RENASANT CORP
Form 10-Q
May 10, 2017
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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, 2017
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	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 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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
Emerging growth company	o		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. 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, 2017, 44,396,150 shares of the registrant’s common stock, $5.00 par value per share, were outstanding.

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Renasant Corporation and Subsidiaries
Form 10-Q
For the Quarterly Period Ended March 31, 2017
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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, 2017	December 31, 2016
Assets		
Cash and due from banks	$119,985	$160,570
Interest-bearing balances with banks	250,759	145,654
Cash and cash equivalents	370,744	306,224
Securities held to maturity (fair value of $357,216 and $362,893, respectively)	347,977	356,282
Securities available for sale, at fair value	696,885	674,248
Mortgage loans held for sale, at fair value	158,619	177,866
Loans, net of unearned income:		
Non purchased loans and leases	4,834,085	4,713,572
Purchased loans	1,401,720	1,489,137
Total loans, net of unearned income	6,235,805	6,202,709
Allowance for loan losses	(42,923)	(42,737)
Loans, net	6,192,882	6,159,972
Premises and equipment, net	179,930	179,223
Other real estate owned:		
Non purchased	5,056	5,929
Purchased	16,266	17,370
Total other real estate owned, net	21,322	23,299
Goodwill	470,534	470,534
Other intangible assets, net	22,511	24,074
Bank-owned life insurance	153,309	152,305
Mortgage servicing rights	28,776	26,302
Other assets	121,222	149,522
Total assets	$8,764,711	$8,699,851
Liabilities and shareholders’ equity		
Liabilities		
Deposits		
Noninterest-bearing	$1,579,581	$1,561,357
Interest-bearing	5,651,269	5,497,780
Total deposits	7,230,850	7,059,137
Short-term borrowings	9,955	109,676
Long-term debt	192,051	202,459
Other liabilities	80,790	95,696
Total liabilities	7,513,646	7,466,968
Shareholders’ equity		
Preferred stock, $.01 par value – 5,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $5.00 par value – 150,000,000 shares authorized; 45,107,066 shares issued; 44,394,707 and 44,332,273 shares outstanding, respectively	225,535	225,535

Treasury stock, at cost	(20,786)	(21,692)
Additional paid-in capital	705,748	707,408
Retained earnings	353,478	337,536
Accumulated other comprehensive loss, net of taxes	(12,910)	(15,904)
Total shareholders’ equity	1,251,065	1,232,883
Total liabilities and shareholders’ equity	$ 8,764,711	$ 8,699,851

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,	
	2017	2016
Interest income		
Loans	$74,407	$69,237
Securities		
Taxable	4,352	4,462
Tax-exempt	2,574	2,488
Other	556	72
Total interest income	81,889	76,259
Interest expense		
Deposits	5,149	3,960
Borrowings	2,725	2,245
Total interest expense	7,874	6,205
Net interest income	74,015	70,054
Provision for loan losses	1,500	1,800
Net interest income after provision for loan losses	72,515	68,254
Noninterest income		
Service charges on deposit accounts	7,931	7,991
Fees and commissions	5,199	4,243
Insurance commissions	1,860	1,962
Wealth management revenue	2,884	2,891
Mortgage banking income	10,504	11,915
Net loss on sales of securities	—	(71)
BOLI income	1,113	954
Other	2,530	3,417
Total noninterest income	32,021	33,302
Noninterest expense		
Salaries and employee benefits	42,209	42,393
Data processing	4,234	4,158
Net occupancy and equipment	9,319	8,224
Other real estate owned	532	957
Professional fees	2,067	1,214
Advertising and public relations	1,592	1,637
Intangible amortization	1,563	1,697
Communications	1,863	2,171
Extinguishment of debt	205	—
Merger and conversion related expenses	345	948
Other	5,380	6,415
Total noninterest expense	69,309	69,814
Income before income taxes	35,227	31,742
Income taxes	11,255	10,526
Net income	$23,972	$21,216
Basic earnings per share	$0.54	$0.53
Diluted earnings per share	$0.54	$0.52

Cash dividends per common share	$0.18	$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,	
	2017	2016
Net income	$23,972	$21,216
Other comprehensive income, net of tax:		
Securities available for sale:		
Unrealized holding gains on securities	2,907	3,107
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(151)	(20)
Total securities	2,756	3,087
Derivative instruments:		
Unrealized holding gains (losses) on derivative instruments	169	(1,266)
Total derivative instruments	169	(1,266)
Defined benefit pension and post-retirement benefit plans:		
Amortization of net actuarial loss recognized in net periodic pension cost	69	72
Total defined benefit pension and post-retirement benefit plans	69	72
Other comprehensive income, net of tax	2,994	1,893
Comprehensive income	$26,966	$23,109

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2017	2016
Operating activities		
Net income	$23,972	$21,216
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	1,500	1,800
Depreciation, amortization and accretion	11,566	739
Deferred income tax expense	3,946	2,832
Funding of mortgage loans held for sale	(318,144)	(458,500)
Proceeds from sales of mortgage loans held for sale	343,945	391,552
Gains on sales of mortgage loans held for sale	(6,554)	(5,847)
Losses on sales of securities	—	71
Penalty on extinguishment of debt	205	—
Losses on sales of premises and equipment	512	5
Stock-based compensation	1,174	859
Decrease in FDIC loss-share indemnification asset, net of accretion	—	1,067
Decrease in other assets	18,882	11,827
Decrease in other liabilities	(14,662)	(8,298)
Net cash provided by (used in) operating activities	66,342	(40,677)
Investing activities		
Purchases of securities available for sale	(52,683)	(32,396)
Proceeds from sales of securities available for sale	2,946	4
Proceeds from call/maturities of securities available for sale	30,800	29,803
Purchases of securities held to maturity	—	(5,785)
Proceeds from call/maturities of securities held to maturity	7,710	15,193
Net increase in loans	(43,182)	(157,198)
Purchases of premises and equipment	(4,441)	(2,656)
Proceeds from sales of premises and equipment	13	—
Proceeds from sales of other assets	5,307	3,611
Net cash used in investing activities	(53,530)	(149,424)
Financing activities		
Net increase in noninterest-bearing deposits	18,224	106,166
Net increase in interest-bearing deposits	154,001	106,105
Net decrease in short-term borrowings	(99,721)	(8,024)
Repayment of long-term debt	(10,790)	(938)
Cash paid for dividends	(8,030)	(6,892)
Net stock-based compensation transactions	(1,976)	382
Excess tax benefit from stock-based compensation	—	214
Net cash provided by financing activities	51,708	197,013
Net increase in cash and cash equivalents	64,520	6,912
Cash and cash equivalents at beginning of period	306,224	211,571
Cash and cash equivalents at end of period	$370,744	$218,483
Supplemental disclosures		
Cash paid for interest	$9,635	$6,297
Cash paid for income taxes	$7,181	$5,460

Noncash transactions:		
Transfers of loans to other real estate owned	$3,168	$1,954
Financed sales of other real estate owned	$237	$92
Transfers of loans held for sale to loan portfolio	$—	$6,610

See Notes to Consolidated Financial Statements.

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

Note 1 – 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, Georgia, north and central Alabama and north Florida.

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 (“GAAP”) 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 GAAP 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. Certain prior year amounts have been reclassified to conform to the current year presentation. 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/A for the year ended December 31, 2016 filed with the Securities and Exchange Commission on February 28, 2017.

Business Combinations: The Company completed its acquisition of KeyWorth Bank ("KeyWorth") on April 1, 2016. The acquired institution's financial condition and results of operations are included in the Company's financial condition and results of operations as of the acquisition date.

Use of Estimates: The preparation of financial statements in conformity with GAAP 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. The Company has determined that no significant events occurred after March 31, 2017 but prior to the issuance of these financial statements that would have a material impact on its Consolidated Financial Statements.

Impact of Recently-Issued Accounting Standards and Pronouncements:

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers” (“ASU 2014-09”). ASU 2014-09 provides guidance that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of this standard to annual and interim periods beginning after December 15, 2017. The Company is currently evaluating the impact, if any, ASU 2014-09 will have on its financial position, results of operations, and its financial statement disclosures.

In January 2016, FASB issued ASU 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU 2016-01”). ASU 2016-01 revises the accounting for the classification and measurement of investments in equity securities and revises the presentation of certain fair value changes for financial liabilities measured at fair value. For equity securities, the guidance in ASU 2016-01 requires equity investments to be measured at fair value with changes in fair value recognized in net income. For financial liabilities that are measured at fair value in accordance with the fair value option, the guidance requires presenting, in other comprehensive income, the change in fair value that relates to a change in instrument-specific credit risk. ASU 2016-01 also eliminates the disclosure assumptions used to estimate fair value for financial instruments measured at amortized cost and requires disclosure of an exit price notion in determining the fair value of financial instruments measured at amortized cost. ASU 2016-01 is effective for interim and annual periods beginning after December 15, 2017. The Company is evaluating the impact, if any, that ASU 2016-01 will have on its financial position, results of operations, and its financial statement disclosures.

In February 2016, FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). ASU 2016-02 amends the accounting model and disclosure requirements for leases. The current accounting model for leases distinguishes between capital leases, which are recognized on-balance sheet, and operating leases, which are not. Under the new standard, the lease classifications are defined as finance leases, which are similar to capital leases under current U.S. GAAP, and operating leases. Further, a lessee will recognize a lease liability and a right-of-use asset for all leases with a term greater than 12 months on its balance sheet regardless of the lease's classification, which may significantly increase reported assets and liabilities. The accounting model and disclosure requirements for lessors remains substantially unchanged from current U.S. GAAP. ASU 2016-02 is effective for annual and

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interim periods in fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact ASU 2016-02 will have on its financial position, results of operations, and other financial statement disclosures, and the expected results include the recognition of leased assets and related lease liabilities on the balance sheet, along with leasehold amortization and interest expense recognized in the statement of income.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). ASU 2016-09 is intended to reduce complexity in accounting standards by simplifying several aspects of the accounting for share-based payment transactions, including (1) accounting for income taxes; (2) classification of excess tax benefits on the statement of cash flows; (3) forfeitures; (4) minimum statutory tax withholding requirements; and (5) classification of employee taxes paid on the statement of cash flows when an employer withholds shares for tax withholding purposes. The Company adopted ASU 2016-09 beginning January 1, 2017 and, as a result recognized as income tax expense in the Company's consolidated statement of income for the three months ended March 31, 2017 an excess tax benefit realized from the exercise of stock options and vesting of restricted stock. Furthermore, the presentation of certain elements of share-based payment transactions in the Company's consolidated statements of cash flows was updated to comply with the standard update.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). The update will significantly change the way entities recognize impairment on many financial assets by requiring immediate recognition of estimated credit losses expected to occur over the asset's remaining life. The FASB describes this impairment recognition model as the current expected credit loss ("CECL") model and believes the CECL model will result in more timely recognition of credit losses since the CECL model incorporates expected credit losses versus incurred credit losses. The scope of FASB's CECL model would include loans, held-to-maturity debt instruments, lease receivables, loan commitments and financial guarantees that are not accounted for at fair value. For public companies, this update becomes effective for interim and annual periods beginning after December 15, 2019. The Company has formed an implementation committee comprised of both accounting and credit employees to guide Renasant Bank through the implementation of ASU 2016-13. Currently, this committee is gaining an understanding of the potential impact of the CECL model, reviewing the model requirements and ensuring data integrity across all reporting systems. The Company has also engaged consulting firms and software providers to assist in evaluating the varying approaches to the implementation of the CECL model.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"). ASU 2016-15 is intended to reduce the diversity in practice in how certain cash receipts and cash payments are presented and classified in the Statement of Cash Flows, including (1) debt prepayment or debt extinguishment costs, (2) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, (3) contingent consideration payments made after a business combination, (4) proceeds from the settlement of insurance claims, (5) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, (6) distributions received from equity method investees, (7) beneficial interests in securitization transactions and (8) separately identifiable cash flows and application of the predominance principle. For public companies, this amendment becomes effective for interim and annual periods beginning after December 15, 2017. The ASU only impacts the presentation of specific items within the Statement of Cash Flows and is not expected to have a material impact to the Company.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805), Clarifying the Definition of a Business" ("ASU 2017-01") that changes the definition of a business when evaluating whether transactions should be accounted for as the acquisition of assets or the acquisition of a business. ASU 2017-01 requires an entity to evaluate if substantially all of the fair value of the assets acquired are concentrated in a single asset or a group of similar identifiable assets; if so, the acquired assets or group of similar identifiable assets is not considered a business. In addition, the guidance requires that to be considered a business, the acquired assets must include an input and a substantive process that together significantly contribute to the ability to create output. The ASU removes the evaluation of whether a market participant could replace any of the missing elements. ASU 2017-01 is effective for

interim and annual periods beginning after December 15, 2017 and is not expected to have a material impact on the Company’s financial statements.

In January 2017, the FASB issued ASU 2017-03, “Accounting Changes and Error Corrections (Topic 250) and Investments – Equity Method and Joint Ventures (Topic 323) Amendments to SEC Paragraphs Pursuant to Staff Announcements at the September 22, 2016 and November 17, 2016 EITF Meetings” (“ASU 2017-03”), that provides guidance on additional qualitative disclosures required when the impact that the adoption of ASU 2014-09, ASU 2016-02 and ASU 2016-13 will have on a registrant's financial statements cannot reasonably be estimated by a registrant. ASU 2017-03 was effective when issued and the appropriate disclosures have been added where necessary.

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles - Goodwill and Other (Topic 350)” (“ASU 2017-04”). ASU 2017-04 will amend and simplify current goodwill impairment testing by eliminating certain testing under the current provisions.

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Under the new guidance, an entity should perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying value and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. An entity still has the option to perform the quantitative assessment for a reporting unit to determine if a quantitative impairment test is necessary. ASU 2017-04 will be effective for interim and annual periods beginning after December 15, 2019 and is not expected to have a significant impact on the Company's financial statements.

In March 2017, the FASB issued ASU 2017-07, "Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" ("ASU 2017-07"). ASU 2017-07 requires employers to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. These amendments also allow only the service cost component to be eligible for capitalization when applicable. ASU 2017-07 will be effective for interim and annual periods beginning after December 15, 2017. The Company is evaluating the effect that ASU 2017-07 will have on its financial position, results of operations and its financial statement disclosures.

In March 2017, the FASB issued ASU 2017-08, "Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities" ("ASU 2017-08"). ASU 2017-08 requires the amortization period for certain callable debt securities held at a premium to be the earliest call date. ASU 2017-08 will be effective for interim and annual periods beginning after December 15, 2018. The Company is evaluating the effect that ASU 2017-08 will have on its financial position, results of operations and its financial statement disclosures.

Note 2 – Mergers and Acquisitions

(In Thousands, Except Share Data)

Merger with Metropolitan BancGroup, Inc.

On January 17, 2017, the Company and Metropolitan BancGroup, Inc. ("Metropolitan"), the parent company of Metropolitan Bank, jointly announced the signing of a definitive merger agreement pursuant to which the Company will acquire Metropolitan in an all-stock merger. Under the terms of the agreement, Metropolitan will be merged with and into Renasant, and Renasant will be the surviving corporation. Immediately after the merger of Metropolitan with and into Renasant, Metropolitan Bank will merge with and into Renasant Bank, with Renasant Bank continuing as the surviving banking corporation in the merger.

According to the terms of the merger agreement, each Metropolitan common shareholder will have the right to receive 0.6066 shares of Renasant common stock for each share of Metropolitan common stock, and the merger is expected to qualify as a tax-free reorganization for Metropolitan shareholders.

Metropolitan operates eight offices in Nashville and Memphis, Tennessee and the Jackson, Mississippi MSA and as of March 31, 2017, had approximately $1,164,500 in total assets, which included approximately $929,700 in total loans, and approximately $945,100 in total deposits.

The Company has received all federal bank regulatory approvals, including approval from the Federal Deposit Insurance Corporation, necessary to complete the proposed acquisition of Metropolitan. Subject to the approval by the shareholders of Metropolitan and the satisfaction of other customary closing conditions contained in the merger agreement, the acquisition is expected to be completed in the third quarter of 2017.

Acquisition of KeyWorth Bank

Effective April 1, 2016, the Company completed its acquisition of KeyWorth in a transaction valued at approximately $58,884. The Company issued 1,680,021 shares of common stock and paid approximately $3,594 to KeyWorth stock option and warrant holders for 100% of the voting equity interest in KeyWorth. At closing, KeyWorth merged with and into Renasant Bank, with Renasant Bank the surviving banking corporation in the merger.

As a result of the KeyWorth acquisition, the Company acquired total assets with a fair value of $415,232, total loans with a fair value of $272,330 and total deposits with a fair value of $348,961, and six banking locations in the Atlanta metropolitan area.

The Company recorded approximately $22,643 in intangible assets which consist of goodwill of $20,633 and a core deposit intangible of $2,010. Goodwill resulted from a combination of revenue enhancements from expansion into new markets and efficiencies resulting from operational synergies. The fair value of the core deposit intangible is being amortized on an accelerated basis over the estimated useful life, currently expected to be approximately 10 years. The goodwill is not deductible for income tax purposes.

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

Note 3 – 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, 2017				
Obligations of other U.S. Government agencies and corporations	$ 12,602	$ 4	$ (137)	$ 12,469
Obligations of states and political subdivisions	335,375	10,299	(927)	344,747
	$ 347,977	$ 10,303	$ (1,064)	$ 357,216
December 31, 2016				
Obligations of other U.S. Government agencies and corporations	$ 14,101	$ 4	$ (187)	$ 13,918
Obligations of states and political subdivisions	342,181	8,572	(1,778)	348,975
	$ 356,282	$ 8,576	$ (1,965)	$ 362,893

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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, 2017				
Obligations of other U.S. Government agencies and corporations	$2,060	$ 89	$—	$2,149
Residential mortgage backed securities:				
Government agency mortgage backed securities	412,710	2,710	(4,165)	411,255
Government agency collateralized mortgage obligations	192,294	879	(2,787)	190,386
Commercial mortgage backed securities:				
Government agency mortgage backed securities	50,397	777	(302)	50,872
Government agency collateralized mortgage obligations	1,756	1	(13)	1,744
Trust preferred securities	22,646	—	(4,823)	17,823
Other debt securities	22,442	354	(140)	22,656
	$704,305	$ 4,810	$(12,230)	$696,885

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2016				
Obligations of other U.S. Government agencies and corporations	$2,066	$ 92	$—	$2,158
Residential mortgage backed securities:				
Government agency mortgage backed securities	414,019	1,941	(6,643)	409,317
Government agency collateralized mortgage obligations	171,362	831	(3,367)	168,826
Commercial mortgage backed securities:				
Government agency mortgage backed securities	50,628	696	(461)	50,863
Government agency collateralized mortgage obligations	2,528	38	(16)	2,550
Trust preferred securities	23,749	—	(5,360)	18,389
Other debt securities	22,053	310	(218)	22,145
	$686,405	$ 3,908	$(16,065)	$674,248

During the first quarter of 2017, the Company sold residential mortgage backed securities with a carrying value of $2,946 at the time of sale for net proceeds of $2,946 resulting in no gain or loss on the sale. During the same time period in 2016, the Company sold an "other equity security" with a carrying value of $75 at the time of sale for net proceeds of $4 resulting in a loss of $71.

Gross realized gains on sales of securities available for sale for the three months ended March 31, 2017 and 2016, respectively, were as follows:

	Three Months Ended March 31,	
	2017	2016
Gross gains on sales of securities available for sale	$—	$—
Gross losses on sales of securities available for sale	—	(71)
Losses on sales of securities available for sale, net	$—	$(71)

At March 31, 2017 and December 31, 2016, securities with a carrying value of $654,378 and $642,447, respectively, were pledged to secure government, public and trust deposits. Securities with a carrying value of $21,466 and $24,426 were pledged as collateral for short-term borrowings and derivative instruments at March 31, 2017 and December 31, 2016, respectively.

The amortized cost and fair value of securities at March 31, 2017 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.

	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$14,742	$14,860	$—	$—
Due after one year through five years	107,452	110,966	2,060	2,148
Due after five years through ten years	128,319	130,878	2,043	2,071
Due after ten years	97,464	100,512	22,646	17,823
Residential mortgage backed securities:				
Government agency mortgage backed securities	—	—	412,710	411,255
Government agency collateralized mortgage obligations	—	—	192,294	190,386
Commercial mortgage backed securities:				
Government agency mortgage backed securities	—	—	50,397	50,872
Government agency collateralized mortgage obligations	—	—	1,756	1,744
Other debt securities	—	—	20,399	20,586
	$347,977	$357,216	$704,305	$696,885

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, 2017									
Obligations of other U.S. Government agencies and corporations	4	$11,965	$(137)	0	$—	$—	4	$11,965	$(137)
Obligations of states and political subdivisions	53	44,193	(927)	0	—	—	53	44,193	(927)
Total	57	$56,158	$(1,064)	0	$—	$—	57	56,158	$(1,064)
December 31, 2016									
Obligations of other U.S. Government agencies and corporations	4	$11,915	$(187)	0	$—	$—	4	$11,915	$(187)
Obligations of states and political subdivisions	102	83,362	(1,778)	0	—	—	102	83,362	(1,778)
Total	106	$95,277	$(1,965)	0	$—	$—	106	$95,277	$(1,965)
Available for Sale:									
March 31, 2017									
Obligations of other U.S. Government agencies and corporations	0	$—	$—	0	$—	$—	0	$—	$—
Residential mortgage backed securities:									
Government agency mortgage backed securities	104	256,655	(3,585)	8	17,487	(580)	112	274,142	(4,165)
Government agency collateralized mortgage obligations	36	106,006	(1,475)	15	34,769	(1,312)	51	140,775	(2,787)
Commercial mortgage backed securities:									
Government agency mortgage backed securities	6	15,666	(294)	2	1,091	(8)	8	16,757	(302)
Government agency collateralized mortgage obligations	1	1,723	(13)	0	—	—	1	1,723	(13)
Trust preferred securities	0	—	—	3	17,823	(4,823)	3	17,823	(4,823)
Other debt securities	2	6,971	(131)	2	2,410	(9)	4	9,381	(140)
Total	149	$387,021	$(5,498)	30	$73,580	$(6,732)	179	$460,601	$(12,230)
December 31, 2016									
Obligations of other U.S. Government agencies and corporations	0	$—	$—	0	$—	$—	0	$—	$—
Residential mortgage backed securities:									
Government agency mortgage backed securities	131	298,400	(6,042)	5	11,504	(601)	136	309,904	(6,643)
	40	97,356	(1,845)	14	33,786	(1,522)	54	131,142	(3,367)

Government agency collateralized mortgage obligations									
Commercial mortgage backed securities:									
Government agency mortgage backed securities	9	21,933	(453)	2	1,101	(8)	11	23,034	(461)
Government agency collateralized mortgage obligations	1	1,729	(16)	0	—	—	1	1,729	(16)
Trust preferred securities	0	—	—	3	18,389	(5,360)	3	18,389	(5,360)
Other debt securities	3	7,946	(208)	2	2,475	(10)	5	10,421	(218)
Total	184	$427,364	$(8,564)	26	$67,255	$(7,501)	210	$494,619	$(16,065)

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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 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 months ended March 31, 2017 or 2016.
The Company holds investments in pooled trust preferred securities that had an amortized cost basis of $22,646 and $23,749 and a fair value of $17,823 and $18,389 at March 31, 2017 and December 31, 2016, respectively. At March 31, 2017, the investments in pooled trust preferred securities consisted of three securities representing interests in various tranches of trusts collateralized by debt issued by over 250 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 March 31, 2017, 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 three months ended March 31, 2017.
The Company's analysis of the pooled trust preferred securities during prior years has supported a return to accrual status for two of the three securities (XXVI 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. As to the remaining security (XXIV), the Company only began collecting interest payments on such security during the fourth quarter of 2016 when it exited "payment in kind" status. Therefore, absent an observed history of payments, 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 a nonaccruing asset at March 31, 2017, 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, 2017:

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

XXIII	Pooled	B-2	$ 8,286	$ 5,790	$ (2,496)	Baa3	17	%
XXIV	Pooled	B-2	10,167	8,917	(1,250)	Caa2	23	%
XXVI	Pooled	B-2	4,193	3,116	(1,077)	Ba3	19	%
			$ 22,646	$ 17,823	$ (4,823)			

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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:

	2017	2016
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 4 – Non Purchased Loans
(In Thousands, Except Number of Loans)

For purposes of this Note 4, all references to "loans" mean non purchased loans.

The following is a summary of non purchased loans and leases as of the dates presented:

	March 31, 2017	December 31, 2016
Commercial, financial, agricultural	$626,237	$ 589,290
Lease financing	50,462	49,250
Real estate – construction	378,061	483,926
Real estate – 1-4 family mortgage	1,485,663	1,425,730
Real estate – commercial mortgage	2,203,639	2,075,137
Installment loans to individuals	92,669	92,648
Gross loans	4,836,731	4,715,981
Unearned income	(2,646)	(2,409)
Loans, net of unearned income	4,834,085	4,713,572

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 status regardless of whether or not such loans are considered past due. All interest accrued for the current year, but not collected, for loans that are placed on nonaccrual status or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

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

	Accruing Loans				Nonaccruing Loans				
	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans	Total Loans
March 31, 2017									
Commercial, financial, agricultural	$300	$ 59	$623,693	$624,052	$467	$1,407	$311	$2,185	$626,237
Lease financing	181	—	50,281	50,462	—	—	—	—	50,462
Real estate – construction	231	—	377,830	378,061	—	—	—	—	378,061
Real estate – 1-4 family mortgage	4,234	718	1,476,098	1,481,050	88	1,848	2,677	4,613	1,485,663
Real estate – commercial mortgage	2,435	1,315	2,194,109	2,197,859	—	1,892	3,888	5,780	2,203,639
Installment loans to individuals	346	82	92,189	92,617		52	—	52	92,669
Unearned income			(2,646)	(2,646)				—	(2,646)
Total	$7,727	$ 2,174	$4,811,554	$4,821,455	$555	$5,199	$6,876	$12,630	$4,834,085
December 31, 2016									
Commercial, financial, agricultural	$811	$ 720	$586,730	$588,261	$—	$932	$97	$1,029	$589,290
Lease financing	193	—	48,919	49,112	—	138	—	138	49,250
Real estate – construction	995	—	482,931	483,926	—	—	—	—	483,926
Real estate – 1-4 family mortgage	6,189	1,136	1,414,254	1,421,579	161	1,222	2,768	4,151	1,425,730
Real estate – commercial mortgage	2,283	99	2,066,821	2,069,203	580	2,778	2,576	5,934	2,075,137
Installment loans to individuals	324	124	92,179	92,627	—	21	—	21	92,648
Unearned income	—	—	(2,409)	(2,409)	—	—	—	—	(2,409)
Total	$10,795	$ 2,079	$4,689,425	$4,702,299	$741	$5,091	$5,441	$11,273	$4,713,572

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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Loans accounted for under FASB Accounting Standards Codification Topic ("ASC") 310-20, "Nonrefundable Fees and Other Cost" ("ASC 310-20"), and which are impaired loans recognized in conformity with 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, 2017					
Commercial, financial, agricultural	$ 2,788	$ 2,185	$ —	$ 2,185	$ 147
Lease financing	—	—	—	—	—
Real estate – construction	—	—	—	—	—
Real estate – 1-4 family mortgage	12,679	10,999	—	10,999	1,085
Real estate – commercial mortgage	19,071	14,478	568	15,046	2,618
Installment loans to individuals	117	117	—	117	—
Total	$ 34,655	$ 27,779	$ 568	$ 28,347	$ 3,850
December 31, 2016					
Commercial, financial, agricultural	$ 1,577	$ 1,175	$ —	$ 1,175	$ 136
Lease financing	—	—	—	—	—
Real estate – construction	517	517	—	517	1
Real estate – 1-4 family mortgage	10,823	9,207	—	9,207	1,091
Real estate – commercial mortgage	15,007	10,053	568	10,621	2,397
Installment loans to individuals	87	87	—	87	1
Totals	$ 28,011	$ 21,039	$ 568	$ 21,607	$ 3,626

The following table presents the average recorded investment and interest income recognized on loans accounted for under ASC 310-20 and which are impaired loans for the periods presented:

	Three Months Ended March 31, 2017		Three Months Ended March 31, 2016	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial, financial, agricultural	$2,714	$ 39	$318	$ 2
Lease financing	—	—	—	—
Real estate – construction	—	—	—	—
Real estate – 1-4 family mortgage	11,088	26	14,442	81
Real estate – commercial mortgage	15,314	106	15,031	122
Installment loans to individuals	118	—	67	1
Total	$29,234	$ 171	$29,858	$ 206

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 tables illustrate the impact of modifications classified as restructured loans and are segregated by class for the periods presented:

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	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Three months ended March 31, 2017			
Real estate – 1-4 family mortgage	2	177	174
Real estate – commercial mortgage	2	146	156
Total	4	$ 323	$ 330
Three months ended March 31, 2016			
Real estate – 1-4 family mortgage	5	428	421
Total	5	$ 428	$ 421

Restructured loans 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 $57 contractually 90 days past due or more and still accruing at March 31, 2017 and two restructured loans in the amount of $136 contractually 90 days past due or more and still accruing at March 31, 2016. The outstanding balance of restructured loans on nonaccrual status was $6,086 and $7,490 at March 31, 2017 and March 31, 2016, respectively.

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

	Number of Loans	Recorded Investment
Totals at January 1, 2017	53	$ 7,447
Additional loans with concessions	4	334
Reductions due to:		
Reclassified as nonperforming	(1)	(56)
Paid in full	(2)	(217)
Charge-offs	(1)	(250)
Principal paydowns	—	(85)
Totals at March 31, 2017	53	$ 7,173

The allocated allowance for loan losses attributable to restructured loans was $241 and $919 at March 31, 2017 and March 31, 2016, respectively. The Company had $142 and no remaining availability under commitments to lend additional funds on these restructured loans at March 31, 2017 and March 31, 2016, respectively.

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, 2017				
Commercial, financial, agricultural	$470,252	$1,846	$ 1,662	$473,760
Lease financing	—	—	—	—
Real estate – construction	329,322	225	—	329,547
Real estate – 1-4 family mortgage	205,083	3,739	6,073	214,895
Real estate – commercial mortgage	1,860,714	16,266	13,053	1,890,033
Installment loans to individuals	—	—	—	—
Total	$2,865,371	$22,076	$ 20,788	$2,908,235
December 31, 2016				
Commercial, financial, agricultural	$434,323	$4,531	$ 850	$439,704
Lease financing	—	—	—	—
Real estate – construction	402,156	393	—	402,549
Real estate – 1-4 family mortgage	190,882	3,374	6,129	200,385
Real estate – commercial mortgage	1,734,523	18,118	13,088	1,765,729
Installment loans to individuals	—	—	—	—
Total	$2,761,884	$26,416	$ 20,067	$2,808,367

For portfolio balances of consumer, small balance consumer mortgage loans, such as 1-4 family mortgage loans 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, 2017			
Commercial, financial, agricultural	$151,232	$ 1,245	$152,477
Lease financing	47,816	—	47,816
Real estate – construction	48,514	—	48,514
Real estate – 1-4 family mortgage	1,268,160	2,608	1,270,768
Real estate – commercial mortgage	312,431	1,175	313,606
Installment loans to individuals	92,535	134	92,669
Total	$1,920,688	$ 5,162	$1,925,850
December 31, 2016			
Commercial, financial, agricultural	$148,499	$ 1,087	$149,586
Lease financing	46,703	138	46,841
Real estate – construction	81,377	—	81,377
Real estate – 1-4 family mortgage	1,222,816	2,529	1,225,345
Real estate – commercial mortgage	308,609	799	309,408
Installment loans to individuals	92,504	144	92,648
Total	$1,900,508	$ 4,697	$1,905,205

Note 5 – Purchased Loans
(In Thousands, Except Number of Loans)

For purposes of this Note 5, all references to “loans” mean purchased loans.

The following is a summary of purchased loans as of the dates presented:

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	March 31, 2017	December 31, 2016
Commercial, financial, agricultural	$115,229	$ 128,200
Lease financing	—	—
Real estate – construction	35,673	68,753
Real estate – 1-4 family mortgage	431,904	452,447
Real estate – commercial mortgage	804,790	823,758
Installment loans to individuals	14,124	15,979
Gross loans	1,401,720	1,489,137
Unearned income	—	—
Loans, net of unearned income	1,401,720	1,489,137

Past Due and Nonaccrual Loans

The Company’s policies with respect to placing loans on nonaccrual status or charging off loans, and its accounting for interest on any such loans, are described above in Note 4, “Non Purchased Loans.”

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, 2017									
Commercial, financial, agricultural	$524	$868	$113,142	$114,534	$2	$185	$508	$695	$115,229
Lease financing	—	—	—	—	—	—	—	—	—
Real estate – construction	159	—	35,514	35,673	—	—	—	—	35,673
Real estate – 1-4 family mortgage	4,407	4,110	419,028	427,545	319	2,414	1,626	4,359	431,904
Real estate – commercial mortgage	970	6,840	793,710	801,520	136	289	2,845	3,270	804,790
Installment loans to individuals	168	79	13,706	13,953	—	4	167	171	14,124
Unearned income	—	—	—	—	—	—	—	—	—
Total	$6,228	$11,897	$1,375,100	$1,393,225	$457	$2,892	$5,146	$8,495	$1,401,720
December 31, 2016									
Commercial, financial, agricultural	$823	$990	$125,417	$127,230	$260	$381	$329	$970	$128,200
Lease financing	—	—	—	—	—	—	—	—	—
Real estate – construction	527	321	67,760	68,608	—	145	—	145	68,753
Real estate – 1-4 family mortgage	4,572	3,382	440,258	448,212	417	2,047	1,771	4,235	452,447
	3,045	6,112	808,886	818,043	—	2,661	3,054	5,715	823,758

Real estate – commercial mortgage									
Installment loans to individuals	96	10	15,591	15,697	—	156	126	282	15,979
Unearned income	—	—	—	—	—	—	—	—	—
Total	$9,063	$10,815	$1,457,912	$1,477,790	$677	$5,390	$5,280	$11,347	$1,489,137

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Impaired Loans
The Company’s policies with respect to the determination of whether a loan is impaired and the treatment of such loans are described above in Note 4, “Non Purchased Loans.”
Loans accounted for under ASC 310-20, and which are impaired loans recognized in conformity with 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, 2017					
Commercial, financial, agricultural	$ 567	$ 121	$ 423	$ 544	$ 18
Lease financing	—	—	—	—	—
Real estate – construction	—	—	—	—	—
Real estate – 1-4 family mortgage	5,463	1,746	3,114	4,860	54
Real estate – commercial mortgage	3,108	2,898	178	3,076	52
Installment loans to individuals	101	62	13	75	3
Total	$ 9,239	$ 4,827	$ 3,728	$ 8,555	$ 127
December 31, 2016					
Commercial, financial, agricultural	$ 732	$ 487	$ 224	$ 711	$ 310
Lease financing	—	—	—	—	—
Real estate – construction	147	145	—	145	—
Real estate – 1-4 family mortgage	3,095	1,496	1,385	2,881	43
Real estate – commercial mortgage	2,485	2,275	183	2,458	48
Installment loans to individuals	215	135	55	190	114
Totals	$ 6,674	$ 4,538	$ 1,847	$ 6,385	$ 515

The following table presents the average recorded investment and interest income recognized on loans accounted for under ASC 310-20 and which are impaired loans for the periods presented:

	Three Months Ended March 31, 2017		Three Months Ended March 31, 2016	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial, financial, agricultural	$541	$ 2	$8	$ —
Lease financing	—	—	—	—
Real estate – construction	—	—	—	—
Real estate – 1-4 family mortgage	5,481	21	810	9
Real estate – commercial mortgage	3,090	35	1,515	10
Installment loans to individuals	85	—	—	—
Total	$9,197	$ 58	$2,333	$ 19

Loans accounted for under ASC 310-30, and which are impaired loans recognized in conformity with ASC 310, segregated by class, were as follows as of the dates presented:

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	Unpaid Contractual Principal Balance	Recorded Investment With Allowance	Recorded Investment With No Allowance	Total Recorded Investment	Related Allowance
March 31, 2017					
Commercial, financial, agricultural	$ 21,357	$ 6,451	$ 6,577	$ 13,028	$ 378
Lease financing	—	—	—	—	—
Real estate – construction	—	—	—	—	
Real estate – 1-4 family mortgage	80,398	20,725	47,340	68,065	767
Real estate – commercial mortgage	214,450	58,271	114,448	172,719	1,573
Installment loans to individuals	2,091	527	1,400	1,927	1
Total	$ 318,296	$ 85,974	$ 169,765	$ 255,739	$ 2,719
December 31, 2016					
Commercial, financial, agricultural	$ 20,697	$ 4,555	$ 7,439	$ 11,994	$ 372
Lease financing	—	—	—	—	—
Real estate – construction	1,141	—	840	840	—
Real estate – 1-4 family mortgage	86,725	21,887	50,065	71,952	841
Real estate – commercial mortgage	229,075	62,449	122,538	184,987	1,606
Installment loans to individuals	2,466	366	1,619	1,985	1
Totals	$ 340,104	$ 89,257	$ 182,501	$ 271,758	$ 2,820

The following table presents the average recorded investment and interest income recognized on loans accounted for under ASC 310-30 and which are impaired loans for the periods presented:

	Three Months Ended March 31, 2017		Three Months Ended March 31, 2016	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial, financial, agricultural	$14,088	$ 247	$18,024	$ 327
Lease financing	—	—	—	—
Real estate – construction	—	—	2,608	25
Real estate – 1-4 family mortgage	78,341	865	101,089	953
Real estate – commercial mortgage	196,807	2,319	250,041	2,831
Installment loans to individuals	2,104	21	2,954	29
Total	$291,340	$ 3,452	$374,716	$ 4,165

Restructured Loans
An explanation of what constitutes a “restructured loan,” and management’s analysis in determining whether to restructure a loan, are described above in Note 4, “Non Purchased Loans.”
The following tables illustrate the impact of modifications classified as restructured loans and are segregated by class for the periods presented:

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	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Three months ended March 31, 2017			
Real estate – 1-4 family mortgage	10	2,221	1,823
Real estate – commercial mortgage	4	2,721	1,986
Total	14	$ 4,942	$ 3,809
Three months ended March 31, 2016			
Real estate – 1-4 family mortgage	6	352	242
Real estate – commercial mortgage	2	612	605
Total	8	$ 964	$ 847

There were two restructured loans in the amount of $52 contractually 90 days past due or more and still accruing at March 31, 2017 and no restructured loans contractually 90 days past due or more and still accruing at March 31, 2016. The outstanding balance of restructured loans on nonaccrual status was $1,201 and $5,041 at March 31, 2017 and March 31, 2016, respectively.

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

	Number of Loans	Recorded Investment
Totals at January 1, 2017	42	$ 4,028
Additional loans with concessions	14	3,825
Reductions due to:		
Charge-offs	(1)	(17)
Principal paydowns	—	(74)
Totals at March 31, 2017	55	$ 7,762

The allocated allowance for loan losses attributable to restructured loans was $31 and $91 at March 31, 2017 and March 31, 2016, respectively. The Company had $1,245 and no remaining availability under commitments to lend additional funds on these restructured loans at March 31, 2017 or March 31, 2016, respectively.

Credit Quality

A discussion of the Company's policies regarding internal risk-rating of loans is discussed above in Note 4, "Non Purchased Loans." 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, 2017				
Commercial, financial, agricultural	$89,802	$1,959	$ 1,143	$92,904
Lease financing	—	—	—	—
Real estate – construction	34,405	—	—	34,405
Real estate – 1-4 family mortgage	101,652	6,578	719	108,949
Real estate – commercial mortgage	601,582	8,007	710	610,299
Installment loans to individuals	—	—	4	4
Total	$827,441	$16,544	$ 2,576	$846,561
December 31, 2016				
Commercial, financial, agricultural	$102,777	$2,370	$ 1,491	$106,638
Lease financing	—	—	—	—
Real estate – construction	61,206	2,640	—	63,846
Real estate – 1-4 family mortgage	105,265	7,665	364	113,294
Real estate – commercial mortgage	608,192	8,445	723	617,360
Installment loans to individuals	—	—	114	114
Total	$877,440	$21,120	$ 2,692	$901,252

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, 2017			
Commercial, financial, agricultural	$ 9,234	$ 63	$9,297
Lease financing	—	—	—
Real estate – construction	1,268	—	1,268
Real estate – 1-4 family mortgage	253,172	1,718	254,890
Real estate – commercial mortgage	21,715	57	21,772
Installment loans to individuals	11,961	232	12,193
Total	$ 297,350	$ 2,070	$299,420
December 31, 2016			
Commercial, financial, agricultural	$ 9,489	$ 79	$9,568
Lease financing	—	—	—
Real estate – construction	3,601	5466	4,067
Real estate – 1-4 family mortgage	265,697	1,504	267,201
Real estate – commercial mortgage	21,353	58	21,411
Installment loans to individuals	13,712	168	13,880
Total	$ 313,852	$ 2,275	$316,127

Loans Purchased with Deteriorated Credit Quality

Loans purchased 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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	Total Purchased Credit Deteriorated Loans
March 31, 2017	
Commercial, financial, agricultural	$ 13,028
Lease financing	—
Real estate – construction	—
Real estate – 1-4 family mortgage	68,065
Real estate – commercial mortgage	172,719
Installment loans to individuals	1,927
Total	$ 255,739
December 31, 2016	
Commercial, financial, agricultural	$ 11,994
Lease financing	—
Real estate – construction	840
Real estate – 1-4 family mortgage	71,952
Real estate – commercial mortgage	184,987
Installment loans to individuals	1,985
Total	$ 271,758

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, 2017:

	Total Purchased Credit Deteriorated Loans
Contractually-required principal and interest	$ 366,954
Nonaccretable difference[1]	(79,190)
Cash flows expected to be collected	287,764
Accretable yield[2]	(32,025)
Fair value	$ 255,739

(1) Represents contractual principal and interest cash flows of $79,174 and $16, respectively, not expected to be collected.
(2) Represents contractual interest payments of $758 expected to be collected and purchase discount of $31,267.

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

	Total Purchased Credit Deteriorated Loans

Balance at January 1, 2017	$ (36,326)
Additions due to acquisition	—
Reclasses from nonaccretable difference	657
Accretion	3,263
Charge-offs	381
Balance at March 31, 2017	$ (32,025)

The following table presents the fair value of loans purchased from KeyWorth as of the April 1, 2016 acquisition date.

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At acquisition date:	April 1, 2016
Contractually-required principal and interest	$289,495
Nonaccretable difference	3,848
Cash flows expected to be collected	285,647
Accretable yield	13,317
Fair value	$272,330

Note 6 – Allowance for Loan Losses
(In Thousands, Except Number of Loans)
The following is a summary of non purchased and purchased loans as of the dates presented:

	March 31, 2017	December 31, 2016
Commercial, financial, agricultural	$741,466	$717,490
Lease financing	50,462	49,250
Real estate – construction	413,734	552,679
Real estate – 1-4 family mortgage	1,917,567	1,878,177
Real estate – commercial mortgage	3,008,429	2,898,895
Installment loans to individuals	106,793	108,627
Gross loans	6,238,451	6,205,118
Unearned income	(2,646)	(2,409)
Loans, net of unearned income	6,235,805	6,202,709
Allowance for loan losses	(42,923)	(42,737)
Net loans	$6,192,882	$6,159,972

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

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

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	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other[(1)]	Total
Three Months Ended March 31, 2017						
Allowance for loan losses:						
Beginning balance	$ 5,486	$ 2,380	$ 14,294	$ 19,059	$ 1,518	$42,737
Charge-offs	(832)	—	(275)	(227)	(264)	(1,598)
Recoveries	57	31	82	95	19	284
Net (charge-offs) recoveries	(775)	31	(193)	(132)	(245)	(1,314)
Provision for loan losses charged to operations [(2)]	401	(292)	(1,939)	3,146	184	1,500
Ending balance	$ 5,112	$ 2,119	$ 12,162	$ 22,073	$ 1,457	$42,923
Period-End Amount Allocated to:						
Individually evaluated for impairment	$ 165	$ —	$ 1,139	$ 2,670	$ 3	$3,977
Collectively evaluated for impairment	4,569	2,119	10,256	17,830	1,453	36,227
Purchased with deteriorated credit quality	378	—	767	1,573	1	2,719
Ending balance	$ 5,112	$ 2,119	$ 12,162	$ 22,073	$ 1,457	$42,923

	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other[(1)]	Total
Three Months Ended March 31, 2016						
Allowance for loan losses:						
Beginning balance	$ 4,186	$ 1,852	$ 13,908	$ 21,111	$ 1,380	$42,437
Charge-offs	(657)	—	(116)	(1,001)	(180)	(1,954)
Recoveries	53	6	395	92	30	576
Net charge-offs	(604)	6	279	(909)	(150)	(1,378)
Provision for loan losses	601	85	365	530	198	1,779
Benefit attributable to FDIC loss-share agreements	(15)	—	(37)	(118)	—	(170)
Recoveries payable to FDIC	3	—	27	161	—	191
Provision for loan losses charged to operations	589	85	355	573	198	1,800
Ending balance	$ 4,171	$ 1,943	$ 14,542	$ 20,775	$ 1,428	$42,859
Period-End Amount Allocated to:						
Individually evaluated for impairment	$ 6	$ —	$ 4,311	$ 3,082	$ —	$7,399
Collectively evaluated for impairment	3,743	1,943	9,896	16,429	1,427	33,438
Purchased with deteriorated credit quality	422	—	335	1,264	1	2,022
Ending balance	$ 4,171	$ 1,943	$ 14,542	$ 20,775	$ 1,428	$42,859

(1) Includes lease financing receivables.

(2) Due to the termination of the loss-share agreements on December 8, 2016, there was no loss-share impact to the provision for loan losses in the first quarter of 2017.

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:

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	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other[(1)]	Total
March 31, 2017						
Individually evaluated for impairment	$ 2,729	$ —	$ 15,859	$ 18,122	$ 192	$ 36,902
Collectively evaluated for impairment	725,709	413,734	1,833,643	2,817,588	152,490	5,943,164
Purchased with deteriorated credit quality	13,028	—	68,065	172,719	1,927	255,739
Ending balance	$ 741,466	$ 413,734	$ 1,917,567	$ 3,008,429	$ 154,609	$ 6,235,805
December 31, 2016						
Individually evaluated for impairment	$ 1,886	$ 662	$ 12,088	$ 13,079	$ 277	$ 27,992
Collectively evaluated for impairment	703,610	551,177	1,794,137	2,700,829	153,206	5,902,959
Purchased with deteriorated credit quality	11,994	840	71,952	184,987	1,985	271,758
Ending balance	$ 717,490	$ 552,679	$ 1,878,177	$ 2,898,895	$ 155,468	$ 6,202,709

(1) Includes lease financing receivables.

Note 7 – Other Real Estate Owned
(In Thousands)

The following table provides details of the Company's other real estate owned ("OREO") purchased and non purchased, net of
valuation allowances and direct write-downs, as of the dates presented:

	Purchased OREO	Non Purchased OREO	Total OREO
March 31, 2017			
Residential real estate	$ 2,120	$ 861	$ 2,981
Commercial real estate	6,427	1,496	7,923
Residential land development	2,215	1,049	3,264
Commercial land development	5,504	1,650	7,154
Total	$ 16,266	$ 5,056	$ 21,322
December 31, 2016			
Residential real estate	$ 2,230	$ 699	$ 2,929
Commercial real estate	6,401	1,680	8,081
Residential land development	2,344	1,688	4,032
Commercial land development	6,395	1,862	8,257
Total	$ 17,370	$ 5,929	$ 23,299

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Changes in the Company's purchased and non purchased OREO were as follows:

	Purchased OREO	Non Purchased OREO	Total OREO
Balance at January 1, 2017	$ 17,370	$ 5,929	$ 23,299
Transfers of loans	2,985	183	3,168
Capitalized improvements	—	—	—
Impairments	(229)	(149)	(378)
Dispositions	(3,516)	(1,203)	(4,719)
Other	(344)	296	(48)
Balance at March 31, 2017	$ 16,266	$ 5,056	$ 21,322

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,	
	2017	2016
Repairs and maintenance	$ 197	$ 197
Property taxes and insurance	332	470
Impairments	378	294
Net (gains) losses on OREO sales	(327)	50
Rental income	(48)	(54)
Total	$ 532	$ 957

Note 8 – Goodwill and Other Intangible Assets
(In Thousands)
The carrying amounts of goodwill by operating segments for the three months ended March 31, 2017 were as follows:

	Community Banks	Insurance	Total
Balance at January 1, 2017	$ 467,767	$ 2,767	$ 470,534
Addition to goodwill from acquisition	—	—	—
Adjustment to previously recorded goodwill	—	—	—
Balance at March 31, 2017	$ 467,767	$ 2,767	$ 470,534

There were no adjustments to goodwill during the three months ended March 31, 2017.

The following table provides a summary of finite-lived intangible assets as of the dates presented:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
March 31, 2017			

Core deposit intangibles	$ 47,992	$ (26,718)	$ 21,274
Customer relationship intangible	1,970	(733)	1,237
Total finite-lived intangible assets	$ 49,962	$ (27,451)	$ 22,511
December 31, 2016			
Core deposit intangibles	$ 47,992	$ (25,188)	$ 22,804
Customer relationship intangible	1,970	(700)	1,270
Total finite-lived intangible assets	$ 49,962	$ (25,888)	$ 24,074

Current year amortization expense for finite-lived intangible assets is presented in the table below.

	Three Months Ended March 31,	
	2017	2016
Amortization expense for:		
Core deposit intangibles	$1,530	$1,664
Customer relationship intangible	33	33
Total intangible amortization	$1,563	$1,697

The estimated amortization expense of finite-lived intangible assets for the year ending December 31, 2017 and the succeeding four years is summarized as follows:

	Core Deposit Intangibles	Customer Relationship Intangible	Total
2017	$ 5,723	$ 131	$5,854
2018	4,881	131	5,012
2019	4,101	131	4,232
2020	3,213	131	3,344
2021	2,273	131	2,404

Note 9 – 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 ("MSRs"), included in "Other assets" on the Consolidated Balance Sheets, are recognized as a separate asset on the date the corresponding mortgage loan is sold. MSRs 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 MSRs are recognized to the extent by which the unamortized cost exceeds fair value. There were no impairment losses recognized during the three months ended March 31, 2017 or 2016.
During the first quarter of 2016, the Company sold MSRs relating to mortgage loans having an aggregate unpaid principal balance totaling $1,830,444 to a third party for net proceeds of $18,508. There were no sales of MSRs during the three months ended March 31, 2017.

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Changes in the Company’s MSRs were as follows:

Balance at January 1, 2017	$26,302
Capitalization	3,276
Amortization	(802)
Balance at March 31, 2017	$28,776

Data and key economic assumptions related to the Company’s MSRs as of March 31, 2017 and December 31, 2016 are as follows:

	March 31, 2017	December 31, 2016
Unpaid principal balance	$3,045,228	$2,763,344
Weighted-average prepayment speed (CPR)	7.28 %	7.34 %
Estimated impact of a 10% increase	$(1,147)	$(1,034)
Estimated impact of a 20% increase	(2,234)	(2,010)
Discount rate	9.65 %	9.64 %
Estimated impact of a 10% increase	$(1,620)	$(1,368)
Estimated impact of a 20% increase	(3,110)	(2,629)
Weighted-average coupon interest rate	3.82 %	3.83 %
Weighted-average servicing fee (basis points)	25.89	25.87
Weighted-average remaining maturity (in years)	12.49	11.11

As part of “Mortgage banking income” in the Consolidated Statements of Income, the Company recorded servicing fees of $1,233 and $1,296 for the three months ended March 31, 2017 and 2016, respectively.

Note 10 – Redemption of Long-term Debt

(In Thousands)

On February 22, 2017, the Company redeemed the Heritage Financial Statutory Trust I junior subordinated debentures. The debentures were redeemed for an aggregate amount of $10,515, which included the principal amount of $10,310 and a prepayment penalty of $205. Prior to the redemption, the Company obtained all required board and regulatory approval.

Note 11 - 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. In connection with the acquisition of Heritage Financial Group, Inc. (“Heritage”)) in July 2015, the Company assumed the noncontributory defined benefit pension plan maintained by HeritageBank of the South, Heritage's wholly-owned banking subsidiary (“HeritageBank”), under which accruals had ceased and the plan had been terminated by HeritageBank immediately prior to the acquisition date. Final distribution of all benefits under the plan was completed in August 2016.

The Company also provides retiree health benefits for certain employees who were employed by the Company and enrolled in the Company's health plan as of December 31, 2004. To receive benefits, an eligible employee must retire from service with the Company and its affiliates between age 55 and 65 and be credited with at least 15 years of service or with 70 points, determined as the sum of age and service at retirement. The Company periodically determines the portion of the premium to be paid by each eligible retiree and the portion to be paid by the Company. Coverage ceases when an employee attains age 65 and is eligible for Medicare. The Company also provides life insurance coverage for each retiree in the face amount of $5 until age 70. Retirees can purchase additional insurance or continue coverage beyond age 70 at their sole expense.

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The plan expense for the legacy Renasant defined benefit pension plan (“Pension Benefits - Renasant”), the assumed HeritageBank defined pension plan (“Pension Benefits - HeritageBank”) and post-retirement health and life plans (“Other Benefits”) for the periods presented was as follows:

	Pension Benefits		Pension Benefits			
	Renasant		HeritageBank		Other Benefits	
	Three Months Ended		Three Months Ended		Three Months Ended	
	March 31,		March 31,		March 31,	
	2017	2016	2017	2016	2017	2016
Service cost	$—	$—	$ —	$ —	$3	$4
Interest cost	293	306	—	69	13	14
Expected (return) on plan assets	(484)	(469)	—	(45)	—	—
Prior service cost recognized	—	—	—	—	—	—
Recognized actuarial loss	100	100	—	—	13	17
Settlement/curtailment/termination gains	—	—	—	—	—	—
Net periodic benefit (return) cost	$(91)	$(63)	$ —	$ 24	$29	$35

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, 2017 or 2016.

The following table summarizes the changes in stock options as of and for the three months ended March 31, 2017:

	Shares	Weighted Average Exercise Price
Options outstanding at beginning of period	185,625	$ 15.97
Granted	—	—
Exercised	(43,250)	15.69
Forfeited	—	—
Options outstanding at end of period	142,375	$ 16.06

The Company awards performance-based restricted stock to executives and other officers and employees and time-based restricted stock to directors, executives 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, 2017:

	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	—	$ —	117,345	$ 31.76
Awarded	54,450	42.22	75,725	42.22
Vested	—	—	(30,500)	31.65
Cancelled	—	—	—	—
Nonvested at end of period	54,450	$ 42.22	162,570	$ 36.65

During the three months ended March 31, 2017, the Company reissued 62,434 shares from treasury in connection with the exercise of stock options and awards of restricted stock. The Company recorded total stock-based compensation expense of $1,174 and $859 for the three months ended March 31, 2017 and 2016, respectively.

Note 12 – 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, 2017, the Company had notional amounts of $76,788 on interest rate contracts with corporate customers and $76,788 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 and will receive a variable interest rate based on the three-month LIBOR plus a pre-determined spread, 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. Under these swap agreements, 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 Corporation (“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.
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 $207,662 and $120,050 at March 31, 2017 and December 31, 2016, 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 $311,000 and $257,000 at March 31, 2017 and December 31, 2016, respectively.

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The following table provides details on the Company’s derivative financial instruments as of the dates presented:

	Balance Sheet Location	Fair Value March 31, 2017	December 31, 2016
Derivative assets:			
Not designated as hedging instruments:			
Interest rate contracts	Other Assets	$1,713	$ 1,985
Interest rate lock commitments	Other Assets	5,252	2,643
Forward commitments	Other Assets	17	4,480
Totals		$6,982	$ 9,108
Derivative liabilities:			
Designated as hedging instruments:			
Interest rate swaps	Other Liabilities	$3,134	$ 3,410
Totals		$3,134	$ 3,410
Not designated as hedging instruments:			
Interest rate contracts	Other Liabilities	$1,713	$ 1,985
Interest rate lock commitments	Other Liabilities	2	246
Forward commitments	Other Liabilities	1,675	269
Totals		$3,390	$ 2,500

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, 2017	2016
Derivatives not designated as hedging instruments:		
Interest rate contracts:		
Included in interest income on loans	$679	$533
Interest rate lock commitments:		
Included in gains on sales of mortgage loans held for sale	2,853	1,628
Forward commitments		
Included in gains on sales of mortgage loans held for sale	(5,869)	(3,688)
Total	$(2,337)	$(1,527)

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, 2017 or 2016. The impact on other comprehensive income for the three months ended March 31, 2017 and 2016, respectively, can be seen at Note 16, "Other Comprehensive Income."

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, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Gross amounts recognized	$346	$ 4,778	$5,855	$ 4,893
Gross amounts offset in the Consolidated Balance Sheets	—	—	—	—
Net amounts presented in the Consolidated Balance Sheets	346	4,778	5,855	4,893
Gross amounts not offset in the Consolidated Balance Sheets				
Financial instruments	346	567	346	567
Financial collateral pledged	—	—	4,549	4,326
Net amounts	$—	$ 4,211	$960	$ —

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Note 13 – Income Taxes

(In Thousands)

The following table is a summary of the Company's temporary differences between the tax basis of assets and liabilities and their financial reporting amounts that give rise to deferred income tax assets and liabilities and their approximate tax effects as of the dates indicated.

	March 31,		December 31,
	2017	2016	2016
Deferred tax assets			
Allowance for loan losses	$19,999	$20,787	$ 19,934
Loans	21,159	29,042	23,240
Deferred compensation	9,120	10,786	11,254
Securities	2,440	2,572	2,439
Net unrealized losses on securities - OCI	8,209	4,876	10,096
Impairment of assets	1,962	3,280	2,512
Federal and State net operating loss carryforwards	3,354	5,124	2,867
Intangibles	1,229	—	1,247
Other	2,834	4,957	3,463
Gross deferred tax assets	70,306	81,424	77,052
Valuation allowance on state net operating loss carryforwards	—	—	—
Total deferred tax assets	70,306	81,424	77,052
Deferred tax liabilities			
FDIC loss-share indemnification asset	—	1,807	—
Investment in partnerships	1,414	2,343	1,556
Core deposit intangible	—	2,992	—
Fixed assets	2,248	924	2,517
Mortgage servicing rights	3,359	3,977	3,360
Junior subordinated debt	4,058	4,234	4,111
Other	2,428	4,855	2,876
Total deferred tax liabilities	13,507	21,132	14,420
Net deferred tax assets	$56,799	$60,292	$ 62,632

The Company acquired federal and state net operating losses as part of the Heritage acquisition. The federal net operating loss acquired totaled $18,321, of which $6,719 remained to be utilized as of March 31, 2017, while state net operating losses totaled $17,168, of which $10,835 remained to be utilized as of March 31, 2017. Both the federal and state net operating losses will expire at various dates beginning in 2024.

The Company expects to utilize the federal and state net operating losses prior to expiration. Because the benefits are expected to be fully realized, the Company recorded no valuation allowance against the net operating losses for the three months ended March 31, 2017 or 2016 or the year ended December 31, 2016.

Note 14 – Investments in Qualified Affordable Housing Projects
(In Thousands)

The Company has investments in qualified affordable housing projects ("QAHPs") that provide low income housing tax credits and operating loss benefits over an extended period. At March 31, 2017 and December 31, 2016, the Company's carrying value of QAHPs was $3,623 and $6,331, respectively. During the quarter, the Company sold its interest in a limited liability partnership which reduced the carrying value of the investment in QAHPs by approximately $2,450. The Company has no remaining funding obligations related to the QAHPs. The investments in QAHPs are being accounted for using the effective yield method. The investments in QAHPs are included in "Other assets" on the Consolidated Balance Sheets.

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Components of the Company's investments in QAHPs were included in the line item “Income taxes” in the Consolidated Statements of Income for the periods presented:

	Three Months Ended March 31,	
	2017	2016
Tax credit amortization	$262	$324
Tax credits and other benefits	(460)	(471)
Total	$(198)	$(147)

Note 15 – 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:
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 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

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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, 2017				
Financial assets:				
Securities available for sale:				
Obligations of other U.S. Government agencies and corporations	$ —			