

RENASANT CORP
Form 10-Q
May 10, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2016
Or

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

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

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

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

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
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Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 30, 2016, 42,063,419 shares of the registrant's common stock, \$5.00 par value per share, were outstanding. The registrant has no other classes of securities outstanding.

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Form 10-Q
For the Quarterly Period Ended March 31, 2016
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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, 2016	December 31, 2015
Assets		
Cash and due from banks	\$ 146,219	\$ 177,007
Interest-bearing balances with banks	72,264	34,564
Cash and cash equivalents	218,483	211,571
Securities held to maturity (fair value of \$466,060 and \$473,753, respectively)	448,376	458,400
Securities available for sale, at fair value	653,444	646,805
Mortgage loans held for sale, at fair value	298,365	225,254
Loans, net of unearned income:		
Acquired and covered by FDIC loss-share agreements ("acquired covered loans")	44,989	93,142
Acquired and not covered by FDIC loss-share agreements ("acquired non-covered loans")	1,453,328	1,489,886
Not acquired	4,074,413	3,830,434
Total loans, net of unearned income	5,572,730	5,413,462
Allowance for loan losses	(42,859)	(42,437)
Loans, net	5,529,871	5,371,025
Premises and equipment, net	168,942	169,128
Other real estate owned:		
Acquired and covered by FDIC loss-share agreements ("acquired covered loans")	1,373	2,818
Acquired and not covered by FDIC loss-share agreements ("acquired non-covered loans")	19,051	19,597
Not acquired	12,810	12,987
Total other real estate owned, net	33,234	35,402
Goodwill	449,425	445,871
Other intangible assets, net	27,114	28,811
FDIC loss-share indemnification asset	6,118	7,149
Other assets	312,857	327,080
Total assets	\$8,146,229	\$7,926,496
Liabilities and shareholders' equity		
Liabilities		
Deposits		
Noninterest-bearing	\$ 1,384,503	\$ 1,278,337
Interest-bearing	5,046,874	4,940,265
Total deposits	6,431,377	6,218,602
Short-term borrowings	414,255	422,279
Long-term debt	147,416	148,217
Other liabilities	100,003	100,580
Total liabilities	7,093,051	6,889,678
Shareholders' equity		
Preferred stock, \$.01 par value – 5,000,000 shares authorized; no shares issued and outstanding	—	—
	206,460	206,460

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Common stock, \$5.00 par value – 75,000,000 shares authorized, 41,292,045 and 41,292,045 shares issued, respectively; 40,373,753 and 40,293,291 shares outstanding, respectively

Treasury stock, at cost	(21,062	) (22,385	)
Additional paid-in capital	584,757	585,938	
Retained earnings	290,665	276,340	
Accumulated other comprehensive loss, net of taxes	(7,642	) (9,535	)
Total shareholders' equity	1,053,178	1,036,818	
Total liabilities and shareholders' equity	\$8,146,229	\$7,926,496	
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,	
	2016	2015
Interest income		
Loans	\$69,237	\$47,437
Securities		
Taxable	4,462	4,415
Tax-exempt	2,488	2,254
Other	72	60
Total interest income	76,259	54,166
Interest expense		
Deposits	3,960	3,499
Borrowings	2,245	1,886
Total interest expense	6,205	5,385
Net interest income	70,054	48,781
Provision for loan losses	1,800	1,075
Net interest income after provision for loan losses	68,254	47,706
Noninterest income		
Service charges on deposit accounts	7,991	6,335
Fees and commissions	4,331	3,695
Insurance commissions	1,962	1,967
Wealth management revenue	2,891	2,156
Net loss on sales of securities	(71)	—
BOLI income	954	849
Mortgage banking income	11,915	5,429
Other	3,329	1,439
Total noninterest income	33,302	21,870
Noninterest expense		
Salaries and employee benefits	42,393	28,260
Data processing	4,158	3,230
Net occupancy and equipment	8,224	5,559
Other real estate owned	957	532
Professional fees	1,214	824
Advertising and public relations	1,637	1,303
Intangible amortization	1,697	1,275
Communications	2,171	1,433
Merger and conversion related expenses	948	478
Other	6,415	4,425
Total noninterest expense	69,814	47,319
Income before income taxes	31,742	22,257
Income taxes	10,526	7,017
Net income	\$21,216	\$15,240
Basic earnings per share	\$0.53	\$0.48
Diluted earnings per share	\$0.52	\$0.48

Cash dividends per common share	\$0.17	\$0.17
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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,	
	2016	2015
Net income	\$21,216	\$15,240
Other comprehensive income, net of tax:		
Securities available for sale:		
Unrealized holding gains on securities	3,107	2,624
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(20)	(32)
Total securities	3,087	2,592
Derivative instruments:		
Unrealized holding losses on derivative instruments	(1,266)	(669)
Totals derivative instruments	(1,266)	(669)
Defined benefit pension and post-retirement benefit plans:		
Amortization of net actuarial gain recognized in net periodic pension cost	72	57
Total defined benefit pension and post-retirement benefit plans	72	57
Other comprehensive income, net of tax	1,893	1,980
Comprehensive income	\$23,109	\$17,220

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,	
	2016	2015
Operating activities		
Net income	\$21,216	\$15,240
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,800	1,075
Depreciation, amortization and accretion	739	3,772
Deferred income tax expense	2,832	6,408
Funding of mortgage loans held for sale	(458,500)	(185,595)
Proceeds from sales of mortgage loans held for sale	391,552	113,076
Gains on sales of mortgage loans held for sale	(5,847)	(4,633)
Loss on sales of securities	71	—
Losses on sales of premises and equipment	5	4
Stock-based compensation	859	864
Decrease in FDIC loss-share indemnification asset, net of accretion	1,067	2,213
Decrease (increase) in other assets	11,827	(483)
Decrease in other liabilities	(8,298)	(14,432)
Net cash used in operating activities	(40,677)	(62,491)
Investing activities		
Purchases of securities available for sale	(32,396)	(13,651)
Proceeds from sales of securities available for sale	4	—
Proceeds from call/maturities of securities available for sale	29,803	24,814
Purchases of securities held to maturity	(5,785)	(54,824)
Proceeds from call/maturities of securities held to maturity	15,193	13,922
Net (increase) decrease in loans	(157,198)	30,542
Purchases of premises and equipment	(2,656)	(5,924)
Proceeds from sales of other assets	3,611	8,147
Net cash (used in) provided by investing activities	(149,424)	3,026
Financing activities		
Net increase in noninterest-bearing deposits	106,166	39,479
Net increase in interest-bearing deposits	106,105	64,872
Net decrease in short-term borrowings	(8,024)	(25,671)
Repayment of long-term debt	(938)	(978)
Cash paid for dividends	(6,892)	(5,398)
Cash received on exercise of stock-based compensation	382	28
Excess tax benefit (expense) from stock-based compensation	214	(71)
Net cash provided by financing activities	197,013	72,261
Net increase in cash and cash equivalents	6,912	12,796
Cash and cash equivalents at beginning of period	211,571	161,583
Cash and cash equivalents at end of period	\$218,483	\$174,379
Supplemental disclosures		
Cash paid for interest	\$6,297	\$5,663
Cash paid for income taxes	\$5,460	\$1,368
Noncash transactions:		
Transfers of loans to other real estate owned	\$1,954	\$5,559

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Financed sales of other real estate owned	\$92	\$480
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 A – Summary of Significant Accounting Policies

Nature of Operations: Renasant Corporation (referred to herein as the “Company”) owns and operates Renasant Bank (“Renasant Bank” or the “Bank”) and Renasant Insurance, Inc. The Company offers a diversified range of financial, fiduciary and insurance services to its retail and commercial customers through its subsidiaries and full service offices located throughout north and central Mississippi, Tennessee, 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 for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information regarding the Company’s significant accounting policies, refer to the audited consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission on February 29, 2016.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events: The Company has evaluated, for consideration of recognition or disclosure, subsequent events that have occurred through the date of issuance of its financial statements. On April 1, 2016, the Company completed its previously-announced acquisition of KeyWorth Bank (“KeyWorth”), a Georgia state bank headquartered in Atlanta, Georgia. The terms of the merger with KeyWorth are disclosed in Note M, “Mergers and Acquisitions”. On April 26, 2016, shareholders of the Company approved a proposal to amend the Company’s Articles of Incorporation to increase the number of authorized shares of common stock, par value \$5.00 per share, from 75,000,000 shares to 150,000,000 shares. The increase in authorized shares of common stock does not impact the Company’s financials as of March 31, 2016.

The Company has determined that other than the foregoing items, no significant events occurred after March 31, 2016 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 March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 flow; (3) forfeitures; (4) minimum statutory tax withholding requirements; (5) classification of employee taxes paid on the statement of cash flows when an employer withholds shares for tax withholding purposes. The amendments of ASU 2016-09 are effective for interim and annual periods beginning after December 15, 2016. Management is currently evaluating the impact this ASU will have on the Company’s consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-07, Investments - Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting; (“ASU 2016-07”). ASU 2016-07 requires an investor to initially apply the equity method of accounting from the date it qualifies for that method, i.e., the date the investor obtains significant influence over the operating and financial policies of an investee. The ASU eliminates the previous

requirement to retroactively adjust the investment and record a cumulative catch up for the periods that the investment had been held but did not qualify for the equity method of accounting. For public business entities, the amendments in ASU 2016-07 are effective for interim and annual periods beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. The Company is currently evaluating the provisions of ASU 2016-07 to determine the potential impact the new standard will have on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 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

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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 interim periods in fiscal years beginning after December 15, 2018. The Company is evaluating the impact ASU 2016-02 will have on its financial position, results of operations, and other financial disclosures.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10); 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 September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement Period Adjustments ("ASU 2015-16"). The update simplifies the accounting for adjustments made to provisional amounts recognized in a business combination by eliminating the requirement to retrospectively account for those adjustments. For public companies, this update became effective for interim and annual periods beginning after December 15, 2015, and is to be applied prospectively. ASU 2015-16 became effective for the Company on January 1, 2016 and did not have a significant impact on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in ASU 2015-03. In August 2015, the FASB issued ASU 2015-15 to clarify the Securities and Exchange Commission ("SEC") staff's position on presenting and measuring debt issue costs related to line-of-credit arrangements. ASU 2015-03 and ASU 2015-15 are effective for interim and annual periods beginning after December 15, 2015. ASU 2015-03 and ASU 2015-15 are not expected to have a significant impact on the Company's financial position, results of operations, or its financial statement disclosures.

In February 2015, the FASB issued ASU 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis," which amends the consolidation requirements of ASU 810 by changing the consolidation analysis required under GAAP. The revised guidance amends the consolidation analysis based on certain fee arrangements or relationships to the reporting entity and, for limited partnerships, requires entities to consider the limited partner's rights relative to the general partner. ASU 2015-02 is effective for annual and interim periods beginning after December 15, 2015. ASU 2015-02 is not expected to have a significant impact on the Company's financial position, results of operations, or its financial statement disclosures.

In November 2014, the FASB issued ASU 2014-16, Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity, a

consensus of the FASB Emerging Issues Task Force (“ASU 2014-16”). This ASU clarifies how current U.S. GAAP should be interpreted in subjectively evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. ASU 2014-16 is effective for public business entities for annual periods and interim periods within those annual periods, beginning after December 15, 2015. ASU 2014-16 became effective for the Company on January 1, 2016 and did not have a significant impact on the Company’s consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, Compensation-Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period, a consensus of the FASB Emerging Issues Task Force (“ASU 2014-12”). ASU 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. ASU 2014-12 is effective for annual periods and interim periods within those annual periods, beginning after December 15, 2015. An entity may apply the standards (i) prospectively to all share-based payment awards that are granted or modified on or after the effective date, or (ii) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. Earlier application is permitted. ASU 2014-12

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became effective for the Company on January 1, 2016 and did not have a significant impact on the Company's consolidated financial statements.

Proposed Accounting Pronouncements - In December 2012, the FASB announced a project related to the impairment of financial instruments in an effort to provide new guidance that would significantly change how entities measure and recognize credit impairment for certain financial assets. While completion of the project and related guidance is still pending, it is anticipated that new guidance will replace the current incurred loss model that is utilized in estimating the allowance for loan and lease losses with a model that requires management to estimate all contractual cash flows that are not expected to be collected over the life of the loan. The FASB describes this revised 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 proposed 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. The final issuance date and the implementation date of the CECL guidance is currently pending, and the Company will continue to monitor FASB's progress on this topic.

Note B – Securities

(In Thousands, Except Number of Securities)

The amortized cost and fair value of securities held to maturity were as follows as of the dates presented:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2016				
Obligations of other U.S. Government agencies and corporations	\$ 93,498	\$ 58	\$ (505)	) \$ 93,051
Obligations of states and political subdivisions	354,878	18,150	(19)	) 373,009
	\$ 448,376	\$ 18,208	\$ (524)	) \$ 466,060
December 31, 2015				
Obligations of other U.S. Government agencies and corporations	\$ 101,155	\$ 26	\$ (1,214)	) \$ 99,967
Obligations of states and political subdivisions	357,245	16,636	(95)	) 373,786
	\$ 458,400	\$ 16,662	\$ (1,309)	) \$ 473,753

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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, 2016				
Obligations of other U.S. Government agencies and corporations	\$ 6,087	\$ 140	\$ (10)	\$ 6,217
Residential mortgage backed securities:				
Government agency mortgage backed securities	357,942	5,703	(573)	363,072
Government agency collateralized mortgage obligations	179,764	2,205	(1,061)	180,908
Commercial mortgage backed securities:				
Government agency mortgage backed securities	55,574	1,596	(35)	57,135
Government agency collateralized mortgage obligations	4,839	209	—	5,048
Trust preferred securities	24,732	—	(5,785)	18,947
Other debt securities	17,873	575	(22)	18,426
Other equity securities	2,426	1,265	—	3,691
	\$ 649,237	\$ 11,693	\$ (7,486)	\$ 653,444
December 31, 2015				
Obligations of other U.S. Government agencies and corporations	\$ 6,093	\$ 126	\$ (19)	\$ 6,200
Residential mortgage backed securities:				
Government agency mortgage backed securities	362,669	3,649	(1,778)	364,540
Government agency collateralized mortgage obligations	168,916	1,449	(2,305)	168,060
Commercial mortgage backed securities:				
Government agency mortgage backed securities	58,864	1,002	(107)	59,759
Government agency collateralized mortgage obligations	4,947	158	(1)	5,104
Trust preferred securities	24,770	—	(5,301)	19,469
Other debt securities	18,899	468	(34)	19,333
Other equity securities	2,500	1,840	—	4,340
	\$ 647,658	\$ 8,692	\$ (9,545)	\$ 646,805

During the three months ended March 31, 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. During the same period in 2015, there were no securities sold.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Gross realized gains on sales of securities available for sale for the three months ended March 31, 2016 and 2015 were as follows:

	Three Months Ended March 31, 2016 2015	
Gross gains on sales of securities available for sale	\$—	\$ —
Gross losses on sales of securities available for sale	(71)	—
Loss on sales of securities available for sale, net	\$(71)	\$ —

At March 31, 2016 and December 31, 2015, securities with a carrying value of \$703,158 and \$679,492, respectively, were pledged to secure government, public and trust deposits. Securities with a carrying value of \$40,755 and \$39,275 were pledged as collateral for short-term borrowings and derivative instruments at March 31, 2016 and December 31, 2015, respectively.

The amortized cost and fair value of securities at March 31, 2016 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	Fair	Amortized	Fair
	Cost	Value	Cost	Value
Due within one year	\$19,610	\$19,780	\$—	\$—
Due after one year through five years	106,455	109,612	6,087	6,217
Due after five years through ten years	199,168	206,350	—	—
Due after ten years	123,143	130,318	24,732	18,947
Residential mortgage backed securities:				
Government agency mortgage backed securities	—	—	357,942	363,072
Government agency collateralized mortgage obligations	—	—	179,764	180,908
Commercial mortgage backed securities:				
Government agency mortgage backed securities	—	—	55,574	57,135
Government agency collateralized mortgage obligations	—	—	4,839	5,048
Other debt securities	—	—	17,873	18,426
Other equity securities	—	—	2,426	3,691
	\$448,376	\$466,060	\$649,237	\$653,444

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

	Less than 12 Months			12 Months or More			Total		
	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses
Held to Maturity:									
March 31, 2016									
Obligations of other U.S. Government agencies and corporations	10	\$40,832	\$ (264)	5	\$24,745	\$ (241)	15	\$65,577	\$ (505)
Obligations of states and political subdivisions	9	8,604	(17)	2	822	(2)	11	9,426	(19)
Total	19	\$49,436	\$ (281)	7	\$25,567	\$ (243)	26	75,003	\$ (524)
December 31, 2015									
Obligations of other U.S. Government agencies and corporations	10	\$31,567	\$ (414)	8	\$38,688	\$ (800)	18	\$70,255	\$ (1,214)
Obligations of states and political subdivisions	6	4,815	(53)	7	4,921	(42)	13	9,736	(95)
Total	16	\$36,382	\$ (467)	15	\$43,609	\$ (842)	31	\$79,991	\$ (1,309)
Available for Sale:									
March 31, 2016									
Obligations of other U.S. Government agencies and corporations	1	\$3,990	\$ (10)	0	\$—	\$—	1	\$3,990	\$ (10)
Residential mortgage backed securities:									
Government agency mortgage backed securities	10	31,374	(136)	7	19,176	(437)	17	50,550	(573)
Government agency collateralized mortgage obligations	11	34,635	(115)	13	39,797	(946)	24	74,432	(1,061)
Commercial mortgage backed securities:									
Government agency mortgage backed securities	4	6,874	(33)	1	808	(2)	5	7,682	(35)
Government agency collateralized mortgage obligations	0	—	—	0	—	—	0	—	—
Trust preferred securities	0	—	—	3	18,946	(5,785)	3	18,946	(5,785)
Other debt securities	2	3,637	(13)	1	1,398	(9)	3	5,035	(22)
Total	28	\$80,510	\$ (307)	25	\$80,125	\$ (7,179)	53	\$160,635	\$ (7,486)
December 31, 2015									
Obligations of other U.S. Government agencies and corporations	1	\$3,981	\$ (19)	0	\$—	\$—	1	\$3,981	\$ (19)
Residential mortgage backed securities:									
Government agency mortgage backed securities	34	130,306	(937)	9	27,431	(841)	43	157,737	(1,778)
	25	52,128	(347)	16	51,574	(1,958)	41	103,702	(2,305)

Government agency collateralized
mortgage obligations
Commercial mortgage backed
securities:

Government agency mortgage backed securities	8	16,782	(104	)	1	814	(3	)	9	17,596	(107	)
Government agency collateralized mortgage obligations	1	1,882	(1	)	0	—	—		1	1,882	(1	)
Trust preferred securities	0	—	—		3	19,469	(5,301	)	3	19,469	(5,301	)
Other debt securities	1	1,316	(3	)	2	3,866	(31	)	3	5,182	(34	)
Other equity securities	0	—	—		0	—	—		0	—	—	
Total	70	\$206,395	\$ (1,411	)	31	\$103,154	\$ (8,134	)	101	\$309,549	\$ (9,545	)

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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, with the exception of one of its pooled trust preferred securities (discussed below), is collecting principal and interest payments from the respective issuers as scheduled. As such, the Company did not record any OTTI for the three months ended March 31, 2016 or 2015.

The Company holds investments in pooled trust preferred securities that had an amortized cost basis of \$24,732 and \$24,770 and a fair value of \$18,947 and \$19,469 at March 31, 2016 and December 31, 2015, respectively. At March 31, 2016, 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, 2016, 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, 2016.

The Company's analysis of the pooled trust preferred securities during the second quarter of 2015 supported a return to accrual status for one of the three securities (XXVI). During the second quarter of 2014, the Company's analysis supported a return to accrual status for one of the other securities (XXIII). An observed history of principal and interest payments combined with improved qualitative and quantitative factors described above justified the accrual of interest on these securities. However, the remaining security (XXIV) is still in "payment in kind" status where interest payments are not expected until a future date and, therefore, the qualitative and quantitative factors described above do not justify a return to accrual status at this time. As a result, pooled trust preferred security XXIV remains classified as a nonaccruing asset at March 31, 2016, 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, 2016:

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

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					Rating	Deferral or Default	
XXIII Pooled B-2	\$ 8,434	\$5,743	\$ (2,691)	Baa3	19	%	
XXIV Pooled B-2	12,077	10,193	(1,884)	Caa2	28	%	
XXVI Pooled B-2	4,221	3,011	(1,210)	Ba3	25	%	
	\$ 24,732	\$18,947	\$ (5,785)				

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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:

	2016	2015
Balance at January 1	\$(3,337)	\$(3,337)
Additions related to credit losses for which OTTI was not previously recognized	—	—
Increases in credit loss for which OTTI was previously recognized	—	—
Balance at March 31	\$(3,337)	\$(3,337)

Note C – Loans and the Allowance for Loan Losses

(In Thousands, Except Number of Loans)

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

	March 31, 2016	December 31, 2015
Commercial, financial, agricultural	\$654,934	\$636,837
Lease financing	43,605	35,978
Real estate – construction	377,574	357,665
Real estate – 1-4 family mortgage	1,777,495	1,735,323
Real estate – commercial mortgage	2,607,510	2,533,729
Installment loans to individuals	113,280	115,093
Gross loans	5,574,398	5,414,625
Unearned income	(1,668)	(1,163)
Loans, net of unearned income	5,572,730	5,413,462
Allowance for loan losses	(42,859)	(42,437)
Net loans	\$5,529,871	\$5,371,025

Past Due and Nonaccrual Loans

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

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

	Accruing Loans				Nonaccruing Loans				
	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans	Total Loans
March 31, 2016									
Commercial, financial, agricultural	\$1,297	\$1,404	\$651,749	\$654,450	\$—	\$236	\$248	\$484	\$654,934
Lease financing	—	—	43,605	43,605	—	—	—	—	43,605
Real estate – construction	898	242	376,434	377,574	—	—	—	—	377,574
Real estate – 1-4 family mortgage	8,785	6,783	1,751,451	1,767,019	254	2,256	7,966	10,476	1,777,495
Real estate – commercial mortgage	6,962	9,057	2,575,720	2,591,739	10	1,318	14,443	15,771	2,607,510
Installment loans to individuals	406	157	112,682	113,245	—	28	7	35	113,280
Unearned income	—	—	(1,668)	(1,668)	—	—	—	—	(1,668)
Total	\$18,348	\$17,643	\$5,509,973	\$5,545,964	\$264	\$3,838	\$22,664	\$26,766	\$5,572,730
December 31, 2015									
Commercial, financial, agricultural	\$1,296	\$1,077	\$634,037	\$636,410	\$30	\$133	\$264	\$427	\$636,837
Lease financing	—	—	35,978	35,978	—	—	—	—	35,978
Real estate – construction	69	176	357,420	357,665	—	—	—	—	357,665
Real estate – 1-4 family mortgage	9,196	6,457	1,707,230	1,722,883	528	3,663	8,249	12,440	1,735,323
Real estate – commercial mortgage	4,849	8,581	2,504,192	2,517,622	568	2,263	13,276	16,107	2,533,729
Installment loans to individuals	260	102	114,671	115,033	—	53	7	60	115,093
Unearned income	—	—	(1,163)	(1,163)	—	—	—	—	(1,163)
Total	\$15,670	\$16,393	\$5,352,365	\$5,384,428	\$1,126	\$6,112	\$21,796	\$29,034	\$5,413,462

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 Financial Accounting Standards Board Accounting Standards Codification Topic (“ASC”) 310-20 “Nonrefundable Fees and Other Cost” (“ASC 310-20”) and 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, 2016					
Commercial, financial, agricultural	\$ 328	\$ 321	\$ —	\$ 321	\$ 6
Lease financing	—	—	—	—	—
Real estate – construction	—	—	—	—	—
Real estate – 1-4 family mortgage	16,052	14,786	—	14,786	4,311
Real estate – commercial mortgage	20,067	16,450	—	16,450	3,082
Installment loans to individuals	67	67	—	67	—
Total	\$ 36,514	\$ 31,624	\$ —	\$ 31,624	\$ 7,399
December 31, 2015					
Commercial, financial, agricultural	\$ 1,308	\$ 358	\$ 12	\$ 370	\$ 6
Lease financing	—	—	—	—	—
Real estate – construction	2,710	2,698	—	2,698	20
Real estate – 1-4 family mortgage	18,193	16,650	—	16,650	4,475
Real estate – commercial mortgage	20,169	16,819	—	16,819	3,099
Installment loans to individuals	90	90	—	90	—
Totals	\$ 42,470	\$ 36,615	\$ 12	\$ 36,627	\$ 7,600

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

	Three Months Ended March 31, 2016		Three Months Ended March 31, 2015	
	Average Interest Recorded Investment	Interest Recognized	Average Interest Recorded Investment	Interest Recognized
Commercial, financial, agricultural	\$326	\$ 2	\$950	\$ 7
Lease financing	—	—	—	—
Real estate – construction	—	—	104	—
Real estate – 1-4 family mortgage	15,252	90	13,886	67
Real estate – commercial mortgage	16,547	132	25,618	177
Installment loans to individuals	67	1	—	—
Total	\$32,192	\$ 225	\$40,558	\$ 251

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Loans accounted for under ASC 310-30 “Loans and Debt Securities Acquired with Deteriorated Credit Quality” (“ASC 310-30”) and 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, 2016					
Commercial, financial, agricultural	\$ 24,323	\$ 4,807	\$ 9,643	\$ 14,450	\$ 422
Lease financing	—	—	—	—	—
Real estate – construction	2,635	—	2,504	2,504	—
Real estate – 1-4 family mortgage	107,167	16,573	72,391	88,964	335
Real estate – commercial mortgage	279,548	56,555	160,034	216,589	1,264
Installment loans to individuals	3,239	393	2,109	2,502	1
Total	\$ 416,912	\$ 78,328	\$ 246,681	\$ 325,009	\$ 2,022
December 31, 2015					
Commercial, financial, agricultural	\$ 27,049	\$ 5,197	\$ 11,292	\$ 16,489	\$ 353
Lease financing	—	—	—	—	—
Real estate – construction	2,916	—	2,749	2,749	—
Real estate – 1-4 family mortgage	109,293	15,702	75,947	91,649	256
Real estate – commercial mortgage	287,821	53,762	168,848	222,610	1,096
Installment loans to individuals	3,432	400	2,268	2,668	1
Totals	\$ 430,511	\$ 75,061	\$ 261,104	\$ 336,165	\$ 1,706

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

	Three Months Ended March 31, 2016		Three Months Ended March 31, 2015	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial, financial, agricultural	\$18,024	\$ 327	\$25,978	\$ 233
Lease financing	—	—	—	—
Real estate – construction	2,608	25	—	—
Real estate – 1-4 family mortgage	101,089	953	86,713	1,043
Real estate – commercial mortgage	250,041	2,831	242,712	2,871
Installment loans to individuals	2,954	29	4,215	46
Total	\$374,716	\$ 4,165	\$359,618	\$ 4,193

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
March 31, 2016			
Commercial, financial, agricultural	—	\$ —	\$ —
Real estate – construction	—	—	—
Real estate – 1-4 family mortgage	10	780	662
Real estate – commercial mortgage	2	612	605
Installment loans to individuals	—	—	—
Total	12	\$ 1,392	\$ 1,267
March 31, 2015			
Commercial, financial, agricultural	—	\$ —	\$ —
Real estate – construction	—	—	—
Real estate – 1-4 family mortgage	17	1,198	1,037
Real estate – commercial mortgage	8	6,899	6,463
Installment loans to individuals	—	—	—
Total	25	\$ 8,097	\$ 7,500

Restructured loans that are not performing in accordance with their restructured terms that are either contractually 90 days or more past due or placed on nonaccrual status are reported as nonperforming loans. There were two restructured loans totaling \$136 that were contractually 90 days past due or more and still accruing at March 31, 2016 and two restructured loans totaling \$314 that were contractually 90 days past due or more and still accruing at December 31, 2015. The outstanding balance of restructured loans on nonaccrual status was \$12,531 and \$13,517 at March 31, 2016 and December 31, 2015, respectively.

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

	Number of Loans	Recorded Investment
Totals at January 1, 2016	86	\$ 13,453
Additional loans with concessions	12	1,267
Reductions due to:		
Reclassified as nonperforming	(2)	(134)
Paid in full	(4)	(398)
Charge-offs	—	—
Transfer to other real estate owned	—	—
Principal paydowns	—	(142)
Lapse of concession period	—	—
Reclassified as performing	—	—
Totals at March 31, 2016	92	\$ 14,046

The allocated allowance for loan losses attributable to restructured loans was \$1,010 and \$979 at March 31, 2016 and December 31, 2015, respectively. The Company had no remaining availability under commitments to lend additional funds on these restructured loans at March 31, 2016 or December 31, 2015.

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

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risk. Loans that migrate toward the “Pass” grade (those with a risk rating between 1 and 4) or within the “Pass” grade generally have a lower risk of loss and therefore a lower risk factor applied to the loan balances. The “Watch” grade (those with a risk rating of 5) is utilized on a temporary basis for “Pass” grade loans where a significant adverse risk-modifying action is anticipated in the near term. Loans that migrate toward the “Substandard” grade (those with a risk rating between 6 and 9) generally have a higher risk of loss and therefore a higher risk factor applied to the related loan balances. The following table presents the Company’s loan portfolio by risk-rating grades as of the dates presented:

	Pass	Watch	Substandard	Total
March 31, 2016				
Commercial, financial, agricultural	\$463,922	\$9,302	\$ 1,988	\$475,212
Lease financing	—	—	—	—
Real estate – construction	289,169	679	—	289,848
Real estate – 1-4 family mortgage	287,219	8,102	12,112	307,433
Real estate – commercial mortgage	2,029,759	21,322	22,509	2,073,590
Installment loans to individuals	75	—	116	191
Total	\$3,070,144	\$39,405	\$ 36,725	\$3,146,274
December 31, 2015				
Commercial, financial, agricultural	\$465,185	\$8,498	\$ 1,734	\$475,417
Lease financing	—	—	—	—
Real estate – construction	273,398	483	—	273,881
Real estate – 1-4 family mortgage	275,269	9,712	15,460	300,441
Real estate – commercial mortgage	1,968,352	27,175	20,683	2,016,210
Installment loans to individuals	51	—	5	56
Total	\$2,982,255	\$45,868	\$ 37,882	\$3,066,005

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

	Performing	Non-Performing	Total
March 31, 2016			
Commercial, financial, agricultural	\$165,137	\$ 135	\$165,272
Lease financing	41,937	—	41,937
Real estate – construction	85,153	69	85,222
Real estate – 1-4 family mortgage	1,377,078	4,020	1,381,098
Real estate – commercial mortgage	316,594	737	317,331
Installment loans to individuals	110,467	120	110,587
Total	\$2,096,366	\$ 5,081	\$2,101,447
December 31, 2015			
Commercial, financial, agricultural	\$144,838	\$ 93	\$144,931
Lease financing	34,815	—	34,815
Real estate – construction	81,035	—	81,035
Real estate – 1-4 family mortgage	1,340,356	2,877	1,343,233

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Real estate – commercial mortgage	294,042	867	294,909
Installment loans to individuals	112,275	94	112,369
Total	\$2,007,361	\$ 3,931	\$2,011,292

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Loans Acquired with Deteriorated Credit Quality

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

	Covered Loans	Not Covered Loans	Total
March 31, 2016			
Commercial, financial, agricultural	\$232	\$14,218	\$14,450
Lease financing	—	—	—
Real estate – construction	85	2,419	2,504
Real estate – 1-4 family mortgage	26,612	62,352	88,964
Real estate – commercial mortgage	3,679	212,910	216,589
Installment loans to individuals	36	2,466	2,502
Total	\$30,644	\$294,365	\$325,009
December 31, 2015			
Commercial, financial, agricultural	\$1,759	\$14,730	\$16,489
Lease financing	—	—	—
Real estate – construction	91	2,658	2,749
Real estate – 1-4 family mortgage	31,354	60,295	91,649
Real estate – commercial mortgage	33,726	188,884	222,610
Installment loans to individuals	43	2,625	2,668
Total	\$66,973	\$269,192	\$336,165

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

The following table presents the fair value of loans determined to be impaired at the time of acquisition and determined not to be impaired at the time of acquisition at March 31, 2016:

	Covered Loans	Not Covered Loans	Total
Contractually-required principal and interest	\$38,534	\$415,174	\$453,708
Nonaccretable difference ⁽¹⁾	(5,121)	(77,697)	(82,818)
Cash flows expected to be collected	33,413	337,477	370,890
Accretable yield ⁽²⁾	(2,769)	(43,112)	(45,881)
Fair value	\$30,644	\$294,365	\$325,009

(1) Represents contractual principal and interest cash flows of \$82,618 and \$201, respectively, not expected to be collected.

(2) Represents contractual interest payments of \$2,278 expected to be collected and purchase discount of \$43,603.

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

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	Covered Loans	Not Covered Loans	Total
Balance at January 1, 2016	\$(3,700)	\$(44,592)	\$(48,292)
Additions due to acquisition	725	(725)	—
Reclasses from nonaccretable difference	(213)	(1,134)	(1,347)
Accretion	391	3,339	3,730
Charge-offs	28	—	28
Balance at March 31, 2016	\$(2,769)	\$(43,112)	\$(45,881)

The following table presents the fair value of loans acquired from Heritage Financial Group, Inc. (“Heritage”) as of the July 1, 2015 acquisition date.

At acquisition date:	July 1, 2015
Contractually-required principal and interest	\$1,212,372
Nonaccretable difference	14,260
Cash flows expected to be collected	1,198,112
Accretable yield	69,465
Fair value	\$1,128,647

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, 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) recoveries	(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
Acquired 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

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

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Ending balance	\$ 4,109	\$ 1,359	\$ 14,045	\$ 21,508	\$ 1,281	\$42,302
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(1)Includes lease financing receivables.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

	Commercial - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other ⁽¹⁾	Total
March 31, 2016					
Individually evaluated for impairment	\$ 321	\$ —	\$ 14,786	\$ 67	\$ 31,624
Collectively evaluated for impairment	640,163	375,070	1,673,745	152,648	5,216,097
Acquired with deteriorated credit quality	14,450	2,504	88,964	2,502	325,009
Ending balance	\$ 654,934	\$ 377,574	\$ 1,777,495	\$ 155,217	\$ 5,572,730
December 31, 2015					
Individually evaluated for impairment	\$ 370	\$ 2,698	\$ 16,650	\$ 90	\$ 36,627
Collectively evaluated for impairment	619,978	352,218	1,627,024	147,150	5,040,670
Acquired with deteriorated credit quality	16,489	2,749	91,649	2,668	336,165
Ending balance	\$ 636,837	\$ 357,665	\$ 1,735,323	\$ 149,908	\$ 5,413,462

(1) Includes lease financing receivables.

Note D – Other Real Estate Owned

(In Thousands)

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

	Covered OREO	Not Covered OREO	Total OREO
March 31, 2016			
Residential real estate	\$ 563	\$ 4,409	\$ 4,972
Commercial real estate	86	11,261	11,347
Residential land development	1	4,469	4,470
Commercial land development	723	11,722	12,445
Total	\$ 1,373	\$ 31,861	\$ 33,234
December 31, 2015			
Residential real estate	\$ 529	\$ 4,265	\$ 4,794
Commercial real estate	346	11,041	11,387
Residential land development	1	4,595	4,596
Commercial land development	1,942	12,683	14,625
Total	\$ 2,818	\$ 32,584	\$ 35,402

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

	Covered OREO	Not Covered OREO	Total OREO
Balance at January 1, 2016	\$2,818	\$ 32,584	\$35,402
Transfer of balance to non-covered OREO ⁽¹⁾	(1,341)	1,341	—
Transfers of loans	234	1,720	1,954
Impairments ⁽²⁾	(46)	(285)	(331)
Dispositions	(208)	(3,453)	(3,661)
Other	(84)	(46)	(130)
Balance at March 31, 2016	\$ 1,373	\$ 31,861	\$33,234

Represents a transfer of balance on non-single family assets of Citizens Bank of Effingham (assumed in the (1)Heritage acquisition). The claim period to submit losses to the FDIC for reimbursement ended February 29, 2016 for non-single family assets.

Of the total impairment charges of \$46 recorded for covered OREO, \$9 was included in the Consolidated (2)Statements of Income for the three months ended March 31, 2016, while the remaining \$37 increased the FDIC loss-share indemnification asset.

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

	Three Months Ended March 31, 2016 2015	
Repairs and maintenance	\$197	\$193
Property taxes and insurance	470	236
Impairments	294	442
Net losses (gains) on OREO sales	50	(288)
Rental income	(54)	(51)
Total	\$957	\$532

Note E – FDIC Loss-Share Indemnification Asset
(In Thousands)

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

into interest income using the effective interest method.

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

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Balance at January 1, 2016	\$7,149
Realized losses in excess of initial estimates on:	
Loans	36
OREO	37
Reimbursable expenses	—
Amortization	(171)
Reimbursements received from the FDIC	(98)
(Due from)/Due to FDIC	(835)
Balance at March 31, 2016	\$6,118

Note F – Mortgage Servicing Rights

(In Thousands)

The Company retains the right to service certain mortgage loans that it sells to secondary market investors. These mortgage servicing rights (“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. No impairment losses on MSRs were recognized in earnings for the three months ended March 31, 2016 or 2015. During the first quarter of 2016, the Company sold MSRs relating to the 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 in the first quarter of 2015.

Changes in the Company’s mortgage servicing rights were as follows:

Balance at January 1, 2016	\$29,642
Sale of MSRs	(18,477)
Capitalization	2,869
Amortization	(668)

Balance at March 31, 2016 \$13,366

Data and key economic assumptions related to the Company’s mortgage servicing rights as of March 31, 2016 are as follows:

Unpaid principal balance	\$1,433,010	
Weighted-average prepayment speed (CPR)	11.01	%
Estimated impact of a 10% increase	\$(591	)
Estimated impact of a 20% increase	(1,138	)
Discount rate	9.53	%
Estimated impact of a 10% increase	\$(505	)
Estimated impact of a 20% increase	(975	)
Weighted-average coupon interest rate	4.04	%

Weighted-average servicing fee (basis points) 25.16

Weighted-average remaining maturity (in years) 10.09

Note G - Employee Benefit and Deferred Compensation Plans

(In Thousands, Except Share Data)

The Company sponsors a noncontributory defined benefit pension plan, under which participation and future benefit accruals ceased as of December 31, 1996. The Company also provides retiree health benefits for certain employees who were employed by the Company and enrolled in the Company's health plan as of December 31, 2004. To receive benefits, an eligible employee

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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.

In connection with the acquisition of Heritage, 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. The Company will sponsor the plan until satisfactory status of termination has been received from both the Pension Benefit Guarantee Corporation and the Internal Revenue Service at which point final distribution will be made to participants.

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 Renasant		Pension Benefits HeritageBank		Other Benefits	
	Three Months Ended		Three Months Ended		Three Months Ended	
	March 31,		March 31,		March 31,	
	2016	2015	2016	2015	2016	2015
Service cost (return)	\$ —	\$ —	\$ —	\$ —	\$ 4	\$ 4
Interest cost (return)	306	271	69	—	14	15
Expected (return) on plan assets	(469)	(511)	(45)	—	—	—
Prior service cost recognized	—	—	—	—	—	—
Recognized actuarial loss (gain)	100	73	—	—	17	20
Net periodic benefit cost (return)	\$ (63)	\$ (167)	\$ 24	\$ —	\$ 35	\$ 39

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, 2016 and 2015.

The following table summarizes the changes in stock options as of and for the three months ended March 31, 2016:

	Shares	Weighted Average Exercise Price
Options outstanding at beginning of period	621,444	\$ 17.88
Granted	—	—
Exercised	(26,960)	14.93

Forfeited	—	—
Options outstanding at end of period	594,484	\$ 18.01

The Company awards performance-based restricted stock to executives and time-based restricted stock to directors and other officers and employees under the long-term equity incentive plan. The performance-based restricted stock vests upon completion of a one-year service period and the attainment of certain performance goals.

Performance-based restricted stock is issued at the target level; the number of shares ultimately awarded is determined at the end of each year and may be increased or decreased depending on the Company falling short of, meeting or exceeding financial performance measures defined by the Board of Directors. Time-based restricted stock vests at the end of the service period defined in the respective grant. The fair value of each restricted

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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, 2016:

	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		\$	—105,438	\$ 31.04
Awarded	61,700	31.12	40,980	31.12
Vested	—	—	—	