RENASANT CORP
Form 10-Q
May 09, 2018
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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, 2018
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, a 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, 2018, 49,409,304 shares of the registrant's common stock, $5.00 par value per share, were outstanding.

Renasant Corporation and Subsidiaries
Form 10-Q
For the Quarterly Period Ended March 31, 2018
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PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

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Renasant Corporation and Subsidiaries
Consolidated Balance Sheets

(In Thousands, Except Share Data)

	(Unaudited) March 31, 2018	December 31, 2017
Assets		
Cash and due from banks	$163,768	$187,838
Interest-bearing balances with banks	87,210	93,615
Cash and cash equivalents	250,978	281,453
Securities available for sale, at fair value	948,365	671,488
Mortgage loans held for sale, at fair value	204,472	108,316
Loans, net of unearned income:		
Non purchased loans and leases	5,830,122	5,588,556
Purchased loans	1,867,948	2,031,766
Total loans, net of unearned income	7,698,070	7,620,322
Allowance for loan losses	(46,401)	(46,211)
Loans, net	7,651,669	7,574,111
Premises and equipment, net	184,209	183,254
Other real estate owned:		
Non purchased	4,801	4,410
Purchased	9,754	11,524
Total other real estate owned, net	14,555	15,934
Goodwill	611,046	611,046
Other intangible assets, net	22,859	24,510
Bank-owned life insurance	176,978	175,863
Mortgage servicing rights	40,216	39,339
Other assets	132,966	144,667
Total assets	$10,238,313	$9,829,981
Liabilities and shareholders’ equity		
Liabilities		
Deposits		
Noninterest-bearing	$1,861,136	$1,840,424
Interest-bearing	6,496,633	6,080,651
Total deposits	8,357,769	7,921,075
Short-term borrowings	57,753	89,814
Long-term debt	207,438	207,546
Other liabilities	82,588	96,563
Total liabilities	8,705,548	8,314,998
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; 49,990,248 shares issued; 49,392,978 and 49,321,231 shares outstanding, respectively	249,951	249,951
Treasury stock, at cost	(18,296)	(19,906)
Additional paid-in capital	896,881	898,095
Retained earnings	421,725	397,354

Accumulated other comprehensive loss, net of taxes	(17,496)	(10,511)
Total shareholders' equity	1,532,765	1,514,983
Total liabilities and shareholders' equity	$ 10,238,313	$ 9,829,981

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,	
	2018	2017
Interest income		
Loans	$94,118	$74,407
Securities		
Taxable	3,994	4,352
Tax-exempt	1,685	2,574
Other	583	556
Total interest income	100,380	81,889
Interest expense		
Deposits	8,059	5,149
Borrowings	3,081	2,725
Total interest expense	11,140	7,874
Net interest income	89,240	74,015
Provision for loan losses	1,750	1,500
Net interest income after provision for loan losses	87,490	72,515
Noninterest income		
Service charges on deposit accounts	8,473	7,931
Fees and commissions	5,685	5,199
Insurance commissions	2,005	1,860
Wealth management revenue	3,262	2,884
Mortgage banking income	10,960	10,504
BOLI income	945	1,113
Other	2,623	2,530
Total noninterest income	33,953	32,021
Noninterest expense		
Salaries and employee benefits	48,784	42,209
Data processing	4,244	4,234
Net occupancy and equipment	9,822	9,319
Other real estate owned	657	532
Professional fees	2,138	2,067
Advertising and public relations	2,203	1,592
Intangible amortization	1,651	1,563
Communications	1,969	1,863
Extinguishment of debt	—	205
Merger and conversion related expenses	900	345
Other	5,576	5,380
Total noninterest expense	77,944	69,309
Income before income taxes	43,499	35,227
Income taxes	9,673	11,255
Net income	$33,826	$23,972
Basic earnings per share	$0.69	$0.54
Diluted earnings per share	$0.68	$0.54
Cash dividends per common share	$0.19	$0.18

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,	
	2018	2017
Net income	$33,826	$23,972
Other comprehensive (loss) income, net of tax:		
Securities available for sale:		
Unrealized holding (losses) gains on securities	(7,909)	2,907
Amortization of unrealized holding gains on securities transferred to the held to maturity category	—	(151)
Total securities	(7,909)	2,756
Derivative instruments:		
Unrealized holding gains on derivative instruments	858	169
Total derivative instruments	858	169
Defined benefit pension and post-retirement benefit plans:		
Amortization of net actuarial loss recognized in net periodic pension cost	66	69
Total defined benefit pension and post-retirement benefit plans	66	69
Other comprehensive (loss) income, net of tax	(6,985)	2,994
Comprehensive income	$26,841	$26,966

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, 2018	2017
Operating activities		
Net income	$33,826	$23,972
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Provision for loan losses	1,750	1,500
Depreciation, amortization and accretion	650	358
Deferred income tax expense	1,990	3,946
Funding of mortgage loans held for sale	(362,803)	(318,144)
Proceeds from sales of mortgage loans held for sale	275,445	343,945
Gains on sales of mortgage loans held for sale	(8,798)	(6,554)
Penalty on prepayment of debt	—	205
Losses on sales of premises and equipment	8	512
Stock-based compensation expense	1,858	1,174
Decrease in other assets	9,623	18,882
Decrease in other liabilities	(14,720)	(14,662)
Net cash (used in) provided by operating activities	(61,171)	55,134
Investing activities		
Purchases of securities available for sale	(317,922)	(52,683)
Proceeds from sales of securities available for sale	—	2,946
Proceeds from call/maturities of securities available for sale	29,335	30,800
Proceeds from call/maturities of securities held to maturity	—	7,710
Net increase in loans	(74,344)	(31,974)
Purchases of premises and equipment	(4,384)	(4,441)
Proceeds from sales of premises and equipment	—	13
Proceeds from sales of other assets	2,085	5,307
Net cash used in investing activities	(365,230)	(42,322)
Financing activities		
Net increase in noninterest-bearing deposits	20,712	18,224
Net increase in interest-bearing deposits	416,759	154,001
Net decrease in short-term borrowings	(32,061)	(99,721)
Repayment of long-term debt	(230)	(10,790)
Cash paid for dividends	(9,455)	(8,030)
Net stock-based compensation transactions	201	(1,976)
Net cash provided by financing activities	395,926	51,708
Net (decrease) increase in cash and cash equivalents	(30,475)	64,520
Cash and cash equivalents at beginning of period	281,453	306,224
Cash and cash equivalents at end of period	$250,978	$370,744
Supplemental disclosures		
Cash paid for interest	$12,656	$9,635
Cash paid for income taxes	$6,280	$7,181
Noncash transactions:		
Transfers of loans to other real estate owned	$1,154	$3,168
Financed sales of other real estate owned	$418	$237
Transfers of loans held for sale to loans held for investment	$442	$—

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

(In Thousands)
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, wealth management and insurance services to its retail and commercial customers through its subsidiaries and full service offices located throughout north and central Mississippi, Tennessee, Georgia, 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 for the year ended December 31, 2017 filed with the Securities and Exchange Commission on February 28, 2018.
Business Combinations: The Company completed its acquisition of Metropolitan BancGroup, Inc. ("Metropolitan") on July 1, 2017. Metropolitan'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, and such differences may be material.
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, 2018 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"), which is an update to FASB Accounting Standards Codification ("ASC") 606, "Revenue from Contracts with Customers" ("ASC 606"). 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. For a majority of the Company's income streams, including interest income earned on loans and leases, the recognition of revenue is governed by other accounting standards and is specifically excluded from the coverage of ASC 606. In addition, the Company's revenue that is covered by ASC 606, the most significant of which is service charges on deposit accounts, is generally based on day-to-day contracts with Company customers and, as a result, is not impacted by the new guidance. The Company adopted ASU 2014-09 in the first quarter of 2018, and there was no impact to the financial statements at the time of adoption. The Company has included newly applicable revenue disclosures in this filing, in Note 19, "Revenue Recognition."
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. The Company used an entry price notion in determining the fair value of certain financial instruments prior to its changing to the exit price notion upon adoption of this standard in the first quarter of 2018. This ASU did not have any other impact on the Company at the time of adoption.

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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 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 GAAP. ASU 2016-02 is effective for annual and 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 and results of operations, and its 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 June 2016, FASB issued ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”). This 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. 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 it 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 working with a consulting firm to develop the Company’s CECL model, which includes reviewing the different model requirements and ensuring historical data integrity across all reporting systems.

In March 2017, 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. This update became effective January 1, 2018 and did not have a material impact on the Company’s financial statements.

In March 2017, 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 and results of operations and its financial statement disclosures.

In August 2017, FASB issued ASU 2017-12, “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities” (“ASU 2017-12”). ASU 2017-12 is intended to simplify hedge accounting by eliminating the requirement to separately measure and report hedge effectiveness. ASU 2017-12 also seeks to expand the application of hedge accounting by modifying current requirements to include hedge accounting on partial-term hedges, the hedging of prepayable financial instruments and other strategies. ASU 2017-12 will be effective for interim and annual periods beginning after December 15, 2018. The Company is evaluating the effect that ASU 2017-12 will have on its financial position and results of operations and its financial statement disclosures.

In February 2018, FASB issued ASU 2018-02, “Income Statement - Reporting Comprehensive Income (Topic 220)” (“ASU 2018-02”). The amendments in ASU 2018-02 allow a reclassification from accumulated other comprehensive income to retained earnings to eliminate the stranded tax effects in accumulated other comprehensive income resulting from the Tax Cuts and Jobs Act. ASU 2018-02 will be effective for interim and annual periods beginning after

December 15, 2018. Early adoption was permitted, including adoption in any interim period, for public companies for reporting periods for which financial statements had not yet been issued. The Company adopted ASU 2018-02 as of December 31, 2017 and, as a result, reclassified $2,046 from accumulated other comprehensive income to retained earnings as of December 31, 2017. The reclassification impacted the Consolidated Balance Sheet and the Consolidated Statement of Changes in Shareholders' Equity as of and for the twelve months ended December 31, 2017.

Note 2 – Mergers and Acquisitions

(In Thousands, Except Share Data)

Merger with Brand Group Holdings, Inc.

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On March 28, 2018, the Company and Brand Group Holdings, Inc. ("Brand"), the parent company of The Brand Banking Company ("Brand Bank"), jointly announced the signing of a definitive merger agreement pursuant to which the Company will acquire Brand. Under the terms of the agreement, Brand will merge with and into Renasant, with Renasant continuing as the surviving corporation. Immediately after the merger of Brand with and into Renasant, Brand 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 Brand shareholder will have the right to receive 32.87 shares of Renasant common stock and $77.50 in cash for each share of Brand common stock. Additionally, all in-the-money Brand stock options will be cashed out at an amount equal to the excess of $1,550 per share over the exercise price of such option (underwater options will be cancelled). The transaction's final pricing is contingent (and subject to reduction only) upon Brand's divestiture of certain assets, as outlined in the definitive merger agreement which was filed with the Securities and Exchange Commission on March 30, 2018.

As of March 31, 2018, Brand, which has 13 locations throughout the greater Atlanta market, had approximately $2,400,000 in total assets, which included approximately $1,910,000 in total loans (excluding mortgage loans held for sale), and approximately $1,920,000 in total deposits.

The acquisition is expected to close in the third quarter of 2018 and is subject to regulatory approval, Brand shareholder approval and other customary conditions set forth in the merger agreement.

Acquisition of Metropolitan BancGroup, Inc.
Effective July 1, 2017, the Company completed its acquisition of Metropolitan, the parent company of Metropolitan Bank, in a transaction valued at approximately $219,461. The Company issued 4,883,182 shares of common stock and paid approximately $4,764 to Metropolitan stock option holders for 100% of the voting equity interest in Metropolitan. At closing, Metropolitan merged with and into the Company, with the Company the surviving corporation in the merger; immediately thereafter, Metropolitan Bank merged with and into Renasant Bank, with Renasant Bank the surviving banking corporation in the merger. On July 1, 2017, Metropolitan operated eight banking locations in Nashville and Memphis, Tennessee and the Jackson, Mississippi Metropolitan Statistical Area.
The Company recorded approximately $147,478 in intangible assets which consist of goodwill of $140,512 and a core deposit intangible of $6,966. Goodwill resulted from a combination of revenue enhancements from expansion in existing 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.

The following table summarizes the allocation of purchase price to assets and liabilities acquired in connection with the Company's acquisition of Metropolitan based on their fair values on July 1, 2017.

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Purchase Price:		
Shares issued to common shareholders	4,883,182	
Purchase price per share	$ 43.74	
Value of stock paid		$ 213,590
Cash paid for fractional shares		5
Cash settlement for stock options		4,764
Deal charges, net of taxes		1,102
Total Purchase Price		$ 219,461
Net Assets Acquired:		
Stockholders' equity at acquisition date	$ 89,253	
Increase (decrease) to net assets as a result of fair value adjustments to assets acquired and liabilities assumed:		
Securities	(731)	
Mortgage loans held for sale	30	
Loans, net of Metropolitan's allowance for loan losses	(13,071)	
Premises and equipment	(4,629)	
Intangible assets, net of Metropolitan's existing intangibles	2,340	
Other real estate owned	(1,251)	
Other assets	2,731	
Deposits	(3,603)	
Borrowings	(1,294)	
Other liabilities	3,930	
Deferred income taxes	5,244	
Total Net Assets Acquired		78,949
Goodwill resulting from merger(1)		$ 140,512

(1) The goodwill resulting from the merger has been assigned to the Community Banks operating segment.

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The following table summarizes the fair value on July 1, 2017 of assets acquired and liabilities assumed on that date in connection with the merger with Metropolitan. The Company is finalizing the fair values of assets acquired and liabilities assumed related to the Metropolitan acquisition; accordingly, the amounts in the table remain subject to change.

Cash and cash equivalents	$ 47,556
Securities	108,697
Loans, including mortgage loans held for sale, net of unearned income	967,804
Premises and equipment	8,576
Other real estate owned	1,203
Intangible assets	147,478
Other assets	69,567
Total assets	1,350,881
Deposits	942,084
Borrowings	174,522
Other liabilities	20,685
Total liabilities	1,137,291

The following unaudited pro forma combined condensed consolidated financial information presents the results of operations for the three months ended March 31, 2018 and 2017 of the Company as though the Metropolitan merger had been completed as of January 1, 2016. The unaudited pro forma information combines the historical results of Metropolitan with the Company's historical consolidated results and includes certain adjustments reflecting the estimated impact of certain fair value adjustments for the periods presented. The pro forma information is not indicative of what would have occurred had the acquisition taken place on January 1, 2016. The pro forma information does not include the effect of any cost-saving or revenue-enhancing strategies. Merger expenses are reflected in the period in which they were incurred.

	(Unaudited) Three Months Ended March 31,	
	2018	2017
Net interest income - pro forma	$89,240	$83,829
Net income - pro forma	$33,826	$26,677
Earnings per share - pro forma:		
Basic	$0.69	$0.59
Diluted	$0.68	$0.58

Note 3 – Securities
(In Thousands, Except Number of Securities)

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, 2018				
Obligations of other U.S. Government agencies and corporations	$ 3,549	$ 27	$ (48)	$ 3,528
Obligations of states and political subdivisions	222,814	4,292	(764)	226,342
Residential mortgage backed securities:				
Government agency mortgage backed securities	416,954	444	(7,928)	409,470
Government agency collateralized mortgage obligations	244,213	42	(6,589)	237,666
Commercial mortgage backed securities:				
Government agency mortgage backed securities	27,636	306	(440)	27,502
Government agency collateralized mortgage obligations	10,000	—	(128)	9,872
Trust preferred securities	12,429	—	(2,384)	10,045
Other debt securities	23,994	152	(206)	23,940
	$ 961,589	$ 5,263	$ (18,487)	$ 948,365

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2017				
Obligations of other U.S. Government agencies and corporations	$ 3,554	$ 40	$ (30)	$ 3,564
Obligations of states and political subdivisions	228,589	6,161	(269)	234,481
Residential mortgage backed securities:				
Government agency mortgage backed securities	196,121	888	(3,059)	193,950
Government agency collateralized mortgage obligations	180,258	133	(3,752)	176,639
Commercial mortgage backed securities:				
Government agency mortgage backed securities	31,015	389	(234)	31,170
Government agency collateralized mortgage obligations	5,019	1	(14)	5,006
Trust preferred securities	12,442	—	(3,054)	9,388
Other debt securities	17,106	260	(76)	17,290
	$ 674,104	$ 7,872	$ (10,488)	$ 671,488

There were no sales of securities for the three months ended March 31, 2018. During the same period in 2017, the Company sold residential mortgage backed securities with a carrying value of $2,496 at the time of the sale for net proceeds of $2,496 resulting in no gain or loss on the sale.

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At March 31, 2018 and December 31, 2017, securities with a carrying value of $259,688 and $217,867, respectively, were pledged to secure government, public and trust deposits. Securities with a carrying value of $20,644 and $25,888 were pledged as collateral for short-term borrowings and derivative instruments at March 31, 2018 and December 31, 2017, respectively.
The amortized cost and fair value of securities at March 31, 2018 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.

	Available for Sale	
	Amortized Cost	Fair Value
Due within one year	$28,692	$29,028
Due after one year through five years	67,311	68,747
Due after five years through ten years	78,917	79,724
Due after ten years	72,703	71,335
Residential mortgage backed securities:		
Government agency mortgage backed securities	416,954	409,470
Government agency collateralized mortgage obligations	244,213	237,666
Commercial mortgage backed securities:		
Government agency mortgage backed securities	27,636	27,502
Government agency collateralized mortgage obligations	10,000	9,872
Other debt securities	15,163	15,021
	$961,589	$948,365

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
Available for Sale:									
March 31, 2018									
Obligations of other U.S. Government agencies and corporations	1	$494	$(6)	2	$1,981	$(42)	3	$2,475	$(48)
Obligations of states and political subdivisions	52	31,417	(392)	12	7,554	(372)	64	38,971	(764)
Residential mortgage backed securities:									
Government agency mortgage backed securities	87	298,721	(3,942)	44	84,166	(3,986)	131	382,887	(7,928)
Government agency collateralized mortgage obligations	51	173,116	(3,394)	29	58,759	(3,195)	80	231,875	(6,589)
Commercial mortgage backed securities:									
Government agency mortgage backed securities	7	8,987	(122)	3	5,732	(318)	10	14,719	(440)
Government agency collateralized mortgage obligations	2	9,872	(128)	0	—	—	2	9,872	(128)
Trust preferred securities	0	—	—	2	10,045	(2,384)	2	10,045	(2,384)
Other debt securities	7	6,140	(25)	2	6,187	(181)	9	12,327	(206)
Total	207	$528,747	$(8,009)	94	$174,424	$(10,478)	301	$703,171	$(18,487)
December 31, 2017									
Obligations of other U.S. Government agencies and corporations	1	$497	$(3)	2	$1,999	$(27)	3	$2,496	$(30)
Obligations of states and political subdivisions	23	11,860	(59)	12	7,728	(210)	35	19,588	(269)
Residential mortgage backed securities:									
Government agency mortgage backed securities	29	64,595	(659)	44	89,414	(2,400)	73	154,009	(3,059)
Government agency collateralized mortgage obligations	33	102,509	(1,470)	29	62,406	(2,282)	62	164,915	(3,752)
Commercial mortgage backed securities:									
Government agency mortgage backed securities	2	5,629	(17)	3	5,872	(217)	5	11,501	(234)
	1	4,986	(14)	0	—	—	1	4,986	(14)

Government agency collateralized mortgage obligations									
Trust preferred securities	0	—	—	2	9,388	(3,054)	2	9,388	(3,054)
Other debt securities	2	756	(12)	2	6,308	(64)	4	7,064	(76)
Total	91	$190,832	$(2,234)	94	$183,115	$(8,254)	185	$373,947	$(10,488)

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 securities in an unrealized loss position that it holds, 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

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greater than twelve months, the Company 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, 2018 or 2017.
The Company holds investments in pooled trust preferred securities that had an amortized cost basis of $12,429 and $12,442 and a fair value of $10,045 and $9,388 at March 31, 2018 and December 31, 2017, respectively. At March 31, 2018, the investments in pooled trust preferred securities consisted of two securities representing interests in various tranches of trusts collateralized by debt issued by over 160 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, 2018, 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 both trust preferred securities and recognized credit related impairment losses on these securities in 2011. No additional impairment was recognized during the three months ended March 31, 2018.
The following table provides information regarding the Company's investments in pooled trust preferred securities at March 31, 2018:

Name	Single/ Pooled	Class/ Tranche	Amortized Cost	Fair Value	Unrealized Loss	Lowest Credit Rating	Issuers Currently in Deferral or Default
XXIII	Pooled	B-2	$ 8,318	$6,527	$ (1,791)	BB	16 %
XXVI	Pooled	B-2	4,111	3,518	(593)	B	19 %
			$ 12,429	$10,045	$ (2,384)		

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:

	2018	2017
Balance at January 1	$(261)	$(3,337)
Additions related to credit losses for which OTTI was not previously recognized	—	—
Increases in credit loss for which OTTI was previously recognized	—	—
Reductions for securities sold during the period	—	3,076
Balance at March 31	$(261)	$(261)

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, 2018	December 31, 2017
Commercial, financial, agricultural	$803,146	$763,823
Lease financing	55,898	57,354
Real estate – construction	582,430	547,658
Real estate – 1-4 family mortgage	1,785,271	1,729,534
Real estate – commercial mortgage	2,503,680	2,390,076
Installment loans to individuals	103,059	103,452
Gross loans	5,833,484	5,591,897
Unearned income	(3,362)	(3,341)
Loans, net of unearned income	$5,830,122	$5,588,556

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, 2018									
Commercial, financial, agricultural	$3,078	$ 1,006	$796,898	$800,982	$508	$1,555	$101	$2,164	$803,146
Lease financing	481	43	55,215	55,739	—	159	—	159	55,898
Real estate – construction	3,564	50	578,816	582,430	—	—	—	—	582,430
Real estate – 1-4 family mortgage	8,812	2,176	1,771,834	1,782,822	54	1,581	814	2,449	1,785,271
Real estate – commercial mortgage	3,016	289	2,495,780	2,499,085	564	2,253	1,778	4,595	2,503,680
Installment loans to individuals	477	41	102,505	103,023	—	17	19	36	103,059
Unearned income	—	—	(3,362)	(3,362)	—	—	—	—	(3,362)
Total	$19,428	$ 3,605	$5,797,686	$5,820,719	$1,126	$5,565	$2,712	$9,403	$5,830,122
December 31, 2017									
Commercial, financial, agricultural	$2,722	$ 22	$759,143	$761,887	$205	$1,033	$698	$1,936	$763,823
Lease financing	47	—	57,148	57,195	—	159	—	159	57,354
Real estate – construction	50	—	547,608	547,658	—	—	—	—	547,658
Real estate – 1-4 family mortgage	11,810	2,194	1,712,982	1,726,986	—	1,818	730	2,548	1,729,534
Real estate – commercial mortgage	1,921	727	2,381,871	2,384,519	—	2,877	2,680	5,557	2,390,076
Installment loans to individuals	429	72	102,901	103,402	1	28	21	50	103,452
Unearned income	—	—	(3,341)	(3,341)	—	—	—	—	(3,341)
Total	$16,979	$ 3,015	$5,558,312	$5,578,306	$206	$5,915	$4,129	$10,250	$5,588,556

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, as applicable, 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.

Loans accounted for under FASB 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, 2018					
Commercial, financial, agricultural	$ 2,612	$ 2,491	$ —	$ 2,491	$ 223
Lease financing	159	159	—	159	2
Real estate – construction	150	150	—	150	1
Real estate – 1-4 family mortgage	9,106	8,111	—	8,111	121
Real estate – commercial mortgage	9,373	4,817	1,356	6,173	956
Installment loans to individuals	106	102	—	102	1
Total	$ 21,506	$ 15,830	$ 1,356	$ 17,186	$ 1,304
December 31, 2017					
Commercial, financial, agricultural	$ 3,043	$ 2,365	$ —	$ 2,365	$ 138
Lease financing	159	159	—	159	2
Real estate – construction	578	578	—	578	4
Real estate – 1-4 family mortgage	10,018	8,169	703	8,872	561
Real estate – commercial mortgage	12,463	9,652	—	9,652	1,861
Installment loans to individuals	121	117	—	117	1
Totals	$ 26,382	$ 21,040	$ 703	$ 21,743	$ 2,567

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, 2018		Three Months Ended March 31, 2017	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial, financial, agricultural	$2,338	$ 11	$2,714	$ 39
Lease financing	159	—	—	—
Real estate – construction	150	18	—	—
Real estate – 1-4 family mortgage	8,197	67	11,088	26
Real estate – commercial mortgage	6,670	92	15,314	106
Installment loans to individuals	104	1	118	—
Total	$17,618	$ 189	$29,234	$ 171

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 which were made during the periods presented and held on the Consolidated Balance Sheets at the respective period end:

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	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Three months ended March 31, 2018			
Real estate – 1-4 family mortgage	3	$ 576	$ 576
Real estate – commercial mortgage	1	83	78
Total	4	$ 659	$ 654
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

With respect to loans that were restructured during the three months ended March 31, 2017, $156 subsequently defaulted within twelve months of the restructuring. With respect to loans that were restructured during the three months ended March 31, 2018, none have subsequently defaulted as of the date of this report.

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 were four restructured loans in the amount of $571 contractually 90 days past due or more and still accruing at March 31, 2018 and one restructured loan in the amount of $57 contractually 90 days past due or more and still accruing at March 31, 2017. The outstanding balance of restructured loans on nonaccrual status was $2,570 and $6,086 at March 31, 2018 and March 31, 2017, respectively.

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

	Number of Loans	Recorded Investment
Totals at January 1, 2018	54	$ 5,588
Additional loans with concessions	4	657
Reductions due to:		
Reclassified as nonperforming	(3)	(192)
Paid in full	(2)	(773)
Principal paydowns	—	(64)
Totals at March 31, 2018	53	$ 5,216

The allocated allowance for loan losses attributable to restructured loans was $92 and $241 at March 31, 2018 and March 31, 2017, respectively. The Company had $20 and $142 in remaining availability under commitments to lend additional funds on these restructured loans at March 31, 2018 and March 31, 2017, respectively.

Credit Quality

For commercial and commercial real estate loans, 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 within the “Pass” grade (historically, those with a risk rating between 1 and 4) generally have a lower risk of loss and therefore a lower risk factor applied to the loan balances. Management has established more granular risk rating categories to better identify heightened credit risk as loans migrate downward in the risk rating system. The “Pass” grade is now reserved for loans with a risk rating between 1 and 4A, and the “Watch” grade (those with a risk rating of 4B and 4E) 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 5 and 9) generally have a higher risk of loss and therefore a higher risk factor applied to the related loan balances. The following table presents the Company’s loan portfolio by risk-rating grades as of the dates presented:

	Pass	Watch	Substandard	Total
March 31, 2018				
Commercial, financial, agricultural	$585,850	$11,380	$ 5,758	$602,988
Real estate – construction	512,603	8,690	440	521,733
Real estate – 1-4 family mortgage	262,107	669	7,609	270,385
Real estate – commercial mortgage	2,094,811	52,407	18,988	2,166,206
Installment loans to individuals	852	—	—	852
Total	$3,456,223	$73,146	$ 32,795	$3,562,164
December 31, 2017				
Commercial, financial, agricultural	$554,943	$11,496	$ 4,402	$570,841
Real estate – construction	483,498	662	81	484,241
Real estate – 1-4 family mortgage	254,643	505	8,697	263,845
Real estate – commercial mortgage	1,983,750	50,428	24,241	2,058,419
Installment loans to individuals	921	—	—	921
Total	$3,277,755	$63,091	$ 37,421	$3,378,267

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, 2018			
Commercial, financial, agricultural	$198,111	$ 2,047	$200,158
Lease financing	52,334	202	52,536
Real estate – construction	60,648	49	60,697
Real estate – 1-4 family mortgage	1,511,105	3,781	1,514,886
Real estate – commercial mortgage	336,584	890	337,474
Installment loans to individuals	102,130	77	102,207
Total	$2,260,912	$ 7,046	$2,267,958
December 31, 2017			
Commercial, financial, agricultural	$191,473	$ 1,509	$192,982
Lease financing	53,854	159	54,013
Real estate – construction	63,417	—	63,417
Real estate – 1-4 family mortgage	1,462,347	3,342	1,465,689
Real estate – commercial mortgage	330,441	1,216	331,657
Installment loans to individuals	102,409	122	102,531
Total	$2,203,941	$ 6,348	$2,210,289

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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:

	March 31, 2018	December 31, 2017
Commercial, financial, agricultural	$243,672	$ 275,570
Real estate – construction	75,061	85,731
Real estate – 1-4 family mortgage	572,830	614,187
Real estate – commercial mortgage	960,273	1,037,454
Installment loans to individuals	16,112	18,824
Gross loans	1,867,948	2,031,766
Unearned income	—	—
Loans, net of unearned income	$1,867,948	$ 2,031,766

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, 2018									
Commercial, financial, agricultural	$388	$ 552	$242,313	$243,253	$—	$314	$ 105	$419	$243,672
Real estate – construction	—	—	75,061	75,061	—	—	—	—	75,061
Real estate – 1-4 family mortgage	5,491	2,116	561,608	569,215	1,265	1,046	1,304	3,615	572,830
Real estate – commercial mortgage	3,142	1,856	954,128	959,126	—	830	317	1,147	960,273
Installment loans to individuals	124	40	15,789	15,953	6	52	101	159	16,112
Total	$9,145	$ 4,564	$1,848,899	$1,862,608	$1,271	$2,242	$1,827	$5,340	$1,867,948
December 31, 2017									
Commercial, financial, agricultural	$1,119	$ 532	$273,488	$275,139	$—	$199	$232	$431	$275,570
Real estate – construction	415	—	85,316	85,731	—	—	—	—	85,731
	6,070	2,280	602,464	610,814	385	879	2,109	3,373	614,187

Real estate – 1-4 family mortgage									
Real estate – commercial mortgage	2,947	2,910	1,031,141	1,036,998	191	99	166	456	1,037,454
Installment loans to individuals	208	9	18,443	18,660	59	—	105	164	18,824
Total	$10,759	$ 5,731	$2,010,852	$2,027,342	$635	$1,177	$2,612	$4,424	$2,031,766

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, 2018					
Commercial, financial, agricultural	$ 421	$ 336	$ 21	$ 357	$ 49
Real estate – construction	252	—	249	249	—
Real estate – 1-4 family mortgage	6,195	1,493	4,133	5,626	47
Real estate – commercial mortgage	1,647	1,384	245	1,629	70
Installment loans to individuals	162	153	6	159	4
Total	$ 8,677	$ 3,366	$ 4,654	$ 8,020	$ 170
December 31, 2017					
Commercial, financial, agricultural	$ 757	$ 625	$ 74	$ 699	$ 52
Real estate – construction	1,207	—	1,199	1,199	—
Real estate – 1-4 family mortgage	6,173	1,385	4,225	5,610	45
Real estate – commercial mortgage	901	728	165	893	6
Installment loans to individuals	165	154	9	163	4
Totals	$ 9,203	$ 2,892	$ 5,672	$ 8,564	$ 107

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, 2018		Three Months Ended March 31, 2017	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial, financial, agricultural	$363	$ 3	$541	$ 2
Real estate – construction	252	1	—	—
Real estate – 1-4 family mortgage	6,320	40	5,481	21
Real estate – commercial mortgage	1,642	18	3,090	35
Installment loans to individuals	160	—	85	—
Total	$8,737	$ 62	$9,197	$ 58

Loans accounted for under ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality" ("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, 2018					
Commercial, financial, agricultural	$ 21,363	$ 5,414	$ 7,519	$ 12,933	$ 305
Real estate – 1-4 family mortgage	60,590	16,093	34,103	50,196	486
Real estate – commercial mortgage	178,682	63,979	85,568	149,547	1,023
Installment loans to individuals	1,744	757	877	1,634	3
Total	$ 262,379	$ 86,243	$ 128,067	$ 214,310	$ 1,817
December 31, 2017					
Commercial, financial, agricultural	$ 24,179	$ 5,768	$ 9,547	$ 15,315	$ 312
Real estate – 1-4 family mortgage	65,049	15,910	38,059	53,969	572
Real estate – commercial mortgage	186,720	65,108	91,230	156,338	892
Installment loans to individuals	1,761	698	940	1,638	1
Totals	$ 277,709	$ 87,484	$ 139,776	$ 227,260	$ 1,777

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, 2018		Three Months Ended March 31, 2017	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial, financial, agricultural	$ 16,899	$ 225	$ 14,088	$ 247
Real estate – 1-4 family mortgage	58,749	673	78,341	865
Real estate – commercial mortgage	167,365	1,972	196,807	2,319
Installment loans to individuals	1,687	18	2,104	21
Total	$ 244,700	$ 2,888	$ 291,340	$ 3,452

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 which were made during the periods presented and held on the Consolidated Balance Sheets at the respective period end:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Three months ended March 31, 2018			
Commercial, financial, agricultural	1	$ 48	$ 44
Real estate – commercial mortgage	1	8	7
Total	2	$ 56	$ 51
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

With respect to loans that were restructured during the three months ended March 31, 2017, $210 subsequently defaulted within twelve months of the restructuring. With respect to loans that were restructured during the three months ended March 31, 2018, none have subsequently defaulted as of the date of this report.

There were no restructured loans contractually 90 days past due or more and still accruing at March 31, 2018 and two restructured loans in the amount of $52 contractually 90 days past due or more and still accruing at March 31, 2017. The outstanding balance of restructured loans on nonaccrual status was $616 and $1,201 at March 31, 2018 and March 31, 2017, respectively.

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

	Number of Loans	Recorded Investment
Totals at January 1, 2018	68	$ 8,965
Additional loans with concessions	2	86
Reclassified as performing restructured loan	1	3
Reductions due to:		
Paid in full	(1)	(76)
Principal paydowns	—	(371)
Totals at March 31, 2018	70	$ 8,607

The allocated allowance for loan losses attributable to restructured loans was $100 and $31 at March 31, 2018 and March 31, 2017, respectively. The Company had $2 and $1,245 in remaining availability under commitments to lend additional funds on these restructured loans at March 31, 2018 and March 31, 2017, 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, 2018				
Commercial, financial, agricultural	$208,150	$5,116	$ 5,886	$219,152
Real estate – construction	70,974	1,537	500	73,011
Real estate – 1-4 family mortgage	85,590	2,525	5,903	94,018
Real estate – commercial mortgage	755,454	15,789	10,048	781,291
Installment loans to individuals	662	—	3	665
Total	$1,120,830	$24,967	$ 22,340	$1,168,137
December 31, 2017				
Commercial, financial, agricultural	$241,195	$4,974	$ 2,824	$248,993
Real estate – construction	81,220	—	—	81,220
Real estate – 1-4 family mortgage	91,369	2,498	6,172	100,039
Real estate – commercial mortgage	827,372	17,123	9,003	853,498
Installment loans to individuals	678	—	3	681
Total	$1,241,834	$24,595	$ 18,002	$1,284,431

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, 2018			
Commercial, financial, agricultural	$ 11,548	$ 39	$11,587
Real estate – construction	2,050	—	2,050
Real estate – 1-4 family mortgage	427,099	1,517	428,616
Real estate – commercial mortgage	29,313	122	29,435
Installment loans to individuals	13,617	196	13,813
Total	$ 483,627	$ 1,874	$485,501
December 31, 2017			
Commercial, financial, agricultural	$ 11,216	$ 46	$11,262
Real estate – construction	4,511	—	4,511
Real estate – 1-4 family mortgage	459,038	1,141	460,179
Real estate – commercial mortgage	27,495	123	27,618
Installment loans to individuals	16,344	161	16,505
Total	$ 518,604	$ 1,471	$520,075

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, 2018	
Commercial, financial, agricultural	$ 12,933
Real estate – 1-4 family mortgage	50,196
Real estate – commercial mortgage	149,547
Installment loans to individuals	1,634
Total	$ 214,310
December 31, 2017	
Commercial, financial, agricultural	$ 15,315
Real estate – 1-4 family mortgage	53,969
Real estate – commercial mortgage	156,338
Installment loans to individuals	1,638
Total	$ 227,260

The following table presents the fair value of loans that exhibited evidence of deteriorated credit quality at the time of acquisition at March 31, 2018:

	Total Purchased Credit Deteriorated Loans
Contractually-required principal and interest	$ 300,368
Nonaccretable difference[(1)]	(55,373)
Cash flows expected to be collected	244,995
Accretable yield[(2)]	(30,685)
Fair value	$ 214,310

(1) Represents contractual principal and interest cash flows of $46,019 and $9,354, respectively, not expected to be collected.

(2) Represents contractual principal and interest cash flows of $1,588 and $29,097, respectively, expected to be collected.

Changes in the accretable yield of loans purchased with deteriorated credit quality were as follows as of March 31, 2018:

	Total Purchased Credit Deteriorated Loans
Balance at January 1, 2018	$ (32,207)
Reclasses from nonaccretable difference	(1,499)
Accretion	2,971

Charge-offs	50
Balance at March 31, 2018	$ (30,685)

The following table presents the fair value of loans purchased from Metropolitan as of the July 1, 2017 acquisition date.

At acquisition date:	July 1, 2017
Contractually-required principal and interest	$1,198,741
Nonaccretable difference	(79,165)
Cash flows expected to be collected	1,119,576
Accretable yield	(154,543)
Fair value	$965,033

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

	March 31, 2018	December 31, 2017
Commercial, financial, agricultural	$1,046,818	$1,039,393
Lease financing	55,898	57,354
Real estate – construction	657,491	633,389
Real estate – 1-4 family mortgage	2,358,101	2,343,721
Real estate – commercial mortgage	3,463,953	3,427,530
Installment loans to individuals	119,171	122,276
Gross loans	7,701,432	7,623,663
Unearned income	(3,362)	(3,341)
Loans, net of unearned income	7,698,070	7,620,322
Allowance for loan losses	(46,401)	(46,211)
Net loans	$7,651,669	$7,574,111

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:

	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other[(1)]	Total
Three Months Ended March 31, 2018						
Allowance for loan losses:						
Beginning balance	$ 5,542	$ 3,428	$ 12,009	$ 23,384	$ 1,848	$46,211
Charge-offs	(659)	—	(671)	(613)	(122)	(2,065)
Recoveries	235	4	133	108	25	505
Net (charge-offs) recoveries	(424)	4	(538)	(505)	(97)	(1,560)
Provision for loan losses charged to operations	1,953	766	(67)	(965)	63	1,750
Ending balance	$ 7,071	$ 4,198	$ 11,404	$ 21,914	$ 1,814	$46,401
Period-End Amount Allocated to:						
Individually evaluated for impairment	$ 272	$ 1	$ 168	$ 1,026	$ 5	$1,472
Collectively evaluated for impairment	6,494	4,197	10,750	19,865	1,806	43,112
Purchased with deteriorated credit quality	305	—	486	1,023	3	1,817
Ending balance	$ 7,071	$ 4,198	$ 11,404	$ 21,914	$ 1,814	$46,401

	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	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

(1) Includes lease financing receivables.

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

	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other(1)	Total
March 31, 2018						
Individually evaluated for impairment	$ 2,848	$ 399	$ 13,737	$ 7,802	$ 420	$ 25,206
Collectively evaluated for impairment	1,031,037	657,092	2,294,168	3,306,604	169,653	7,458,554
Purchased with deteriorated credit quality	12,933	—	50,196	149,547	1,634	214,310
Ending balance	$ 1,046,818	$ 657,491	$ 2,358,101	$ 3,463,953	$ 171,707	$ 7,698,070
December 31, 2017						
Individually evaluated for impairment	$ 3,064	$ 1,777	$ 14,482	$ 10,545	$ 439	$ 30,307
Collectively evaluated for impairment	1,021,014	631,612	2,275,270	3,260,648	174,211	7,362,755
Purchased with deteriorated credit quality	15,315	—	53,969	156,337	1,639	227,260
Ending balance	$ 1,039,393	$ 633,389	$ 2,343,721	$ 3,427,530	$ 176,289	$