	45
Other comprehensive income, net of tax	1,980	2,366
Comprehensive income	$17,220	$15,963

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2015	2014
Operating activities		
Net income	$15,240	$13,597
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,075	1,450
Depreciation, amortization and accretion	3,772	2,542
Deferred income tax expense	6,408	5,284
Funding of mortgage loans held for sale	(185,595)	(104,353)
Proceeds from sales of mortgage loans held for sale	113,076	110,773
Gains on sales of mortgage loans held for sale	(4,633)	(1,585)
Losses (gains) on sales of premises and equipment	4	(12)
Stock-based compensation	864	871
Decrease in FDIC loss-share indemnification asset, net of accretion	2,213	1,601
Decrease in other assets	7,664	5,885
Decrease in other liabilities	(14,432)	(15,793)
Net cash (used in) provided by operating activities	$(54,344)	$20,260
Investing activities		
Purchases of securities available for sale	(13,651)	(76,282)
Proceeds from call/maturities of securities available for sale	24,814	17,069
Purchases of securities held to maturity	(54,824)	(128,684)
Proceeds from call/maturities of securities held to maturity	13,922	57,890
Net increase in loans	30,542	12,038
Purchases of premises and equipment	(5,924)	(2,293)
Net cash used in investing activities	(5,121)	(120,262)
Financing activities		
Net increase in noninterest-bearing deposits	39,479	58,944
Net increase in interest-bearing deposits	64,872	103,928
Net decrease in short-term borrowings	(25,671)	(2,283)
Repayment of long-term debt	(978)	(989)
Cash paid for dividends	(5,398)	(5,372)
Cash received on exercise of stock-based compensation	28	—
Excess tax (expense) benefit from stock-based compensation	(71)	741
Net cash provided by financing activities	72,261	154,969
Net increase in cash and cash equivalents	12,796	54,967
Cash and cash equivalents at beginning of period	161,583	246,648
Cash and cash equivalents at end of period	$174,379	$301,615
Supplemental disclosures		
Cash paid for interest	$5,663	$6,543
Cash paid for income taxes	$1,368	$4,993
Noncash transactions:		
Transfers of loans to other real estate owned	$5,559	$2,497
Financed sales of other real estate owned	$480	$153

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 north 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, and has determined that no significant events occurred after March 31, 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
March 31, 2015					
Obligations of other U.S. Government agencies and corporations	$165,589	$47	$(957	)	$164,679
Obligations of states and political subdivisions	305,008	17,062	(125	)	321,945
	$470,597	$17,109	$(1,082	)	$486,624
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

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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
March 31, 2015				
Obligations of other U.S. Government agencies and corporations	$6,113	$170	$(52)	$6,231
Residential mortgage backed securities:				
Government agency mortgage backed securities	292,587	5,981	(486)	298,082
Government agency collateralized mortgage obligations	151,075	2,131	(1,398)	151,808
Commercial mortgage backed securities:				
Government agency mortgage backed securities	42,019	1,583	(32)	43,570
Government agency collateralized mortgage obligations	4,553	273	—	4,826
Trust preferred securities	26,057	79	(6,010)	20,126
Other debt securities	16,999	537	(42)	17,494
Other equity securities	2,331	1,329	—	3,660
	$541,734	$12,083	$(8,020)	$545,797

	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

There were no held to maturity or available for sale securities sold during the three months ended March 31, 2015 or 2014.

At March 31, 2015 and December 31, 2014, securities with a carrying value of $694,737 and $617,189, respectively, were pledged to secure government, public and trust deposits. Securities with a carrying value of $18,840 and $16,410

were pledged as collateral for short-term borrowings and derivative instruments at March 31, 2015 and December 31, 2014, respectively.
The amortized cost and fair value of securities at March 31, 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	$51,995	$52,081	$—	$—
Due after one year through five years	78,507	80,593	1,059	1,127
Due after five years through ten years	213,069	218,280	5,054	5,104
Due after ten years	127,026	135,670	26,057	20,126
Residential mortgage backed securities:				
Government agency mortgage backed securities	—	—	292,587	298,082
Government agency collateralized mortgage obligations	—	—	151,075	151,808
Commercial mortgage backed securities:				
Government agency mortgage backed securities	—	—	42,019	43,570
Government agency collateralized mortgage obligations	—	—	4,553	4,826
Other debt securities	—	—	16,999	17,494
Other equity securities	—	—	2,331	3,660
	$470,597	$486,624	$541,734	$545,797

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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:									
March 31, 2015									
Obligations of other U.S. Government agencies and corporations	5	$11,478	$(24)	21	$96,177	$(933)	26	$107,655	$(957)
Obligations of states and political subdivisions	8	6,117	(38)	7	4,091	(87)	15	10,208	(125)
Total	13	$17,595	$(62)	28	$100,268	$(1,020)	41	117,863	$(1,082)
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:									
March 31, 2015									
Obligations of other U.S. Government agencies and corporations	0	$—	$—	1	$3,948	$(52)	1	$3,948	$(52)
Residential mortgage backed securities:									
Government agency mortgage backed securities	3	7,688	(15)	9	31,928	(471)	12	39,616	(486)
Government agency collateralized mortgage obligations	1	2,194	(2)	16	60,066	(1,396)	17	62,260	(1,398)
Commercial mortgage backed securities:									
Government agency mortgage backed securities	0	—	—	2	5,863	(32)	2	5,863	(32)
	0	—	—	0	—	—	0	—	—

Government agency collateralized mortgage obligations									
Trust preferred securities	0	—	—	3	18,930	(6,010)	3	18,930	(6,010)
Other debt securities	0	—	—	2	4,186	(42)	2	4,186	(42)
Total	4	$9,882	$(17)	33	$124,921	$(8,003)	37	$134,803	$(8,020)
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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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 is collecting principal and interest payments from the respective issuers as scheduled. As such, the Company did not record any OTTI for the three month period ending March 31, 2015 or 2014.

The Company holds investments in pooled trust preferred securities that had an amortized cost basis of $26,057 and $26,400 and a fair value of $20,126 and $19,756, at March 31, 2015 and December 31, 2014, respectively. The investments in pooled trust preferred securities consist of four securities representing interests in various tranches of trusts collateralized by debt issued by over 310 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, 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 March 31, 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 four trust preferred securities and recognized credit related impairment losses on these securities in 2010 and 2011. No additional impairment was recognized during the three months ended March 31, 2015.

The Company's analysis of the pooled trust preferred securities during the second quarter of 2014 supported a return to accrual status for two of the four securities (XIII and 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, one of the remaining securities (XXIV) is still in "payment in kind" status where interest payments are not expected until a future date, and, although the Company has received principal payments from the fourth security (XXVI), the Company's analysis of the qualitative and quantitative factors described above does not justify a return to accrual status at this time. As a result, pooled trust preferred securities XXIV and XXVI remain classified as nonaccruing assets at March 31, 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 March 31, 2015:

Name	Single/ Pooled	Class/ Tranche	Amortized Cost	Fair Value	Unrealized Loss	Lowest Credit	Issuers Currently in

						Rating	Deferral or Default
XIII	Pooled	B-2	$1,117	$1,196	$79	B3	27 %
XXIII	Pooled	B-2	8,630	6,093	(2,537)	Baa3	18 %
XXIV	Pooled	B-2	12,076	9,447	(2,629)	Ca	28 %
XXVI	Pooled	B-2	4,234	3,390	(844)	B3	24 %
			$26,057	$20,126	$(5,931)		

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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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 March 31	$(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:

	March 31, 2015	December 31, 2014
Commercial, financial, agricultural	$474,788	$483,283
Lease financing	11,863	10,427
Real estate – construction	201,449	212,061
Real estate – 1-4 family mortgage	1,239,455	1,236,360
Real estate – commercial mortgage	1,938,994	1,956,914
Installment loans to individuals	87,415	89,142
Gross loans	3,953,964	3,988,187
Unearned income	(303)	(313)
Loans, net of unearned income	3,953,661	3,987,874
Allowance for loan losses	(42,302)	(42,289)
Net loans	$3,911,359	$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 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. 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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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
March 31, 2015									
Commercial, financial, agricultural	$684	$1,506	$471,674	$473,864	$34	$545	$345	$924	$474,788
Lease financing	—	—	11,441	11,441	—	422	—	422	11,863
Real estate – construction	71	37	201,070	201,178	—	271	—	271	201,449
Real estate – 1-4 family mortgage	7,806	1,852	1,216,794	1,226,452	309	5,244	7,450	13,003	1,239,455
Real estate – commercial mortgage	9,655	7,417	1,899,224	1,916,296	1,063	12,714	8,921	22,698	1,938,994
Installment loans to individuals	366	17	86,964	87,347	—	59	9	68	87,415
Unearned income	—	—	(303)	(303)	—	—	—	—	(303)
Total	$18,582	$10,829	$3,886,864	$3,916,275	$1,406	$19,255	$16,725	$37,386	$3,953,661
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 past due or placed on nonaccrual status are reported as nonperforming loans. There were no restructured loans contractually 90 days past due or more and still accruing at March 31, 2015 or December 31, 2014. The outstanding balance of restructured loans on nonaccrual status was $9,484 and $11,392 at March 31, 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.

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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
March 31, 2015					
Commercial, financial, agricultural	$5,722	$944	$1,936	$2,880	$1,095
Real estate – construction	104	104	—	104	5
Real estate – 1-4 family mortgage	21,043	13,783	3,115	16,898	4,841
Real estate – commercial mortgage	78,688	25,267	24,583	49,850	4,459
Installment loans to individuals	—	—	—	—	—
Total	$105,557	$40,098	$29,634	$69,732	$10,400
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 March 31, 2015		Three Months Ended March 31, 2014	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial, financial, agricultural	$4,416	$8	$7,745	$5
Real estate – construction	104	—	2,037	2
Real estate – 1-4 family mortgage	17,636	72	27,754	34
Real estate – commercial mortgage	55,420	274	91,277	64
Installment loans to individuals	—	—	—	—
Total	$77,576	$354	$128,813	$105

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:

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	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
March 31, 2015			
Commercial, financial, agricultural	2	$507	$489
Real estate – construction	—	—	—
Real estate – 1-4 family mortgage	51	6,177	5,402
Real estate – commercial mortgage	23	17,067	15,442
Installment loans to individuals	—	—	—
Total	76	$23,751	$21,333
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	25	7,508
Reductions due to:		
Reclassified as nonperforming	—	—
Paid in full	(2)	(411)
Charge-offs	—	—
Transfer to other real estate owned	—	—
Principal paydowns	—	(101)
Lapse of concession period	—	—
Totals at March 31, 2015	76	$21,333

The allocated allowance for loan losses attributable to restructured loans was $1,332 and $1,547 at March 31, 2015 and December 31, 2014, respectively. The Company had no remaining availability under commitments to lend additional funds on these restructured loans at March 31, 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:

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	Pass	Watch	Substandard	Total
March 31, 2015				
Commercial, financial, agricultural	$333,160	$6,731	$2,259	$342,150
Real estate – construction	142,470	556	—	143,026
Real estate – 1-4 family mortgage	124,635	3,497	12,981	141,113
Real estate – commercial mortgage	1,396,707	21,748	28,995	1,447,450
Installment loans to individuals	624	—	—	624
Total	$1,997,596	$32,532	$44,235	$2,074,363
December 31, 2014				
Commercial, financial, agricultural	$337,998	$5,255	$1,451	$344,704
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
March 31, 2015			
Commercial, financial, agricultural	$111,612	$369	$111,981
Lease financing	11,560	—	11,560
Real estate – construction	58,220	203	58,423
Real estate – 1-4 family mortgage	1,016,755	1,295	1,018,050
Real estate – commercial mortgage	273,285	1,408	274,693
Installment loans to individuals	83,126	39	83,165
Total	$1,554,558	$3,314	$1,557,872
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

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:

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	Impaired Covered Loans	Other Covered Loans	Not Covered Loans	Total
March 31, 2015				
Commercial, financial, agricultural	$—	$3,917	$16,740	$20,657
Lease financing	—	—	—	—
Real estate – construction	—	—	—	—
Real estate – 1-4 family mortgage	420	42,338	37,534	80,292
Real estate – commercial mortgage	7,376	71,688	137,787	216,851
Installment loans to individuals	—	34	3,592	3,626
Total	$7,796	$117,977	$195,653	$321,426
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 March 31, 2015:

	Impaired Covered Loans	Other Covered Loans	Not Covered Loans	Total
Contractually-required principal and interest	$29,901	$141,917	$275,703	$447,521
Nonaccretable difference[1]	(22,104)	(21,766)	(52,137)	(96,007)
Cash flows expected to be collected	7,797	120,151	223,566	351,514
Accretable yield[2]	(1)	(2,174)	(27,913)	(30,088)
Fair value	$7,796	$117,977	$195,653	$321,426

(1) Represents contractual principal and interest cash flows of $90,475 and $5,532, respectively, not expected to be collected.
(2) Represents contractual interest payments of $2,354 expected to be collected and purchase discount of $27,734.

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

	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	(23)	(1,160)	276	(907)
Accretion	23	1,609	1,481	3,113
Chargeoff	—	—	139	139
Balance at March 31, 2015	$(1)	$(2,174)	$(27,913)	$(30,088)

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.

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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:

	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other[1]	Total
Three Months Ended March 31, 2015						
Allowance for loan losses:						
Beginning balance	$ 3,305	$ 1,415	$ 13,549	$ 22,759	$ 1,261	$ 42,289
Charge-offs	(235)	—	(485)	(633)	(50)	(1,403)
Recoveries	35	6	155	112	33	341
Net (charge-offs) recoveries	(200)	6	(330)	(521)	(17)	(1,062)
Provision for loan losses	1,027	(63)	618	(887)	37	732
Benefit attributable to FDIC loss-share agreements	(25)	—	—	(101)	—	(126)
Recoveries payable to FDIC	2	1	208	258	—	469
Provision for loan losses charged to operations	1,004	(62)	826	(730)	37	1,075
Ending balance	$ 4,109	$ 1,359	$ 14,045	$ 21,508	$ 1,281	$ 42,302
Period-End Amount Allocated to:						
Individually evaluated for impairment	$ —	$ —	$ 4,227	$ 2,293	$ —	$ 6,520
Collectively evaluated for impairment	2,911	1,359	9,541	18,102	1,280	33,193
Acquired with deteriorated credit quality	1,198	—	277	1,113	1	2,589
Ending balance	$ 4,109	$ 1,359	$ 14,045	$ 21,508	$ 1,281	$ 42,302

	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other[1]	Total
Three Months Ended March 31, 2014						
Allowance for loan losses:						
Beginning balance	$ 3,090	$ 1,091	$ 18,629	$ 23,688	$ 1,167	$ 47,665
Charge-offs	(119)	—	(887)	(60)	(231)	(1,297)
Recoveries	37	5	151	30	7	230
Net (charge-offs) recoveries	(82)	5	(736)	(30)	(224)	(1,067)
Provision for loan losses	183	13	496	480	243	1,415
Benefit attributable to FDIC loss-share agreements	(68)	—	(69)	5	—	(132)
Recoveries payable to FDIC	5	—	158	4	—	167
Provision for loan losses charged to operations	120	13	585	489	243	1,450
Ending balance	$ 3,128	$ 1,109	$ 18,478	$ 24,147	$ 1,186	$ 48,048
Period-End Amount Allocated to:						
Individually evaluated for impairment	$ 253	$ —	$ 7,285	$ 7,724	$ —	$ 15,262

Collectively evaluated for impairment	2,665	1,002	10,823	14,133	1,184	29,807
Acquired with deteriorated credit quality	210	107	370	2,290	2	2,979
Ending balance	$ 3,128	$ 1,109	$ 18,478	$ 24,147	$ 1,186	$ 48,048

(1) Includes lease financing receivables.

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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
March 31, 2015						
Individually evaluated for impairment	$944	$104	$13,783	$25,267	$—	$40,098
Collectively evaluated for impairment	453,187	201,345	1,145,380	1,696,876	95,349	3,592,137
Acquired with deteriorated credit quality	20,657	—	80,292	216,851	3,626	321,426
Ending balance	$474,788	$201,449	$1,239,455	$1,938,994	$98,975	$3,953,661
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
March 31, 2015			
Residential real estate	$753	$3,482	$4,235
Commercial real estate	1,904	11,288	13,192
Residential land development	491	4,235	4,726
Commercial land development	1,177	8,356	9,533
Total	$4,325	$27,361	$31,686
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

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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	2,557	3,053	5,610
Impairments[1]	(68)	(428)	(496)
Dispositions	(4,479)	(3,379)	(7,858)
Other	(53)	11	(42)
Balance at March 31, 2015	$4,325	$27,361	$31,686

(1) Of the total impairment charges of $68 recorded for covered OREO, $14 was included in the Consolidated Statements of Income for the three months ended March 31, 2015, while the remaining $54 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 March 31,	
	2015	2014
Repairs and maintenance	$193	$781
Property taxes and insurance	236	241
Impairments	442	838
Net gains on OREO sales	(288)	(114)
Rental income	(51)	(45)
Total	$532	$1,701

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.

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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	(1,503)
Covered OREO	(31)
Reimbursable expenses	163
Accretion	—
Reimbursements received from the FDIC	(2,211)
Balance at March 31, 2015	$8,934

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 three months ended March 31, 2015 or 2014.
Changes in the Company's mortgage servicing rights were as follows:

Balance at January 1, 2015	$11,662
Capitalization	649
Amortization	(432)
Balance at March 31, 2015	$11,879

Data and key economic assumptions related to the Company's mortgage servicing rights as of March 31, 2015 are as follows:

Unpaid principal balance	$1,212,711
Weighted-average prepayment speed (CPR)	8.98%
Estimated impact of a 10% increase	$(1,112)
Estimated impact of a 20% increase	(1,532)
Discount rate	10.76%
Estimated impact of a 10% increase	$(1,043)
Estimated impact of a 20% increase	(1,395)
Weighted-average coupon interest rate	3.84%
Weighted-average servicing fee (basis points)	25.04

Weighted-average remaining maturity (in months)	291

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

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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:

	Pension Benefits Three Months Ended March 31,		Other Benefits Three Months Ended March 31,	
	2015	2014	2015	2014
Service cost	$—	$—	$4	$6
Interest cost	271	318	15	23
Expected return on plan assets	(511)	(539)	—	—
Prior service cost recognized	—	—	—	—
Recognized actuarial loss	73	45	20	27
Net periodic benefit (return) cost	$(167)	$(176)	$39	$56

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 months ended March 31, 2015 and 2014.

The following table summarizes the changes in stock options as of and for the three months ended March 31, 2015:

	Shares	Weighted Average Exercise Price
Options outstanding at beginning of period	830,950	$18.70
Granted	—	—
Exercised	(8,374)	17.92
Forfeited	(7,500)	30.63
Options outstanding at end of period	815,076	$18.60

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 three months ended March 31, 2015:

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	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	81,950	28.93	24,450	28.93
Vested	—	—	—	—
Cancelled	—	—	—	—
Nonvested at end of period	81,950	$28.93	62,786	$28.21

During the three months ended March 31, 2015, the Company reissued 59,792 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 $864 and $871 for the three months ended March 31, 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, 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 IRA's, 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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	Community Banks	Insurance	Wealth Management	Other	Consolidated
Three months ended March 31, 2015					
Net interest income	$49,593	$69	$415	$(1,235)	$48,842
Provision for loan losses	1,075	—	—	—	1,075
Noninterest income	17,136	2,395	2,364	9	21,904
Noninterest expense	43,691	1,621	1,894	208	47,414
Income (loss) before income taxes	21,963	843	885	(1,434)	22,257
Income taxes	7,256	320	—	(559)	7,017
Net income (loss)	$14,707	$523	$885	$(875)	$15,240
Total assets	$5,800,703	$19,960	$43,958	$17,228	$5,881,849
Goodwill	271,938	2,767	—	—	274,705
Three months ended March 31, 2014					
Net interest income	$50,636	$63	$311	$(1,039)	$49,971
Provision for loan losses	1,389	—	61	—	1,450
Noninterest income	14,083	2,393	2,116	24	18,616
Noninterest expense	44,125	1,474	1,868	178	47,645
Income (loss) before income taxes	19,205	982	498	(1,193)	19,492
Income taxes	5,978	380	—	(463)	5,895
Net income (loss)	$13,227	$602	$498	$(730)	$13,597
Total assets	$5,826,289	$17,442	$44,345	$14,755	$5,902,831
Goodwill	273,387	2,757	—	—	276,144

Note I – Fair Value Measurements
(In Thousands)
Fair Value Measurements and the Fair Level Hierarchy
ASC 820, “Fair Value Measurements and Disclosures,” provides guidance for using fair value to measure assets and liabilities and also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to a valuation based on quoted prices in active markets for identical assets and liabilities (Level 1), moderate priority to a valuation based on quoted prices in active markets for similar assets and liabilities and/or based on assumptions that are observable in the market (Level 2), and the lowest priority to a valuation based on assumptions that are not observable in the market (Level 3).
Recurring Fair Value Measurements
The Company carries certain assets and liabilities at fair value on a recurring basis in accordance with applicable standards. The Company’s recurring fair value measurements are based on the requirement to carry such assets and liabilities at fair value or the Company’s election to carry certain eligible assets and liabilities at fair value. Assets and liabilities that are required to be carried at fair value on a recurring basis include securities available for sale and derivative instruments. The Company has elected to carry mortgage loans held for sale at fair value on a recurring basis as permitted under the guidance in ASC 825, “Financial Instruments” (“ASC 825”).
The following methods and assumptions are used by the Company to estimate the fair values of the Company’s financial assets and liabilities that are measured on a recurring basis:

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Securities available for sale: Securities available for sale consist primarily of debt securities, such as obligations of U.S. Government agencies and corporations, mortgage-backed securities, trust preferred securities, and other debt and equity securities. Where quoted market prices in active markets are available, securities are classified within Level 1 of the fair value hierarchy. If quoted prices from active markets are not available, fair values are based on quoted market prices for similar instruments traded in active markets, quoted market prices for identical or similar instruments traded in markets that are not active, or model-based valuation techniques where all significant assumptions are observable in the market. Such instruments are classified within Level 2 of the fair value hierarchy. When assumptions used in model-based valuation techniques are not observable in the market, the assumptions used by management reflect estimates of assumptions used by other market participants in determining fair value. When there is limited transparency around the inputs to the valuation, the instruments are classified within Level 3 of the fair value hierarchy.

Derivative instruments: The Company uses derivatives to manage various financial risks. Most of the Company’s derivative contracts are extensively traded in over-the-counter markets and are valued using discounted cash flow models which incorporate observable market based inputs including current market interest rates, credit spreads, and other factors. Such instruments are categorized within Level 2 of the fair value hierarchy and include interest rate swaps and other interest rate contracts such as interest rate caps and/or floors. The Company’s interest rate lock commitments are valued using current market prices for mortgage-backed securities with similar characteristics, adjusted for certain factors including servicing and risk. The value of the Company’s forward commitments is based on current prices for securities backed by similar types of loans. Because these assumptions are observable in active markets, the Company’s interest rate lock commitments and forward commitments are categorized within Level 2 of the fair value hierarchy.

Mortgage loans held for sale: Mortgage loans held for sale are primarily agency loans which trade in active secondary markets. The fair value of these instruments is derived from current market pricing for similar loans, adjusted for differences in loan characteristics, including servicing and risk. Because the valuation is based on external pricing of similar instruments, mortgage loans held for sale are classified within Level 2 of the fair value hierarchy.

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The following table presents assets and liabilities that are measured at fair value on a recurring basis as of the dates presented:

	Level 1	Level 2	Level 3	Totals
March 31, 2015				
Financial assets:				
Securities available for sale:				
Obligations of other U.S. Government agencies and corporations	$—	$6,231	$—	$6,231
Residential mortgage-backed securities:				
Government agency mortgage backed securities	—	298,082	—	298,082
Government agency collateralized mortgage obligations	—	151,808	—	151,808
Commercial mortgage-backed securities:				
Government agency mortgage backed securities	—	43,570	—	43,570
Government agency collateralized mortgage obligations	—	4,826	—	4,826
Trust preferred securities	—	—	20,126	20,126
Other debt securities	—	17,494	—	17,494
Other equity securities	—	3,660	—	3,660
Total securities available for sale	—	525,671	20,126	545,797
Derivative instruments:				
Interest rate swaps	—	—	—	—
Interest rate contracts	—	3,086	—	3,086
Interest rate lock commitments	—	4,293	—	4,293
Forward commitments	—	44	—	44
Total derivative instruments	—	7,423	—	7,423
Mortgage loans held for sale	—	102,780	—	102,780
Total financial assets	$—	$635,874	$20,126	$656,000
Financial liabilities:				
Derivative instruments:				
Interest rate swaps	$—	$4,931	$—	$4,931
Interest rate contracts	—	3,086	—	3,086
Interest rate lock commitments	—	4	—	4
Forward commitments	—	917	—	917
Total derivative instruments	—	8,938	—	8,938
Total financial liabilities	$—	$8,938	$—	$8,938

	Level 1	Level 2	Level 3	Totals
December 31, 2014				
Financial assets:				
Securities available for sale:				
Obligations of other U.S. Government agencies and corporations	$—	$6,147	$—	$6,147
Residential mortgage-backed securities:				
Government agency mortgage backed securities	—	296,359	—	296,359
Government agency collateralized mortgage obligations	—	157,436	—	157,436
Commercial mortgage-backed securities:				
Government agency mortgage backed securities	—	47,185	—	47,185
Government agency collateralized mortgage obligations	—	5,172	—	5,172
Trust preferred securities	—	—	19,756	19,756
Other debt securities	—	17,930	—	17,930
Other equity securities	—	3,599	—	3,599
Total securities available for sale	—	533,828	19,756	553,584
Derivative instruments:				
Interest rate swap	—	—	—	—
Interest rate contracts	—	2,142	—	2,142
Interest rate lock commitments	—	1,584	—	1,584
Forward commitments	—	5	—	5
Total derivative instruments	—	3,731	—	3,731
Mortgage loans held for sale	—	25,628	—	25,628
Total financial assets	$—	$563,187	$19,756	$582,943
Financial liabilities:				
Derivative instruments:				
Interest rate swaps	$—	$3,847	$—	$3,847
Interest rate contracts	—	2,143	—	2,143
Interest rate lock commitments	—	—	—	—
Forward commitments	—	303	—	303
Total derivative instruments	—	6,293	—	6,293
Total financial liabilities	$—	$6,293	$—	$6,293

The Company reviews fair value hierarchy classifications on a quarterly basis. Changes in the Company’s ability to observe inputs to the valuation may cause reclassification of certain assets or liabilities within the fair value hierarchy. Transfers between levels of the hierarchy are deemed to have occurred at the end of period. There were no such transfers between levels of the fair value hierarchy during the three months ended March 31, 2015.

The following tables provide a reconciliation for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs, or Level 3 inputs, during the three months ended March 31, 2015 and 2014, respectively:

	Securities available for sale	
Three Months Ended March 31, 2015	Trust preferred securities	Total
Balance at January 1, 2015	$19,756	$19,756
Accretion included in net income	8	8
Unrealized gains included in other comprehensive income	716	716
Purchases	—	—
Sales	—	—
Issues	—	—
Settlements	(354)	(354)
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Balance at March 31, 2015	$20,126	$20,126

	Securities available for sale	
Three Months Ended March 31, 2014	Trust preferred securities	Total
Balance at January 1, 2014	$17,671	$17,671
Accretion included in net income	—	—
Unrealized gains included in other comprehensive income	1,724	1,724
Reclassification adjustment	—	—
Purchases	—	—
Sales	—	—
Issues	—	—
Settlements	(17)	(17)
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Balance at March 31, 2014	$19,378	$19,378

For the three months ended March 31, 2015 and 2014, there were no gains or losses included in earnings that were attributable to the change in unrealized gains or losses related to assets or liabilities held at the end of each respective period that were measured on a recurring basis using significant unobservable inputs.
The following table presents information as of March 31, 2015 about significant unobservable inputs (Level 3) used in the valuation of assets and liabilities measured at fair value on a recurring basis:

Financial instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs
Trust preferred securities	$20,126	Discounted cash flows	Default rate	0-100%

Nonrecurring Fair Value Measurements

Certain assets may be recorded at fair value on a nonrecurring basis. These nonrecurring fair value adjustments typically are a result of the application of the lower of cost or market accounting or a write-down occurring during the period. The following table provides the fair value measurement for assets measured at fair value on a nonrecurring basis that were still held on the Consolidated Balance Sheets as of the dates presented and the level within the fair value hierarchy each is classified:

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March 31, 2015	Level 1	Level 2	Level 3	Totals
Impaired loans	$—	$—	$6,979	$6,979
OREO	—	—	3,048	3,048
Total	$—	$—	$10,027	$10,027

December 31, 2014	Level 1	Level 2	Level 3	Totals
Impaired loans	$—	$—	$12,360	$12,360
OREO	—	—	4,460	4,460
Total	$—	$—	$16,820	$16,820

The following methods and assumptions are used by the Company to estimate the fair values of the Company's financial assets and liabilities measured on a nonrecurring basis:

Impaired loans: Loans considered impaired are reserved for at the time the loan is identified as impaired taking into account the fair value of the collateral less estimated selling costs. Collateral may be real estate and/or business assets including but not limited to equipment, inventory and accounts receivable. The fair value of real estate is determined based on appraisals by qualified licensed appraisers. The fair value of the business assets is generally based on amounts reported on the business's financial statements. Appraised and reported values may be adjusted based on changes in market conditions from the time of valuation and management's knowledge of the client and the client's business. Since not all valuation inputs are observable, these nonrecurring fair value determinations are classified as Level 3. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors previously identified. Impaired loans covered under loss-share agreements were recorded at their fair value upon the acquisition date, and no fair value adjustments were necessary for the three months ended March 31, 2015 and 2014, respectively. Impaired loans not covered under loss-share agreements that were measured or re-measured at fair value had a carrying value of $7,662 and $13,349 at March 31, 2015 and December 31, 2014, respectively, and a specific reserve for these loans of $683 and $989 was included in the allowance for loan losses as of such respective dates.

Other real estate owned: OREO is comprised of commercial and residential real estate obtained in partial or total satisfaction of loan obligations. OREO covered under loss-share agreements is recorded at its fair value on its acquisition date. OREO not covered under loss-share agreements acquired in settlement of indebtedness is recorded at the fair value of the real estate less estimated costs to sell. Subsequently, it may be necessary to record nonrecurring fair value adjustments for declines in fair value. Fair value, when recorded, is determined based on appraisals by qualified licensed appraisers and adjusted for management's estimates of costs to sell. Accordingly, values for OREO are classified as Level 3.

The following table presents OREO measured at fair value on a nonrecurring basis that was still held in the Consolidated Balance Sheets as of the dates presented:

	March 31, 2015	December 31, 2014
OREO covered under loss-share agreements:		
Carrying amount prior to remeasurement	$291	$3,162
Impairment recognized in results of operations	(14)	(185)
Increase in FDIC loss-share indemnification asset	(54)	(742)
Receivable from other guarantor	—	(422)
Fair value	$223	$1,813
OREO not covered under loss-share agreements:		

Carrying amount prior to remeasurement	$3,253	$3,513
Impairment recognized in results of operations	(428)	(866)
Fair value	$2,825	$2,647

The following table presents information as of March 31, 2015 about significant unobservable inputs (Level 3) used in the valuation of assets and liabilities measured at fair value on a nonrecurring basis:

Financial instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs
Impaired loans	$6,979	Appraised value of collateral less estimated costs to sell	Estimated costs to sell	4-10%
OREO	3,048	Appraised value of property less estimated costs to sell	Estimated costs to sell	4-10%

Fair Value Option

The Company elected to measure all mortgage loans originated for sale on or after July 1, 2012 at fair value under the fair value option as permitted under ASC 825. Electing to measure these assets at fair value reduces certain timing differences and better matches the changes in fair value of the loans with changes in the fair value of derivative instruments used to economically hedge them.

Net gains of $27 and net losses of $64 resulting from fair value changes of these mortgage loans were recorded in income during the three months ended March 31, 2015 and three months ended March 31, 2014, respectively. The amount does not reflect changes in fair values of related derivative instruments used to hedge exposure to market-related risks associated with these mortgage loans. The change in fair value of both mortgage loans held for sale and the related derivative instruments are recorded in “Gains on sales of mortgage loans held for sale” in the Consolidated Statements of Income.

The Company’s valuation of mortgage loans held for sale incorporates an assumption for credit risk; however, given the short-term period that the Company holds these loans, valuation adjustments attributable to instrument-specific credit risk is nominal. Interest income on mortgage loans held for sale measured at fair value is accrued as it is earned based on contractual rates and is reflected in loan interest income on the Consolidated Statements of Income.

The following table summarizes the differences between the fair value and the principal balance for mortgage loans held for sale measured at fair value as of:

March 31, 2015	Aggregate Fair Value	Aggregate Unpaid Principal Balance	Difference
Mortgage loans held for sale measured at fair value	$102,780	$102,382	$398
Past due loans of 90 days or more	—	—	—
Nonaccrual loans	—	—	—

Fair Value of Financial Instruments

The carrying amounts and estimated fair values of the Company’s financial instruments, including those assets and liabilities that are not measured and reported at fair value on a recurring basis or nonrecurring basis, were as follows as of the dates presented:

As of March 31, 2015	Carrying Value	Fair Value Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$174,379	$174,379	$—	$—	$174,379
Securities held to maturity	470,597	—	486,624	—	486,624
Securities available for sale	545,797	—	525,671	20,126	545,797
Mortgage loans held for sale	102,780	—	102,780	—	102,780
Loans covered under loss-share agreements	125,773	—	—	126,337	126,337
Loans not covered under loss-share agreements, net	3,827,888	—	—	3,745,570	3,745,570
FDIC loss-share indemnification asset	8,934	—	—	8,934	8,934
Mortgage servicing rights	11,879	—	—	12,213	12,213
Derivative instruments	7,423	—	7,423	—	7,423
Financial liabilities					
Deposits	$4,942,769	$3,372,943	$1,227,259	$—	$4,600,202
Short-term borrowings	6,732	6,732	—	—	6,732
Federal Home Loan Bank advances	60,671	—	79,994	—	79,994
Junior subordinated debentures	94,684	—	80,971	—	80,971
Derivative instruments	8,938	—	8,938	—	8,938

As of December 31, 2014	Carrying Value	Fair Value Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$161,583	$161,583	$—	$—	$161,583
Securities held to maturity	430,163	—	442,488	—	442,488
Securities available for sale	553,584	—	533,828	19,756	553,584
Mortgage loans held for sale	25,628	—	25,628	—	25,628
Loans covered under loss-share agreements	143,041	—	—	143,487	143,487
Loans not covered under loss-share agreements, net	3,844,833	—	—	3,751,727	3,751,727
FDIC loss-share indemnification asset	12,516	—	—	12,516	12,516
Mortgage servicing rights	11,662	—	—	12,378	12,378
Derivative instruments	3,731	—	3,731	—	3,731
Financial liabilities					
Deposits	$4,838,418	$3,532,266	$1,309,421	$—	$4,841,687
Short-term borrowings	32,403	32,403	—	—	32,403
Federal Home Loan Bank advances	61,611	—	92,532	—	92,532
Junior subordinated debentures	94,574	—	80,971	—	80,971
Derivative instruments	6,293	—	6,293	—	6,293

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value. The methodologies for estimating the fair value of financial assets and liabilities that are measured at fair value on a recurring or nonrecurring basis are discussed previously.

Cash and cash equivalents: Cash and cash equivalents consist of cash and due from banks and interest-bearing balances with banks. The carrying amount reported in the Consolidated Balance Sheets for cash and cash equivalents approximates fair value based on the short-term nature of these assets.

Securities held to maturity: Securities held to maturity consist of debt securities such as obligations of U.S. Government agencies, states, and other political subdivisions. Where quoted market prices in active markets are available, securities are classified within Level 1 of the fair value hierarchy. If quoted prices from active markets are not available, fair values are based on quoted market prices for similar instruments traded in active markets, quoted market prices for identical or similar instruments traded in markets that are not active, or model-based valuation techniques where all significant assumptions are observable in the market. Such instruments are classified within Level 2 of the fair value hierarchy. When assumptions used in model-based valuation techniques are not observable in the market, the assumptions used by management reflect estimates of assumptions used by other market participants in determining fair value. When there is limited transparency around the inputs to the valuation, the instruments are classified within Level 3 of the fair value hierarchy.

Loans covered under loss-share agreements: The fair value of loans covered under loss-share agreements is based on the net present value of future cash proceeds expected to be received using discount rates that are derived from current market rates and reflect the level of interest risk in the covered loans.

Loans not covered under loss-share agreements: For variable-rate loans not covered under loss-share agreements that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values of fixed-rate loans not covered under loss-share agreements, including mortgages and commercial, agricultural and consumer loans, are estimated using a discounted cash flow analysis based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

FDIC loss-share indemnification asset: The fair value of the FDIC loss-share indemnification asset is based on the net present value of future cash flows expected to be received from the FDIC under the provisions of the loss-share agreements using a discount rate that is based on current market rates for the underlying covered loans. Current market rates are used in light of the uncertainty of the timing and receipt of the loss-share reimbursement from the FDIC.

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Mortgage servicing rights: The Company retains the right to service certain mortgage loans that it sells to secondary market investors. These servicing rights are carried at the lower of amortized cost or fair value. Fair value is determined using an income approach with various assumptions including expected cash flows, market discount rates, prepayment speeds, servicing costs, and other factors. Because these factors are not all observable and include management's assumptions, mortgage servicing rights are classified within Level 3 of the fair value hierarchy. Mortgage servicing rights were carried at amortized cost at March 31, 2015 and December 31, 2014, and no impairment charges were recognized in earnings for the three or three months ended March 31, 2015 and 2014, respectively.
Deposits: The fair values disclosed for demand deposits, both interest-bearing and noninterest-bearing, are, by definition, equal to the amount payable on demand at the reporting date. Such deposits are classified within Level 1 of the fair value hierarchy. The fair values of certificates of deposit and individual retirement accounts are estimated using a discounted cash flow based on currently effective interest rates for similar types of deposits. These deposits are classified within Level 2 of the fair value hierarchy.
Short-term borrowings: Short-term borrowings consist of securities sold under agreements to repurchase and federal funds purchased. The fair value of these borrowings approximates the carrying value of the amounts reported in the Consolidated Balance Sheets for each respective account given the short-term nature of the liabilities.

Federal Home Loan Bank advances: The fair value for Federal Home Loan Bank ("FHLB") advances is determined by discounting the expected future cash outflows using current market rates for similar borrowings, or Level 2 inputs.
Junior subordinated debentures: The fair value for the Company's junior subordinated debentures is determined by discounting the future cash flows using the current market rate.

Note J – Derivative Instruments
(In Thousands)
The Company utilizes derivative financial instruments, including interest rate contracts such as swaps, caps and/or floors, as part of its ongoing efforts to mitigate its interest rate risk exposure and to facilitate the needs of its customers. The Company also from time to time enters into derivative instruments that are not designated as hedging instruments to help its commercial customers manage their exposure to interest rate fluctuations. To mitigate the interest rate risk associated with these customer contracts, the Company enters into an offsetting derivative contract position. The Company manages its credit risk, or potential risk of default by its commercial customers, through credit limit approval and monitoring procedures. At March 31, 2015, the Company had notional amounts of $72,110 on interest rate contracts with corporate customers and $72,110 in offsetting interest rate contracts with other financial institutions to mitigate the Company's rate exposure on its corporate customers' contracts and certain fixed-rate loans.

In June 2014, the Company entered into two forward interest rate swap contracts on floating rate liabilities at the Bank level with notional amounts of $15,000 each. The interest rate swap contracts are each accounted for as a cash flow hedge with the objective of protecting against any interest rate volatility on future FHLB borrowings for a four-year and five-year period beginning June 1, 2018 and December 3, 2018 and ending June 2022 and June 2023, respectively. Under these contracts, Renasant Bank will pay a fixed interest rate of 3.593% and 3.738%, respectively, and will receive a variable interest rate based on the three-month LIBOR, with quarterly net settlements.
In March and April 2012, the Company entered into two interest rate swap agreements effective March 30, 2014 and March 17, 2014, respectively. The Company receives a variable rate of interest based on the three-month LIBOR plus a pre-determined spread and pays a fixed rate of interest. The agreements, which both terminate in March 2022, are accounted for as cash flow hedges to reduce the variability in cash flows resulting from changes in interest rates on $32,000 of the Company's junior subordinated debentures.

In connection with its merger with First M&F, the Company assumed an interest rate swap designed to convert floating rate interest payments into fixed rate payments. Based on the terms of the agreement, which terminates in March 2018, the Company receives a variable rate of interest based on the three-month LIBOR plus a pre-determined spread and pays a fixed rate of interest. The interest rate swap is accounted for as a cash flow hedge to reduce the variability in cash flows resulting from changes in interest rates on $30,000 of the junior subordinated debentures assumed in the merger with First M&F.

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The Company enters into interest rate lock commitments with its customers to mitigate the interest rate risk associated with the commitments to fund fixed-rate residential mortgage loans. The notional amount of commitments to fund fixed-rate mortgage loans was $166,308 and $62,288 at March 31, 2015 and December 31, 2014, respectively. The Company also enters into forward commitments to sell residential mortgage loans to secondary market investors. The notional amount of commitments to sell residential mortgage loans to secondary market investors was $155,000 and $52,000 at March 31, 2015 and December 31, 2014, respectively.
The following table provides details on the Company's derivative financial instruments as of the dates presented:

	Balance Sheet Location	Fair Value March 31, 2015	December 31, 2014
Derivative assets:			
Not designated as hedging instruments:			
Interest rate contracts	Other Assets	$3,086	$2,142
Interest rate lock commitments	Other Assets	4,293	1,584
Forward commitments	Other Assets	44	5
Totals		$7,423	$3,731
Derivative liabilities:			
Designated as hedging instruments:			
Interest rate swap	Other Liabilities	$4,931	$3,847
Totals		$4,931	$3,847
Not designated as hedging instruments:			
Interest rate contracts	Other Liabilities	$3,086	$2,143
Interest rate lock commitments	Other Liabilities	4	—
Forward commitments	Other Liabilities	917	303
Totals		$4,007	$2,446

Gains (losses) included in the Consolidated Statements of Income related to the Company's derivative financial instruments were as follows as of the periods presented:

	Three Months Ended March 31, 2015	2014
Derivatives not designated as hedging instruments:		
Interest rate contracts:		
Included in interest income on loans	$557	$779
Interest rate lock commitments:		
Included in gains on sales of mortgage loans held for sale	2,705	566
Forward commitments		
Included in gains on sales of mortgage loans held for sale	(575)	189
Total	$2,687	$1,534

For the Company's derivatives designated as cash flow hedges, changes in fair value of the cash flow hedges are, to the extent that the hedging relationship is effective, recorded as other comprehensive income and are subsequently recognized in earnings at the same time that the hedged item is recognized in earnings. The ineffective portions of the changes in fair value of the hedging instruments are immediately recognized in earnings. The assessment of the effectiveness of the hedging relationship is evaluated under the hypothetical derivative method. There were no ineffective portions for the three months ended March 31, 2015 and 2014. The impact on other comprehensive income for the three months ended March 31, 2015 and 2014, can be seen at Note K, "Other Comprehensive Income."

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Offsetting

Certain financial instruments, including derivatives, may be eligible for offset in the consolidated balance sheet when the "right of setoff" exists or when the instruments are subject to an enforceable master netting agreement, which includes the right of the non-defaulting party or non-affected party to offset recognized amounts, including collateral posted with the counterparty, to determine a net receivable or net payable upon early termination of the agreement. Certain of the Company's derivative instruments are subject to master netting agreements; however, the Company has not elected to offset such financial instruments in the consolidated balance sheets. The following table presents the Company's gross derivative positions as recognized in the consolidated balance sheets as well as the net derivative positions, including collateral pledged to the extent the application of such collateral did not reduce the net derivative liability position below zero, had the Company elected to offset those instruments subject to an enforceable master netting agreement:

	Offsetting Derivative Assets		Offsetting Derivative Liabilities	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Gross amounts recognized	$44	$5	$7,678	$5,182
Gross amounts offset in the consolidated balance sheets	—	—	—	—
Net amounts presented in the consolidated balance sheets	44	5	7,678	5,182
Gross amounts not offset in the consolidated balance sheets				
Financial instruments	44	5	44	5
Financial collateral pledged	—	—	6,761	4,879
Net amounts	$—	$—	$873	$298

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Note K – Other Comprehensive Income
(In Thousands)
Changes in the components of other comprehensive income were as follows for the periods presented:

	Pre-Tax	Tax Expense (Benefit)	Net of Tax
Three months ended March 31, 2015			
Securities available for sale:			
Unrealized holding gains on securities	$4,249	$1,625	$2,624
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(51)	(19)	(32)
Total securities available for sale	4,198	1,606	2,592
Derivative instruments:			
Unrealized holding losses on derivative instruments	(1,084)	(415)	(669)
Total derivative instruments	(1,084)	(415)	(669)
Defined benefit pension and post-retirement benefit plans:			
Amortization of net actuarial loss recognized in net periodic pension cost	93	36	57
Total defined benefit pension and post-retirement benefit plans	93	36	57
Total other comprehensive income	$3,207	$1,227	$1,980
Three months ended March 31, 2014			
Securities available for sale:			
Unrealized holding gains on securities	$4,509	$1,725	$2,784
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(71)	(27)	(44)
Total securities available for sale	4,438	1,698	2,740
Derivative instruments:			
Unrealized holding losses on derivative instruments	(679)	(260)	(419)
Total derivative instruments	(679)	(260)	(419)
Defined benefit pension and post-retirement benefit plans:			
Amortization of net actuarial loss recognized in net periodic pension cost	73	28	45
Total defined benefit pension and post-retirement benefit plans	73	28	45
Total other comprehensive income	$3,832	$1,466	$2,366

The accumulated balances for each component of other comprehensive income, net of tax, were as follows as of the dates presented:

	March 31, 2015	December 31, 2014
Unrealized gains on securities	$20,351	$17,759
Non-credit related portion of other-than-temporary impairment on securities	(17,474)	(17,474)
Unrealized losses on derivative instruments	(2,303)	(1,633)
Unrecognized defined benefit pension and post-retirement benefit plans obligations	(6,192)	(6,250)
Total accumulated other comprehensive loss	$(5,618)	$(7,598)

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Note L – Net Income Per Common Share
(In Thousands, Except Share Data)
Basic net income per common share is calculated by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted net income per common share reflects the pro forma dilution of shares outstanding assuming outstanding stock options were exercised into common shares, calculated in accordance with the treasury method. Basic and diluted net income per common share calculations are as follows for the periods presented:

	Three Months Ended March 31,	
	2015	2014
Basic		
Net income applicable to common stock	$15,240	$13,597
Average common shares outstanding	31,576,275	31,436,148
Net income per common share - basic	$0.48	$0.43
Diluted		
Net income applicable to common stock	$15,240	$13,597
Average common shares outstanding	31,576,275	31,436,148
Effect of dilutive stock-based compensation	239,435	232,214
Average common shares outstanding - diluted	31,815,710	31,668,362
Net income per common share - diluted	$0.48	$