RENASANT CORP
Form 10-Q
November 09, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2010

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

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

As of October 29, 2010, 25,042,100 shares of the registrant s common stock, $5.00 par value per share, were outstanding. The registrant has no other classes of securities outstanding.

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RENASANT CORPORATION AND SUBSIDIARIES

Form 10-Q

For the quarterly period ended September 30, 2010

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Renasant Corporation and Subsidiaries

Condensed Consolidated Balance Sheets

(In Thousands, Except Share Data)

	(Unaudited) September 30, 2010	December 31, 2009
Assets		
Cash and due from banks	$ 50,176	$ 63,049
Interest-bearing balances with banks	246,237	85,511
Cash and cash equivalents	296,413	148,560
Securities held to maturity (fair value of $182,378 and $139,433, respectively)	176,779	138,806
Securities available for sale, at fair value	568,707	575,358
Mortgage loans held for sale	25,639	25,749
Loans, net of unearned income:		
Covered under loss-share agreements	352,535	
Not covered under loss-share agreements	2,231,075	2,347,615
Total loans, net of unearned income	2,583,610	2,347,615
Allowance for loan losses	(45,132)	(39,145)
Loans, net	2,538,478	2,308,470
Premises and equipment, net	42,855	43,672
Other real estate owned:		
Covered under loss-share agreements	49,286	
Not covered under loss-share agreements	62,936	58,568
Total other real estate owned	112,222	58,568
Intangible assets, net	192,391	191,357
FDIC loss-share indemnification receivable	153,244	
Other assets	149,525	150,541
Total assets	$ 4,256,253	$ 3,641,081
Liabilities and shareholders equity		
Liabilities		
Deposits		
Noninterest-bearing	$ 361,504	$ 304,962
Interest-bearing	3,054,424	2,271,138
Total deposits	3,415,928	2,576,100
Short-term borrowings	19,422	22,397
Long-term debt	302,823	595,627
Other liabilities	41,046	36,835
Total liabilities	3,779,219	3,230,959
Shareholders equity		
Preferred stock, $.01 par value 5,000,000 shares authorized; no shares issued and outstanding		

Common stock, $5.00 par value 75,000,000 shares authorized, 26,715,797 and 22,790,797 shares issued, respectively; 25,041,540 and 21,082,991 shares outstanding, respectively	133,579	113,954
Treasury stock, at cost	(27,212)	(27,788)
Additional paid-in capital	217,004	184,831
Retained earnings	162,088	146,581
Accumulated other comprehensive loss	(8,425)	(7,456)
Total shareholders equity	477,034	410,122
Total liabilities and shareholders equity	$ 4,256,253	$ 3,641,081

See Notes to Condensed Consolidated Financial Statements.

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Renasant Corporation and Subsidiaries

Condensed Consolidated Statements of Income (Unaudited)

(In Thousands, Except Share Data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Interest income				
Loans	$ 36,118	$ 34,636	$ 100,225	$ 105,131
Securities				
Taxable	5,454	6,575	16,593	20,252
Tax-exempt	1,594	1,355	4,342	3,672
Other	267	48	364	178
Total interest income	43,433	42,614	121,522	129,233
Interest expense				
Deposits	12,485	11,467	33,264	35,966
Borrowings	3,831	5,956	13,051	18,603
Total interest expense	16,316	17,423	46,315	54,569
Net interest income	27,117	25,191	75,207	74,664
Provision for loan losses	11,500	7,350	25,165	19,090
Net interest income after provision for loan losses	15,617	17,841	50,042	55,574
Noninterest income				
Service charges on deposit accounts	5,771	5,379	16,222	16,199
Fees and commissions	3,654	3,961	10,784	13,067
Insurance commissions	828	949	2,492	2,164
Trust revenue	562	501	1,778	1,480
Gains on sales of securities available for sale	1,906		3,955	1,550
Other-than-temporary-impairment losses on securities available for sale	(13,406)		(14,748)	
Non-credit related portion of other-than-temporary impairment on securities, recognized in other comprehensive income	10,491		11,673	
Net impairment losses on securities	(2,915)		(3,075)	
BOLI income	529	380	1,841	1,239
Gains on sales of mortgage loans held for sale	1,774	1,832	4,097	5,901
Gain on acquisition	42,211		42,211	
Other	214	951	1,057	2,089
Total noninterest income	54,534	13,953	81,362	44,139
Noninterest expense				
Salaries and employee benefits	16,694	13,363	42,943	41,843
Data processing	1,703	1,439	4,709	4,198
Net occupancy and equipment	3,271	3,045	9,128	9,357
Professional fees	913	1,068	2,660	2,902
Advertising and public relations	1,159	842	3,027	2,706
Intangible amortization	505	489	1,451	1,484

Communications	1,218	1,057	3,351	3,356
Loss on early extinguishment of debt	2,785		2,785	
Other	11,323	4,815	21,339	14,324
Total noninterest expense	39,571	26,118	91,393	80,170
Income before income taxes	30,580	5,676	40,011	19,543
Income taxes	11,029	1,451	13,057	5,056
Net income	$ 19,551	$ 4,225	$ 26,954	$ 14,487
Basic earnings per share	$ 0.81	$ 0.20	$ 1.22	$ 0.69
Diluted earnings per share	$ 0.81	$ 0.20	$ 1.21	$ 0.68
Cash dividends per common share	$ 0.17	$ 0.17	$ 0.51	$ 0.51

See Notes to Condensed Consolidated Financial Statements.

Renasant Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In Thousands)

	Nine Months Ended September 30,	
	2010	**2009**
Operating activities		
Net cash provided by operating activities	$ 62,924	$ 61,710
Investing activities		
Purchases of securities available for sale	(307,492)	(308,002)
Proceeds from sales of securities available for sale	129,924	102,490
Proceeds from call/maturities of securities available for sale	203,577	171,706
Purchases of securities held to maturity	(47,463)	(1,871)
Proceeds from call/maturities of securities held to maturity	8,525	845
Net decrease in loans	91,523	78,412
Proceeds from sales of premises and equipment	8	68
Purchases of premises and equipment	(2,015)	(839)
Net cash received from acquisition	337,127	
Net cash provided by investing activities	413,714	42,809
Financing activities		
Net increase in noninterest-bearing deposits	17,475	13,631
Net (decrease) increase in interest-bearing deposits	(67,750)	203,022
Net decrease in short-term borrowings	(2,975)	(278,716)
Proceeds from long-term debt	2,180	56,935
Repayment of long-term debt	(317,800)	(76,963)
Cash paid for dividends	(11,447)	(10,772)
Cash received on exercise of stock-based compensation	126	206
Excess tax benefit from stock-based compensation	4	
Proceeds from equity offering	51,402	
Net cash used in financing activities	(328,785)	(92,657)
Net increase in cash and cash equivalents	147,853	11,862
Cash and cash equivalents at beginning of period	148,560	100,394
Cash and cash equivalents at end of period	$ 296,413	$ 112,256
Supplemental disclosures		
Transfers of loans to other real estate	$ 25,471	$ 33,194
Transfers of securities classified as available for sale to held to maturity		139,566

See Notes to Condensed Consolidated Financial Statements.

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note A Summary of Significant Accounting Policies

Basis of Presentation

Renasant Corporation (referred to herein as the Company) offers a diversified range of financial and insurance services to its retail and commercial customers through its subsidiaries and full service offices located throughout north and north central Mississippi, west and middle Tennessee, north and north central Alabama and northwest Georgia.

The accompanying unaudited condensed consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with generally accepted accounting principles 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 generally accepted accounting principles 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 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, 2009.

The Company has evaluated subsequent events that have occurred after September 30, 2010 through the date of issuance of its financial statements for consideration of recognition or disclosure.

Impact of Recently-Issued Accounting Standards and Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued an update to Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements and Disclosures, (ASC 820) that requires new disclosures and clarifications of existing disclosures about recurring and nonrecurring fair value measurements. As to new disclosure requirements, a reporting entity must disclose separately the amount of significant transfers in and out of Level 1 and Level 2 fair value measurements, describe the reasons for the transfers, and present separately information about purchases, sales, issuances and settlements in the reconciliation for fair value measurements using Level 3 inputs. As to clarifications of existing disclosures, a reporting entity should provide fair value measurements for each class within each category of assets and liabilities, and provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements, which are effective beginning after December 15, 2010, and for interim periods within those fiscal years. See Note I, Fair Value of Financial Instruments, in these Notes to Condensed Consolidated Financial Statements for further disclosures regarding the Company s adoption of this update. The Company is currently in the process of evaluating the impact on its financial statements of adopting the portion of this update regarding disclosures presenting separately information about purchases, sales, issuances and settlements in the reconciliation for fair value measurements using Level 3 inputs.

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note A Summary of Significant Accounting Policies (continued)

In July 2010, the FASB issued an update to ASC Topic 310, Receivables, that requires enhanced and additional disclosures that will provide financial statement users with greater transparency about a reporting entity s allowance for credit losses and the credit quality of its financial receivables. A reporting entity must provide disclosures that facilitate financial statement users evaluation of the nature of credit risk inherent in its portfolio of financing receivables, explaining how that risk is analyzed and assessed in arriving at the allowance for credit losses, and detailing the changes and reasons for those changes in the allowance for credit losses. To achieve those objectives, a reporting entity should provide disclosures on a disaggregated basis: by portfolio segment and/or by class of financing receivable. This update to ASC Topic 310 amends existing disclosures to require a reporting entity to provide a rollforward schedule of the allowance for credit losses on a portfolio segment basis, with the ending balance further disaggregated on the basis of the impairment method. A reporting entity must also present nonaccrual, past due 90 days or more and still accruing and impaired financing receivables by class. Additional disclosures include credit quality indicators of financing receivables at the end of the reporting period presented by class, the aging of past due financing receivables at the end of the reporting period presented by class, the nature and extent of troubled debt restructurings that occurred during the period presented by class and their effect on the allowance for credit losses, the nature and extent of financing receivables modified as troubled debt restructurings within the previous twelve months that defaulted during the reporting period presented by class and their effect on the allowance for credit losses, and significant purchases and sales of financing receivables during the reporting period presented by portfolio segment. This update to ASC Topic 310 is effective for interim and annual reporting periods beginning after December 15, 2010. The Company is currently in the process of evaluating the impact of adopting this update on its financial statements.

Note B FDIC-Assisted Acquisition of Certain Assets and Liabilities of Crescent Bank & Trust

On July 23, 2010, Renasant Bank (the Bank), a wholly-owned subsidiary of the Company, acquired specified assets and assumed specified liabilities of Crescent Bank & Trust Company, a Georgia-chartered bank headquartered in Jasper, Georgia (Crescent Bank), from the Federal Deposit Insurance Corporation (the FDIC), as receiver for Crescent Bank (the Acquisition). Crescent operated 11 branches in the northwest region of Georgia, all of which were retained by the Bank.

In connection with the Acquisition, the Bank entered into loss-sharing agreements with the FDIC that covered $528,051 of Crescent Bank loans and $79,359 of other real estate owned (the covered assets). The Bank will share in the losses on the asset pools (including single family residential mortgage loans and commercial loans) covered under the loss-sharing agreements. Pursuant to the terms of the loss-sharing agreements, the FDIC is obligated to reimburse the Bank for 80% of all eligible losses with respect to covered assets, beginning with the first dollar of loss incurred. The Bank has a corresponding obligation to reimburse the FDIC for 80% of eligible recoveries with respect to covered assets. The fair value of the loss-sharing agreements was recorded as an indemnification asset at their estimated fair value of $153,244 as of the date of the Acquisition. The indemnification asset reflects the present value of the expected net cash reimbursement related to the loss-sharing agreements described above.

The Acquisition resulted in a pre-tax gain of $42,211. Due to the difference in tax bases of the assets acquired and liabilities assumed, the Company recorded a deferred tax liability of $16,146, resulting in an after-tax gain of $26,065. Under the Internal Revenue Code, the gain will be recognized over the next six years. The foregoing pre-tax and after-tax gains are considered bargain purchase gain under FASB ASC Topic 805, Business Combinations (ASC 805), since the total acquisition-date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred. The Company recognized this gain as non-interest income in the Company s consolidated statements of income for the three and nine-months ended September 30, 2010.

Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note B FDIC-Assisted Acquisition of Certain Assets and Liabilities of Crescent Bank & Trust (continued)

The following table sets forth the fair values of the assets acquired and liabilities assumed by the Bank in the Acquisition as of July 23, 2010:

Assets Acquired	
Cash and due from banks	$ 337,127
Securities available for sale	21,044
Federal Home Loan Bank stock	3,162
Loans	371,100
Other real estate owned	50,168
FDIC loss share indemnification asset	153,244
Core deposit intangible	2,489
Receivable from FDIC	17,224
Other assets	3,749
Total assets acquired	959,307
Liabilities Assumed	
Deposits:	
Noninterest-bearing	39,067
Interest-bearing	851,036
Total deposits	890,103
Advances from Federal Home Loan Bank of Atlanta	24,101
Accrued expenses and other liabilities	2,892
Total liabilities assumed	917,096
Net assets acquired	42,211
Deferred tax liability	16,146
Net assets assumed, including deferred tax liability	$ 26,065

The Company s operating results for the three and nine months ended September 30, 2010 include the operating results of the assets acquired and liabilities assumed in the Acquisition subsequent to the July 23, 2010 closing date. Due to the significant fair value adjustments recorded, as well as the nature of the loss-sharing agreements with the FDIC, the Company does not believe that Crescent s historical results are relevant to the Company s results. Therefore, no pro forma information is included.

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note C Securities

(In Thousands)

The amortized cost and fair value of securities available for sale are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2010				
Obligations of other U.S. Government agencies and corporations	$ 92,177	$ 916	$ (9)	$ 93,084
Mortgage-backed securities	423,725	13,271	(328)	436,668
Trust preferred securities	32,184	110	(22,559)	9,735
Other equity securities	29,067	153		29,220
	$ 577,153	$ 14,450	$ (22,896)	$ 568,707
December 31, 2009				
Obligations of other U.S. Government agencies and corporations	$ 63,130	$ 191	$ (289)	$ 63,032
Mortgage-backed securities	445,647	13,589	(1,345)	457,891
Trust preferred securities	33,803	137	(19,502)	14,438
Other equity securities	39,971	26		39,997
	$ 582,551	$ 13,943	$ (21,136)	$ 575,358

Gross gains on sales of securities available for sale for the nine months ended September 30, 2010 were $4,499, compared to gross losses on sales of securities available for sale of $544 for the same period. Gross gains on sales of securities available for sale for the nine months ended September 30, 2009 were $2,195. These gains in 2009 were offset by the complete write-off of the Company s $645 investment in Silverton Financial Services, Inc., the holding company of Silverton Bank, N.A., which was placed in receivership on May 1, 2009. The cost of securities sold is based on the specific identification method.

The amortized cost and fair value of securities held to maturity are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2010				
Obligations of states and political subdivisions	$ 176,779	$ 5,862	$ (263)	$ 182,378
December 31, 2009				
Obligations of states and political subdivisions	$ 138,806	$ 958	$ (331)	$ 139,433

The amortized cost and fair value of securities at September 30, 2010, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$	$	$ 9,348	$ 9,365
Due after one year through five years	7,988	8,077	43,771	44,439
Due after five years through ten years	79,181	79,987	39,893	41,540
Due after ten years	37,192	14,755	83,767	87,034
Mortgage-backed securities	423,725	436,668		
Other equity securities	29,067	29,220		
	$ 577,153	$ 568,707	$ 176,779	$ 182,378

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note C Securities (continued)

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

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for Sale:						
September 30, 2010						
Obligations of other U.S Government agencies and corporations	$ 9,986	$ (9)	$	$	$ 9,986	$ (9)
Mortgage-backed securities	60,236	(307)	2,256	(21)	62,492	(328)
Trust preferred securities			6,625	(22,559)	6,625	(22,559)
Other equity securities						
Total	$ 70,222	$ (316)	$ 8,881	$ (22,580)	$ 79,103	$ (22,896)
December 31, 2009						
Obligations of other U.S Government agencies and corporations	$ 30,238	$ (289)	$	$	$ 30,238	$ (289)
Mortgage-backed securities	56,044	(872)	6,350	(473)	62,394	(1,345)
Trust preferred securities			11,301	(19,502)	11,301	(19,502)
Other equity securities						
Total	$ 86,282	$ (1,161)	$ 17,651	$ (19,975)	$ 103,933	$ (21,136)

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Held to Maturity:						
September 30, 2010						
Obligations of states and political subdivisions	$ 10,400	$ (263)	$	$	$ 10,400	$ (263)
December 31, 2009						
Obligations of states and political subdivisions	$ 64,155	$ (331)	$	$	$ 64,155	$ (331)

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.

When impairment of an equity security is considered to be other-than-temporary, the security is written down to its fair value and an impairment loss is recorded as a loss within noninterest income in the Consolidated Statements of Income. When impairment of a debt security is considered to be other-than-temporary, the security is written down to its fair value. The amount of OTTI recorded as a loss within noninterest income

depends on whether an entity intends to sell the debt security or whether it is more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis. If an entity intends to, or has decided to, sell the debt security or more likely than not will be required to sell the security before recovery of its amortized cost basis, OTTI must be recognized in earnings in an amount equal to the entire difference between the security s amortized cost basis and its fair value. If an entity does not intend to sell the debt security and it is not more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis, OTTI is separated into the amount representing credit loss and the amount related to all other market factors. The amount related to credit loss is recognized in earnings. The amount related to other market factors is recognized in other comprehensive income, net of applicable taxes.

Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note C Securities (continued)

The Company holds investments in pooled trust preferred securities and in securities issued by a single issuer. The investments in pooled trust preferred securities had a cost basis of $29,184 and $30,803 and a fair value of $6,625 and $11,301 at September 30, 2010 and December 31, 2009, respectively. The investment in pooled trust preferred securities consists of four securities representing interests in various tranches of trusts collateralized by debt issued by over 321 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 of each security obtained by the Company performed by third parties. The Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of its amortized cost, which may be maturity. At September 30, 2010, 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 did conclude that it was probable that there had been an adverse change in estimated cash flows for two of the four pooled trust preferred securities. Accordingly, the Company recognized credit related impairment losses on these securities of $3,075 during the nine months ended September 30, 2010.

The following table provides information regarding the Company s investments in pooled trust preferred securities as of September 30, 2010:

Name	Single/ Pooled	Class/ Tranche	Amortized Cost	Fair Value	Unrealized Loss	Lowest Credit Rating	Issuers Currently in Deferral or Default	Estimated Additional Deferral or Default before Credit Impairment
XXIV	Pooled	B2	$ 12,077	$ 1,145	$ (10,932)	Caa3	38%	
XXVI	Pooled	B2	5,467	972	(4,495)	Ca	34%	16%
XXIII	Pooled	B2	10,424	4,033	(6,391)	Ca	28%	21%
XIII	Pooled	B2	1,216	475	(741)	Ca	26%	
			$ 29,184	$ 6,625	$ (22,559)			

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 at September 30, 2010:

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010
Beginning balance	$ (160)	$
Additions related to credit losses for which OTTI was not previously recognized	(2,329)	(3,075)
Reductions for securities sold during the period		
Reductions for securities where there is an intent to sale or requirement to sale		

Increases in credit loss for which OTTI was previously recognized		(586)		
Reductions for increases in cash flows expected to be collected				
Ending balance	$	(3,075)	$	(3,075)

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note D Loans

(In Thousands)

As described in Note B above, in connection with the acquisition of Crescent, the Bank entered into loss-sharing agreements with the FDIC that covered $528,051 of Crescent loans. In these Notes to Condensed Consolidated Financial Statements, the Company refers to loans subject to the loss-sharing agreements as covered loans and loans that are not subject to the loss-sharing agreements as loans not covered by loss-sharing agreements.

A summary of those loans not covered by loss-sharing agreements with the FDIC is set forth below:

	September 30, 2010	December 31, 2009
Loans secured by real estate:		
Real estate construction:		
Residential	$ 30,967	$ 45,559
Commercial	26,269	74,440
Condominiums	5,357	13,300
Total real estate construction	62,593	133,299
Real estate 1-4 family mortgage		
Primary	343,121	345,971
Home equity	164,425	171,180
Rental/investment	154,239	158,436
Land development	108,988	145,330
Total real estate 1-4 family mortgage	770,773	820,917
Real estate commercial mortgage		
Owner-occupied	532,082	537,387
Non-owner occupied	426,927	367,011
Land development	113,475	136,191
Total real estate commercial mortgage	1,072,484	1,040,589
Total loans secured by real estate	1,905,850	1,994,805
Commercial, financial, agricultural	259,710	281,329
Lease financing	547	778
Installment loans to individuals	64,968	70,703
Total loans, net of unearned income	$ 2,231,075	$ 2,347,615

Loans past due 90 days or more and still accruing interest not covered by loss-sharing agreements were $8,923 at September 30, 2010 as compared to $10,571 at December 31, 2009. Nonaccrual loans not covered by loss-sharing agreements at September 30, 2010 were $56,674 as compared to $39,454 at December 31, 2009.

Impaired loans not covered by loss-sharing agreements at September 30, 2010 and December 31, 2009 were as follows:

Impaired loans with an allocated allowance for loan losses	$ 83,723	$ 76,943
Impaired loans without an allocated allowance for loan losses	7,012	1,641
Total impaired loans	$ 90,735	$ 78,584
Allocated allowance on impaired loans	$ 15,603	$ 13,468

The allocated allowance for loan losses attributable to restructured loans included in the table above was $4,474 and $4,837 at September 30, 2010 and December 31, 2009, respectively. At September 30, 2010, the Company had $1,111 in remaining availability under commitments to lend additional funds on these restructured loans.

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note D Loans (continued)

A summary of those loans covered by loss-sharing agreements with the FDIC at September 30, 2010 at fair value follows:

	Impaired Loans	All Other Loans	Covered Loans
Loans secured by real estate:			
Real estate construction:			
Residential	$ 2,011	$ 5,182	$ 7,193
Commercial	6,701	3,491	10,192
Total real estate construction	8,712	8,673	17,385
Real estate 1-4 family mortgage			
Primary		28,525	28,525
Home equity		23,426	23,426
Rental/investment		45,909	45,909
Land development	26,057	14,946	41,003
Total real estate 1-4 family mortgage	26,057	112,806	138,863
Real estate commercial mortgage			
Owner-occupied	15,219	55,648	70,867
Non-owner occupied	5,198	17,510	22,708
Land development	52,075	26,495	78,570
Total real estate commercial mortgage	72,492	99,653	172,145
Total loans secured by real estate	107,261	221,132	328,393
Commercial, financial, agricultural	254	22,289	22,543
Lease financing			
Installment loans to individuals		1,599	1,599
Total loans, net of unearned income	$ 107,515	$ 245,020	$ 352,535

Loans acquired in business combinations with evidence of credit deterioration since origination and for which it is probable that all contractually required payments will not be collected are considered to be credit impaired. Evidence of credit quality deterioration as of purchase dates may include information such as past-due and nonaccrual status, borrower credit scores and recent loan to value percentages. Acquired credit-impaired loans are accounted for under the accounting guidance for loans and debt securities acquired with deteriorated credit quality, found in Accounting Standards Codification (ASC) Subtopic 310-30, Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality, and initially measured at fair value, which includes estimated future credit losses expected to be incurred over the life of the loans. Accordingly, allowances for credit losses related to these loans are not carried over and recorded at the acquisition dates. Loans acquired through business combinations that do not meet the specific criteria of ASC Topic 310-30, but for which a discount is attributable, at least in part to credit quality, are also accounted for under this guidance. As a result, related discounts are recognized subsequently through accretion based on the expected cash flow of the acquired loans.

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note D Loans (continued)

Certain loans acquired in connection with the Company s previous acquisitions (other than the Crescent acquisition) exhibited, at the date of acquisition, evidence of deterioration of the credit quality since origination, and it was probable that all contractually required payments would not be collected. The amount of such loans included in the consolidated balance sheet heading Loans - Not covered under loss-share agreements at September 30, 2010 is as follows:

Real estate 1-4 family mortgage	$ 4,700
Real estate commercial mortgage	250
Commercial, financial, agricultural	1,665
Total outstanding balance	6,615
Nonaccretable difference	(1,292)
Cash flows expected to be collected	5,323
Accretable yield	(174)
Fair value	$ 5,149

Changes in the accretable yield of these loans are as follows:

Balance as of January 1, 2010	$ 120
Additions	
Reclassifications from nonaccretable difference	126
Accretion	(72)
Balance as of September 30, 2010	$ 174

The following table presents the fair value of impaired and non-impaired loans covered by loss-sharing agreements at September 30, 2010:

	Impaired Loans	Non-impaired Loans	Total Covered Loans
Contractually-required principal and interest	$ 181,546	$ 336,599	$ 518,145
Nonaccretable difference[1]	(69,864)	(80,941)	(150,805)
Cash flows expected to be collected	111,682	255,658	367,340
Accretable yield[2]	(4,167)	(10,638)	(14,805)
Fair value	$ 107,515	$ 245,020	$ 352,535

(1) Represents contractual principal and interest cash flows of $144.8 million and $6.0 million, respectively, not expected to be collected.
(2) Represents future interest payment of $10.6 million expected to be collected and purchase discount of $4.2 million.

Changes in the accretable yield, excluding future interest payments, of the loans covered by loss-sharing agreements at September 30, 2010 are as follows:

	Impaired Loans	Non-impaired Loans	Total Covered Loans
Balance as of July 23, 2010	$ (4,506)	$ (19)	$ (4,525)
Additions			
Reclassifications from nonaccretable difference			
Accretion	339	1	340
Balance as of September 30, 2010	$ (4,167)	$ (18)	$ (4,185)

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note E Other Real Estate and Repossessions

(In Thousands)

The following table provides details of the Company s other real estate owned and repossessions:

	September 30, 2010	December 31, 2009
Residential real estate	$ 25,928	$ 18,038
Commercial real estate	28,255	10,336
Residential land development	42,331	27,018
Commercial land development	12,687	165
Other	3,021	3,011
Total other real estate owned and repossessions	$ 112,222	$ 58,568

A summary of those properties covered by loss-sharing agreements with the FDIC and those that are not covered at September 30, 2010 follows:

	Covered	Not Covered
Residential real estate	$ 10,590	$ 15,338
Commercial real estate	14,984	13,271
Residential land development	13,474	28,857
Commercial land development	10,238	2,449
Other		3,021
Total other real estate owned and repossessions	$ 49,286	$ 62,936

Changes in the Company s other real estate owned and repossessions are as follows:

	Covered	Not Covered
Balance as of January 1, 2010	$	$ 58,568
Additions	50,168	25,471
Capitalized improvements		640
Impairments		(3,318)
Dispositions	(882)	(18,334)
Other		(91)
Balance as of September 30, 2010	$ 49,286	$ 62,936

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note F Employee Benefit Plans

(In Thousands)

The following table provides the components of net pension cost and other benefit cost recognized for the three and nine month periods ended September 30, 2010 and 2009:

	Three Months Ended September 30,			
	Pension Benefits		Other Benefits	
	2010	2009	2010	2009
Service cost	$	$	$ 9	$ 10
Interest cost	248	245	23	17
Expected return on plan assets	(252)	(253)		
Prior service cost recognized	5	5		
Recognized loss	92	89	30	17
Net periodic benefit cost	$ 93	$ 86	$ 62	$ 44

	Nine Months Ended September 30,			
	Pension Benefits		Other Benefits	
	2010	2009	2010	2009
Service cost	$	$	$ 28	$ 31
Interest cost	742	735	69	51
Expected return on plan assets	(756)	(758)		
Prior service cost recognized	15	15		
Recognized loss	278	267	89	51
Net periodic benefit cost	$ 279	$ 259	$ 186	$ 133

Note G Shareholders Equity

(In Thousands, Except Share Data)

The Company declared a cash dividend of $0.17 per share for each of the third quarter of 2010 and 2009. Total cash dividends paid to shareholders by the Company were $11,447 and $10,772 for the nine month periods ended September 31, 2010 and 2009, respectively.

In January 2010, the Company granted 138,500 stock options which generally vest and become exercisable in equal installments of 33 1/3% upon completion of one, two and three years of service measured from the grant date. The fair value of stock option grants is estimated on the grant date using the Black-Scholes option-pricing model. The Company employed the following assumptions with respect to its stock option grants in 2010 and 2009 for the nine month periods ended September 30, 2010 and 2009:

	Nine Months Ended September 30,	
	2010	**2009**
Dividend yield	4.74%	3.99%
Expected volatility	34%	30%
Risk-free interest rate	2.48%	1.55%
Expected lives	6 years	6 years
Weighted average exercise price	$ 14.22	$ 17.03
Weighted average fair value	$ 3.01	$ 3.09

In addition, the Company awarded 23,500 shares of performance-based restricted stock in January 2010. The performance-based restricted stock is earned, in part, if the Company meets or exceeds financial performance results defined by the board of directors for the year. The fair value of the restricted stock grant on the date of the grant was $14.22 per share. The Company recorded total stock-based compensation expense of $373 and $516 for the nine months ended September 30, 2010 and 2009, respectively. During the nine months ended September 30, 2010, the Company reissued 33,549 shares from treasury in connection with the exercise of stock-based compensation.

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note H Segment Reporting

(In Thousands)

The Company s internal reporting process is organized into four segments that account for the Company s principal activities: the delivery of financial services through its community banks in Mississippi, Tennessee and Alabama and the delivery of insurance services through its insurance agency. In order to give the Company s regional management a more precise indication of the income and expenses they can control, the results of operations for the geographic regions of the community banks and for the insurance company reflect the direct revenues and expenses of each respective segment. The Company believes this management approach will enable its regional management to focus on serving customers through loan originations and deposit gathering. Indirect revenues and expenses, including but not limited to income from the Company s investment portfolio, as well as certain costs associated with other data processing and back office functions, are not allocated to the Company s segments. Rather, these revenues and expenses are shown in the Other column along with the operations of the holding company and eliminations which are necessary for purposes of reconciling to the consolidated amounts. The Company is currently evaluating how the ongoing operations of the Crescent acquisition will impact future strategic decisions and how these operations will affect its reportable segments.

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note H Segment Reporting (continued)

	Community Banks						
	Mississippi	Tennessee	Alabama	Crescent Acquisition	Insurance	Other	Consolidated
Three Months Ended September 30, 2010:							
Net interest income	$ 11,841	$ 7,378	$ 5,641	$ 2,026	$ 28	$ 203	$ 27,117
Provision for loan losses	2,530	6,413	2,557				11,500
Noninterest income	7,122	1,527	2,518	42,656	840	(129)	54,534
Noninterest expense	8,246	6,109	5,320	3,177	743	15,976	39,571
Income before income taxes	8,187	(3,617)	282	41,505	125	(15,902)	30,580
Income taxes	1,877	(829)	65	13,647	48	(3,779)	11,029
Net income (loss)	$ 6,310	$ (2,788)	$ 217	$ 27,858	$ 77	$ (12,123)	$ 19,551
Total assets	$ 1,409,567	$ 1,265,136	$ 786,832	$ 778,822	$ 8,810	$ 7,086	$ 4,256,253
Goodwill	2,265	133,316	46,515		2,783		184,879
Three Months Ended September 30, 2009:							
Net interest income	$ 13,943	$ 8,114	$ 5,547	$	$ 32	$ (2,445)	$ 25,191
Provision for loan losses	1,682	1,891	3,777				7,350
Noninterest income	7,396	1,007	2,720		996	1,834	13,953
Noninterest expense	8,838	4,605	4,316		770	7,589	26,118
Income before income taxes	10,819	2,625	174		258	(8,200)	5,676
Income taxes	3,100	737	92		100	(2,578)	1,451
Net income (loss)	$ 7,719	$ 1,888	$ 82	$	$ 158	$ (5,622)	$ 4,225
Total assets	$ 1,550,797	$ 1,367,195	$ 711,938	$	$ 8,838	$ 3,889	$ 3,642,657
Goodwill	2,265	133,316	46,520		2,783		184,884
Nine Months Ended September 30, 2010:							
Net interest income	$ 37,978	$ 22,368	$ 16,344	$ 2,026	$ 92	$ (3,601)	$ 75,207
Provision for loan losses	5,268	15,610	4,287				25,165
Noninterest income	21,768	4,351	6,369	42,656	2,760	3,458	81,362
Noninterest expense	24,044	15,567	13,319	3,177	2,208	33,078	91,393
Income before income taxes	30,434	(4,458)	5,107	41,505	644	(33,221)	40,011
Income taxes	6,978	(1,022)	1,171	13,647	250	(7,967)	13,057
Net income (loss)	$ 23,456	$ (3,436)	$ 3,936	$ 27,858	$ 394	$ (25,254)	$ 26,954

Total assets	$ 1,409,567	$ 1,265,136	$ 786,832	$ 778,822	$ 8,810	$ 7,086	$ 4,256,253
Goodwill	2,265	133,316	46,515		2,783		184,879
Nine Months Ended September 30, 2009:							
Net interest income	$ 39,096	$ 22,810	$ 16,484	$	$ 63	$ (3,789)	$ 74,664
Provision for loan losses	6,106	7,076	5,908				19,090
Noninterest income	22,569	3,142	9,146		2,953	6,329	44,139
Noninterest expense	24,205	13,484	12,744		2,252	27,485	80,170
Income before income taxes	31,354	5,392	6,978		764	(24,945)	19,543
Income taxes	8,596	1,478	1,913		296	(7,227)	5,056
Net income (loss)	$ 22,758	$ 3,914	5,065	$	$ 468	$ (17,718)	$ 14,487
Total assets	$ 1,550,797	$ 1,367,195	$ 711,938	$	$ 8,838	$ 3,889	$ 3,642,657
Goodwill	2,265	133,316	46,520		2,783		184,884

Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note I Fair Value of Financial Instruments

(In Thousands)

The carrying amounts and estimated fair values of the Company s financial instruments are as follows:

	September 30, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Cash and cash equivalents	$ 296,413	$ 296,413	$ 148,560	$ 148,560
Securities held to maturity	176,779	182,378	138,806	139,433
Securities available for sale	568,707	568,707	575,358	575,358
Mortgage loans held for sale	25,639	25,639	25,749	25,749
Loans covered under loss-share agreements	352,535	359,310		
Loans not covered under loss-share agreements	2,231,075	2,213,364	2,308,470	2,291,654
FDIC loss-share indemnification receivable	153,244	153,244		
Derivative instruments	1,493	1,493	1,946	1,946
Financial liabilities:				
Deposits	3,415,928	3,431,498	2,576,100	2,589,135
Short-term borrowings	19,422	19,422	22,397	22,397
Federal Home Loan Bank advances	176,851	189,174	469,574	480,639
Junior subordinated debentures	75,972	37,696	76,053	37,548
TLGP Senior Note	50,000	52,092	50,000	51,888
Derivative instruments	1,113	1,113	277	277

The following methods and assumptions were used by the Company to estimate the fair value of each class of its financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents: Cash and cash equivalents consists of cash and due from banks and interest-bearing balances with banks. The carrying amount reported in the Consolidated Balance Sheets for cash and cash equivalents approximates fair value.

Securities: For both securities available for sale and securities held to maturity, fair values for debt securities are based on quoted market prices, where available, or a discounted cash flow model. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The fair value of equity securities not traded in an active market approximates their historical cost.

Mortgage loans held for sale: The carrying value of mortgage loans held for sale approximates fair value due to the short-term nature of the asset.

Loans: For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fixed-rate loan fair values, including mortgages, commercial, agricultural and consumer loans, are estimated using a discounted cash flow analysis based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The fair value of loans covered under loss-share agreements is based on the net present value of future cash proceeds expected to be received using discount rates that are derived from current market rates and reflect the level of interest risk in the covered loans.

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

Derivative instruments: Derivative instruments include interest rate swaps and mortgage loan commitments. The fair value of the interest rate swaps is based on the projected future cash flows. The fair value of the mortgage loan commitments is based on readily available fair values, obtained in the open market from mortgage investors.

Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note I Fair Value of Financial Instruments (continued)

Deposits: The fair values disclosed for demand deposits, both interest-bearing and noninterest-bearing, are, by definition, equal to the amount payable on demand at the reporting date. The fair values of certificates of deposit and individual retirement accounts are estimated using a discounted cash flow based on currently effective interest rates for similar types of accounts.

Short-term borrowings: Short-term borrowings consist of treasury, tax and loan notes and securities sold under agreements to repurchase. The fair value of these short-term borrowings approximates the carrying value of the amounts reported in the Consolidated Balance Sheets for each respective account.

Federal Home Loan Bank advances: The fair value for Federal Home Loan Bank advances was determined by discounting the cash flow using the current market rate.

Junior subordinated debentures: The fair value for the Company s junior subordinated debentures was determined by discounting the cash flow using the current market rate.

TLGP Senior Note: The fair value for the Company s senior note guaranteed by the FDIC under its Temporary Liquidity Guarantee Program (TLGP) was determined by discounting the cash flow using the current market rate.

ASC 820 provides guidance for using fair value to measure assets and liabilities and also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to a valuation based on quoted prices in active markets for identical assets and liabilities (Level 1), moderate priority to a valuation based on quoted prices in active markets for similar assets and liabilities and/or based on assumptions that are observable in the market (Level 2), and the lowest priority to a valuation based on assumptions that are not observable in the market (Level 3).

Financial Assets and Liabilities Recorded at Fair Value on a Recurring Basis

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

Securities available for sale: Securities available for sale consist primarily of debt securities such as obligations of U.S. Government agencies and corporations, mortgage-backed securities and trust preferred securities. The fair values of these instruments are based on quoted market prices of similar instruments or a discounted cash flow model. Securities available for sale also include equity securities that are not traded in an active market. The fair value of these securities approximates their historical cost.

Derivative instruments: Interest rate swaps are extensively traded in over-the-counter markets at prices based upon projections of future cash payments/receipts discounted at market rates. The fair value of the Company s interest rate swaps is determined based upon discounted cash flows. The fair value of the mortgage loan commitments is based on readily available fair values, obtained in the open market from mortgage investors. These fair values reflect the values of mortgage loans having similar terms and characteristics to the mortgage loan commitments entered into by the Company.

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note I Fair Value of Financial Instruments (continued)

The following table presents assets and liabilities that are measured at fair value on a recurring basis at September 30, 2010 and December 31, 2009:

	Level 1	Level 2	Level 3	Totals
September 30, 2010				
Securities available for sale:				
Obligations of other U.S. Government agencies and corporations	$	$ 93,084	$	$ 93,084
Mortgage-backed securities		436,668		436,668
Trust preferred securities		3,110	6,625	9,735
Other equity securities			29,220	29,220
Total securities available for sale		532,862	35,845	568,707
Derivative instruments, net		380		380
	$	$ 533,242	$ 35,845	$ 569,087
December 31, 2009				
Securities available for sale:				
Obligations of other U.S. Government agencies and corporations	$	$ 63,032	$	$ 63,032
Mortgage-backed securities		457,891		457,891
Trust preferred securities		3,136	11,302	14,438
Other equity securities			39,997	39,997
Total securities available for sale		524,059	51,299	575,358
Derivative instruments, net		1,669		1,669
	$	$ 525,728	$ 51,299	$ 577,027

The following table provides a reconciliation for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs, or Level 3 inputs, during the nine months ended September 30, 2010:

	Securities available for sale
Balance as of January 1, 2010	$ 51,299
Realized losses included in net income	(3,009)
Unrealized losses included in other comprehensive income	(2,931)
Net purchases, sales, issuances, and settlements	(9,514)

Transfers in and/or out of Level 3		
Balance as of September 30, 2010	$	35,845

Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note I Fair Value of Financial Instruments (continued)

Financial Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

Certain assets may be recorded at fair value on a nonrecurring basis. These nonrecurring fair value adjustments typically are a result of the application of the lower of cost or market accounting or a write-down occurring during the period. The following methods and assumptions are used by the Company to estimate the fair values of the Company s financial assets and liabilities on a nonrecurring basis:

Mortgage loans held for sale: Mortgage loans held for sale are carried at the lower of cost or fair value. If fair value is used, it is determined using current secondary market prices for loans with similar characteristics. Mortgage loans held for sale were carried at cost on the Consolidated Balance Sheets at September 30, 2010 and December 31, 2009.

Impaired loans: Loans considered impaired are reserved for at the time the loan is identified as impaired taking into account the fair value of the collateral less estimated selling costs. Collateral may be real estate and/or business assets including but not limited to equipment, inventory and accounts receivable. The fair value of real estate is determined based on appraisals by qualified licensed appraisers. The fair value of the business assets is generally based on amounts reported on the business s financial statements. Appraised and reported values may be adjusted based on management s historical knowledge, changes in market conditions from the time of valuation and management s knowledge of the client and the client s business. Since not all valuation inputs are observable, these nonrecurring fair value determinations are classified as Level 3. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors previously identified.

Other real estate owned: Other real estate owned (OREO) is comprised of commercial and residential real estate obtained in partial or total satisfaction of loan obligations. OREO acquired in settlement of indebtedness is recorded at the fair value of the real estate less costs to sell. Subsequently, it may be necessary to record nonrecurring fair value adjustments for declines in fair value. Fair value, when recorded, is determined based on appraisals by qualified licensed appraisers and adjusted for management s estimates of costs to sell. As such, values for OREO are classified as Level 3. OREO covered under loss-share agreements were recorded at their fair value upon the acquisition date of July 23, 2010, and no fair value adjustments were necessary through September 30, 2010.

The following table presents assets measured at fair value on a nonrecurring basis at September 30, 2010 and December 31, 2009 that were still held in the Consolidated Balance Sheets at those respective dates:

	Level 1	Level 2	Level 3	Totals
September 30, 2010				
Impaired loans	$	$	$ 90,735	$ 90,735
Other real estate owned			15,092	15,092

	Level 1	Level 2	Level 3	Totals
December 31, 2009				
Impaired loans	$	$	$ 78,584	$ 78,584
Other real estate owned			2,462	2,462

Impaired loans with a carrying value of $90,735 and $78,584 had an allocated allowance for loan losses of $15,603 and $13,468 at September 30, 2010 and December 31, 2009, respectively. The allocated allowance is based on the carrying value of the impaired loan and the fair value of the underlying collateral less estimated costs to sell.

OREO with a carrying amount of $18,373 was written down to $15,092, resulting in a loss of $3,281, which was included in the results of operations for the nine months ended September 30, 2010. OREO with a carrying amount of $3,023 was written down to $2,462, resulting in a loss of $561, which was included in the results of operations for the year ended December 31, 2009.

Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note J Derivative Instruments

(In Thousands)

The Company utilizes derivative financial instruments as part of its ongoing efforts to manage its interest rate risk exposure. These derivative financial instruments currently include interest rate swaps and mortgage loan commitments. Derivative financial instruments are included in the Consolidated Balance Sheets heading Other assets or Other liabilities at fair value.

Cash flow hedges are utilized to mitigate the exposure to variability in expected future cash flows or other types of forecasted transactions. For the Company s derivatives designated as cash flow hedges, changes in the fair value of cash flow hedges are, to the extent that the hedging relationship is effective, recorded as other comprehensive income and are subsequently recognized in earnings at the same time that the hedged item is recognized in earnings. The assessment of the effectiveness of the hedging relationship is evaluated under the hypothetical derivative method.

In May 2010, the Company terminated two interest rate swaps, each designated as a cash flow hedge, designed to convert the variable interest rate on an aggregate of $75,000 of loans to a fixed rate. As of the termination date, there were $1,679 of deferred gains related to the swaps, which are being amortized into net interest income over the designated hedging periods ending in August 2012 and August 2013. For the nine months ended September 30, 2010, deferred gains related to the swaps of $209 were amortized into net interest income.

In connection with the Crescent acquisition, the Bank acquired interest rate swaps whereby it receives a fixed rate of interest and pays a variable rate based on the one-month LIBOR plus 334 basis points. The swaps have embedded derivatives in each of the loan agreements that would require the borrower to pay or receive from the Bank an amount equal to and offsetting the value of the interest rate swaps. If a counterparty, in particular our borrower, fails to perform and the market value of the financial derivative is negative, the Company would be obligated to pay the settlement amount for the financial derivative. If the market value is positive, the Company would receive a payment for the settlement amount for the financial derivative. These swaps had a notional amount of $7,793 and $7,910 and a fair value of $(1,113) and $(1,073) at September 30, 2010 and July 23, 2010, respectively. The net effect of recording the derivatives at fair value through earnings was immaterial to the Company s results of operations for the period ended September 30, 2010.

The Company enters into mortgage loan commitments with its customers to mitigate the interest rate risk associated with the commitments to fund fixed-rate mortgage loans. Under such commitments, interest rates for a mortgage loan may be locked in for up to thirty days with the customer. Once a mortgage loan commitment is entered into with a customer, the Company enters into a sales agreement with an investor in the secondary market to sell such loan on a best efforts basis. Under this sales agreement, the Company is obligated to sell the mortgage loan to the investor only if the loan is closed and funded. Thus, the Company will not incur any liability to an investor if the mortgage loan commitment in the pipeline fails to close. These mortgage loan commitments are recorded at fair value, with gains and losses arising from changes in the valuation of the commitments reflected under the caption Gains on sales of mortgage loans held for sale on the Consolidated Statements of Income and do not qualify for hedge accounting. At September 30, 2010, the notional amount of commitments to fund fixed-rate mortgage loans was $40,453 with a fair value of $380.

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note K Comprehensive Income

(In Thousands)

The components of comprehensive income, net of related tax, are as follows:

	Three Months Ended September 30,	
	2010	2009
Net income	$ 19,551	$ 4,225
Other comprehensive (loss) income:		
Unrealized holding gains on securities, net of tax expense of $3,356 and $5,099	5,418	8,231
Non-credit related portion of other-than-temporary impairment on securities, net of tax benefit of $4,013	(6,478)	
Reclassification adjustment for gains realized in net income, net of tax expense of $840	(1,355)	
Net change in unrealized (losses) gains on securities	(2,415)	8,231
Unrealized holding gains on derivative instruments, net of tax expense of $371		597
Reclassification adjustment for gains realized in net income, net of tax expense of $59	(95)	
Net change in unrealized gains on derivative instruments	(95)	597
Net change in defined benefit pension and post-retirement benefit plans, net of tax expense of $49 and $42	79	69
Other comprehensive (loss) income	(2,431)	8,897
Comprehensive income	$ 17,120	$ 13,122

	Nine Months Ended September 30,	
	2010	2009
Net income	$ 26,954	$ 14,487
Other comprehensive income (loss):		
Unrealized holding gains on securities, net of tax expense of $5,498 and $3,907	8,876	6,306
Non-credit related portion of other-than-temporary impairment on securities, net of tax benefit of $4,465	(7,208)	
Reclassification adjustment for gains realized in net income, net of tax expense of $1,798 and $593	(2,902)	(957)
Net change in unrealized (losses) gains on securities	(1,234)	5,349
Unrealized holding gains on derivative instruments, net of tax expense of $98 and $457	158	737
Reclassification adjustment for gains realized in net income, net of tax expense of $80 and $387	(129)	(626)
Net change in unrealized gains on derivative instruments	29	111
Net change in defined benefit pension and post-retirement benefit plans, net of tax expense of $146 and $127	236	205
Other comprehensive (loss) income	(969)	5,665

Comprehensive income	$ 25,985	$ 20,152

Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note K Comprehensive Income (continued)

The accumulated balances for each component of other comprehensive income, net of tax, are as follows

	September 30, 2010	December 31 2009
Net unrealized gains (losses) on securities	$ 3,911	$ (2,063)
Net non-credit related portion of other-than-temporary impairment on securities	(7,208)	
Net unrealized gains on derivative instruments	908	879
Net unrecognized defined benefit pension and post-retirement benefit plans obligations	(6,036)	(6,272)
Total accumulated other comprehensive loss	$ (8,425)	$ (7,456)

Note L Net Income Per Common Share

(In Thousands, Except Share Data)

Basic net income per common share is calculated by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted net income per common share reflects the pro forma dilution assuming outstanding stock options were exercised into common shares, calculated in accordance with the treasury stock method. Basic and diluted net income per common share calculations are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Basic:				
Net income applicable to common stock	$ 19,551	$ 4,225	$ 26,954	$ 14,487
Average common shares outstanding	24,098,629	21,075,879	22,101,234	21,072,246
Net income per common share - basic	$ 0.81	$ 0.20	$ 1.22	$ 0.69
Diluted:				
Net income applicable to common stock	$ 19,551	$ 4,255	$ 26,954	$ 14,487
Average common shares outstanding	24,098,629	21,075,879	22,101,234	21,072,246
Effect of dilutive stock-based compensation	110,013	137,960	129,043	132,678
Average common shares outstanding - diluted	24,208,642	21,213,839	22,230,277	21,204,924
Net income per common share - diluted	$ 0.81	$ 0.20	$ 1.21	$ 0.68

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Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(In Thousands, Except Share Data)

This Form 10-Q may contain or incorporate by reference statements regarding Renasant Corporation (referred to herein as the Company , we , our , or us) which may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements usually include words such as expects, projects, proposes, anticipates, believes, intends, estimates, strategy, plan, potential, possible and other similar expressions. P are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties and that actual results may differ materially from those contemplated by such forward-looking statements.

Important factors currently known to management that could cause actual results to differ materially from those in forward-looking statements include (1) the Company s ability to efficiently integrate its acquisition of Crescent Bank & Trust Company (described below) into its operations, retain Crescent Bank customers and grow the acquired franchise; (2) the effect of economic conditions and interest rates on a national, regional or international basis; (3 the timing of the implementation of changes in operations to achieve enhanced earnings or effect cost savings; (4) competitive pressures in the consumer finance, commercial finance, insurance, financial services, asset management, retail banking, mortgage lending and auto lending industries; (5) the financial resources of, and products available to, competitors; (6) changes in laws and regulations, including changes in accounting standards; (7) changes in policy by regulatory agencies; (8) changes in the securities and foreign exchange markets; (9) the Company s potential growth, including its entrance or expansion into new markets, and the need for sufficient capital to support that growth; (10) changes in the quality or composition of the Company s loan or investment portfolios, including adverse developments in borrower industries or in the repayment ability of individual borrowers; (11) an insufficient allowance for loan losses as a result of inaccurate assumptions; (12) general economic, market or business conditions; (13) changes in demand for loan products and financial services; (14) concentration of credit exposure; (15) changes or the lack of changes in interest rates, yield curves and interest rate spread relationship; and (16) other circumstances, many of which are beyond management s control. Management undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time.

Overview

The Company, a Mississippi corporation, offers a diversified range of financial and insurance services to its retail and commercial customers through its subsidiaries and full service offices located throughout north and north central Mississippi, west and middle Tennessee, north and north central Alabama and northwest Georgia.

On July 23, 2010, Renasant Bank (the Bank), a wholly-owned subsidiary of the Company, acquired specified assets and assumed specified liabilities of Crescent Bank & Trust Company, a Georgia-chartered bank headquartered in Jasper, Georgia (Crescent), from the Federal Deposit Insurance Corporation (the FDIC), as receiver for Crescent. Crescent operated, and the Company acquired and retained, 11 branches in the northwest region of Georgia. Of these 11 branches, Crescent owned the building and real property at nine branches and leased the remainder. Excluding the effects of purchase accounting adjustments, the Bank acquired $959,307 in total assets, including loans of $538,743, and assumed $917,096 in total liabilities, including $890,103 in deposits. Approximately $528,081 of acquired loans and $79,359 of other real estate owned (OREO) are covered by loss-sharing agreements (covered assets) between the FDIC and the Bank. For more information regarding this transaction, please refer to Note B, FDIC-Assisted Acquisition of Certain Assets and Liabilities of Crescent Bank & Trust, in the Notes to Condensed Consolidated Financial Statements included in Item 1, Financial Statements, as well as our discussion of the anticipated effects of the Crescent acquisition on the Company s financial condition, operating results and cash flows, and liquidity and capital resources, contained in the Amendment No. 1 to Form 8-K filed by the Company with the Securities and Exchange Commission on October 8, 2010.

Financial Condition

The Company s total assets were $4,256,253 on September 30, 2010 as compared to $3,641,081 on December 31, 2009. The acquisition of Crescent contributed total assets of $778,822 at September 30, 2010.

Cash and cash equivalents increased $147,853 from $148,560 at December 31, 2009 to $296,413 at September 30, 2010 as a result of the cash received in connection with the Crescent acquisition. Cash and cash equivalents represented 6.96% of total assets at September 30, 2010 compared to 4.08% of total assets at December 31, 2009.

Investments

The securities portfolio is used to provide a source for meeting liquidity needs and to supply securities to be used in collateralizing certain deposits and other types of borrowings. The balance of our securities portfolio increased to $745,486 at September 30, 2010 from $714,164 at December 31, 2009. The Bank acquired investment securities with an estimated fair value of $21,044 in the Crescent acquisition. The acquired securities were predominantly U.S. Government sponsored enterprise debt securities and U.S. Government sponsored enterprise mortgage-backed securities. In addition, the Company also acquired $3,162 in Federal Home Loan Bank of Atlanta stock. During the first nine months of 2010, the Company purchased $354,955 of investment securities. Maturities and calls of securities during the first nine months of 2010 totaled $212,102. The carrying value of securities available for sale sold during the first nine months of 2010 totaled $125,969.

Loans

The balance of loans, net of unearned income, at September 30, 2010 was $2,583,610, representing an increase of $235,995 from $2,347,615 at December 31, 2009. The acquisition of Crescent contributed total loans with a fair value of $362,901 at September 30, 2010. Loans in the Company s legacy markets (that is, the Company s markets other than its northwest Georgia markets) were $2,220,709 at September 30, 2010. During the first nine months of 2010, the Company continued to focus on the reduction of its exposure to construction and land development loans. The balance of the Company s construction and land development portfolio in its legacy markets was $284,578, or 12.81%, at September 30, 2010, compared to $414,820, or 17.67% of total loans in its legacy markets, at December 31, 2009. A majority of the reduction in these loans is attributable to these loans being converted to permanent financing after completion of the construction phase of the loan. The overall balance of land development loans increased during this period due to land development loans acquired in the Crescent acquisition. Management plans to continue this intentional reduction of this portfolio in all of its markets in subsequent quarters, but nevertheless, expects total loans to remain flat to declining in the immediate quarters, as new loan production is offset by reductions attributable to principal paydowns and payoffs.

The table below sets forth loans outstanding, according to loan type, net of unearned income.

	September 30, 2010	December 31, 2009
Loans secured by real estate:		
Real estate construction:		
Residential	$ 38,160	$ 45,559
Commercial	36,461	74,440
Condominiums	5,357	13,300
Total real estate construction	79,978	133,299
Real estate 1-4 family mortgage		
Primary	371,646	345,971
Home equity	187,851	171,180
Rental/investment	200,148	158,436
Land development	149,991	145,330
Total real estate 1-4 family mortgage	909,636	820,917
Real estate commercial mortgage		
Owner-occupied	602,949	537,387
Non-owner occupied	449,635	367,011
Land development	192,045	136,191

Total real estate commercial mortgage	1,244,629	1,040,589
Total loans secured by real estate	2,234,243	1,994,805
Commercial, financial, agricultural	282,253	281,329
Lease financing	547	778
Installment loans to individuals	66,567	70,703
Total loans, net of unearned income	$ 2,583,610	$ 2,347,615

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Loan concentrations are considered to exist when there are amounts loaned to a number of borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. At September 30, 2010, there were no concentrations of loans exceeding 10% of total loans which are not disclosed as a category of loans separate from the categories listed above.

Mortgage loans held for sale were $25,639 at September 30, 2010 compared to $25,749 at December 31, 2009. Originations of mortgage loans to be sold totaled $366,241 for the first nine months of 2010 as compared to $673,896 for the same period in 2009. During the first nine months of 2009, the Company experienced increased production in residential mortgage loans being refinanced due to a decline in mortgage interest rates. Mortgage loans to be sold are locked in at a contractual rate with third party private investors, and the Company is obligated to sell the mortgages to such investors only if the mortgages are closed and funded. Gains and losses are realized at the time consideration is received and all other criteria for sales treatment have been met. These loans are typically sold within thirty days after the loan is funded. Although loan fees and some interest income are derived from mortgage loans held for sale, the main source of income is gains from the sale of mortgage loans in the secondary market.

Goodwill and Intangible Assets

Intangible assets increased $1,034 to $192,391 at September 30, 2010 from $191,357 at December 31, 2009. The increase reflects $2,489 of core deposits intangible recorded in connection with the assumption of the deposits in the Crescent acquisition offset by the amortization of previously recorded core deposit intangibles associated with prior acquisitions. The core deposits intangible recorded in connection with the Crescent acquisition is being amortized on a straight-line basis over an estimated useful life of ten years. Amortization of finite-lived intangible assets totaled $1,451 for the nine months ended September 30, 2010.

Deposits

Total deposits increased $839,828 to $3,415,928 at September 30, 2010 from $2,576,100 on December 31, 2009. The following table provides details related to the Company s deposits and the impact from the Crescent acquisition:

	Legacy Market	Crescent	Total at September 30, 2010	Change Since December 31, 2009
Noninterest-bearing	$ 322,262	$ 39,242	$ 361,504	$ 56,542
Interest-bearing	2,395,670	658,754	3,054,424	783,286
Total	$ 2,717,932	$ 697,996	$ 3,415,928	$ 839,828

Borrowed Funds

Total borrowed funds were $322,245 at September 30, 2010 compared to $618,024 at December 31, 2009. Short-term borrowings, consisting of treasury, tax and loan notes and securities sold under agreements to repurchase, were $19,422 at September 30, 2010 compared to $22,397 at December 31, 2009. Long-term debt, consisting of long-term Federal Home Loan Bank (FHLB) advances, debt guaranteed by the FDIC under its Temporary Liquidity Guarantee Program (TLGP) and junior subordinated debentures, was $302,823 at September 30, 2010 compared to $595,627 at December 31, 2009. We repaid $317,800 of long-term FHLB borrowings during the nine months ended September 30, 2010. Of the amount repaid, $169,800 was repaid upon maturity of the debt while $148,000 was paid prior to maturity.

Shareholders Equity

Shareholders equity increased to $477,034 at September 30, 2010 compared to $410,122 at December 31, 2009. The net proceeds from the sale of 3,925,000 shares of stock in a private placement with accredited institutional investors completed during the third quarter of 2010 increased shareholders equity by $51,402. Other factors contributing to the change in shareholders equity include current year earnings offset by dividends and changes in other comprehensive losses.

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Results of Operations

Three Months Ended September 30, 2010 as Compared to the Three Months Ended September 30, 2009

Net income for the three month period ended September 30, 2010 was $19,551, an increase of $15,326 from net income of $4,225 for the same period in 2009. Basic and diluted earnings per share were $0.81 for the three month period ended September 30, 2010, as compared to basic and diluted earnings per share of $0.20 for the comparable period a year ago.

The following table sets forth average balance sheet data, including all major categories of interest-earning assets and interest-bearing liabilities, together with the interest earned or interest paid and the average yield or average rate paid on each such category for the three months ended September 30, 2010 and 2009:

	Three Months Ended September 30,					
	2010			2009		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Assets						
Interest-earning assets:						
Loans[1]	$ 2,533,567	$ 36,265	5.66%	$ 2,465,298	$ 34,893	5.62%
Securities:						
Taxable[2]	559,817	5,506	3.93	567,500	6,658	4.69
Tax-exempt	169,972	2,633	6.20	136,476	2,220	6.51
Interest-bearing balances with banks	336,677	268	0.32	92,253	49	0.21
Total interest-earning assets:	3,600,033	44,672	4.92	3,261,527	43,820	5.33
Cash and due from banks	51,121			118,833		
Intangible assets	192,447			192,078		
Other assets	402,965			103,154		
Total assets	$ 4,246,566			$ 3,675,592		
Liabilities and shareholders equity						
Interest-bearing liabilities:						
Deposits:						
Interest-bearing demand[3]	$ 1,142,796	$ 3,123	1.08	$ 898,074	$ 2,932	1.30
Savings	164,451	320	0.77	90,318	34	0.15
Time deposits	1,622,491	9,042	2.21	1,297,792	8,501	2.60
Total interest-bearing deposits	2,929,738	12,485	1.69	2,286,184	11,467	1.99
Borrowed funds	438,047	3,831	3.53	647,919	5,956	3.65
Total interest-bearing liabilities	3,367,785	16,316	1.93	2,934,103	17,423	2.36
Noninterest-bearing deposits	351,449			297,390		
Other liabilities	61,223			37,320		
Shareholders equity	466,109			406,779		
Total liabilities and shareholders equity	$ 4,246,566			$ 3,675,592		
Net interest income/net interest margin		$ 28,362	3.12%		$ 26,397	3.22%

(1) Includes mortgage loans held for sale and shown net of unearned income.
(2) U.S. Government and some U.S. Government Agency securities are tax-free in the states in which we operate.
(3) Interest-bearing demand deposits include interest-bearing transactional accounts and money market deposits.

The average balances of nonaccruing loans are included in this table. Interest income and weighted average yields on tax-exempt loans and securities have been computed on a fully tax-equivalent basis assuming a federal tax rate of 35% and a state tax rate of 3.3%, which is net of federal tax benefit.

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Net Interest Income

Net interest income is the difference between interest earned on earning assets and the cost of interest-bearing liabilities, which are two of the largest components contributing to our net income. The primary concerns in managing net interest income are the mix and the repricing of rate-sensitive assets and liabilities. Net interest income increased 7.65% to $27,117 for the third quarter of 2010 compared to $25,191 for the same period in 2009. On a tax equivalent basis, net interest margin for the three month period ended September 30, 2010 was 3.12% compared to 3.22% for the same period in 2009.

Significant reductions in interest rate indices throughout 2008 had a negative impact on net interest margin in 2009 and continue to affect net interest margin in 2010. With each rate reduction in rate indices, specifically, the prime rate, rates paid on U.S. Treasury securities and the London Interbank Offering Rate (LIBOR), the yield on our variable rate loans indexed to these indices decreased. Additionally, cash flows generated from deposit growth, loan paydowns and security maturities, calls and sales have been redeployed in a lower interest rate environment resulting in lower yields on earning assets and placing negative pressure on the Company s net interest margin. The rate reductions and the easing of competitive and market-wide liquidity factors has also affected the cost of funding sources, particularly deposits, which has allowed the Company to use funding sources in the third quarter of 2010 with lower costs than the sources available in 2009. The acquisition of Crescent further reduced net interest margin for the three months ended September 30, 2010 by 21 basis points due to the excess cash provided from the Crescent acquisition.

Interest income increased 1.92% to $43,433 for the third quarter of 2010 from $42,614 for the same period in 2009. The increase in interest income was primarily due to increases in the average balances on earning assets offset by a decline in the yield on these earning assets and changes in the mix of interest-earning assets. The average balance of interest-earning assets increased $338,506 for the three months ended September 30, 2010 as compared to the same period in 2009. The acquisition of Crescent contributed average assets of $471,707 for the three months ended September 30, 2010. The tax equivalent yield on earning assets decreased 39 basis points to 4.92% for the third quarter of 2010 compared to 5.33% for the same period in 2009. The tax equivalent yield on the investment portfolio was 4.46% for the third quarter of 2010, down 58 basis points from 5.04% in the corresponding period in 2009. The acquisition of Crescent reduced the tax equivalent yield on earning assets for the three months ended September 30, 2010 by 11 basis points.

The following table presents the percentage of total average earning assets, by type and yield, as of September 30 for each of the years presented:

	Percentage of Total		Yield	
	2010	2009	2010	2009
Loans	70.43%	75.59%	5.66%	5.62%
Securities	20.23	21.58	4.46	5.04
Other	9.34	2.83	0.32	0.21
Total earning assets	100.00%	100.00%	4.92%	5.33%

Interest expense decreased 6.35% to $16,316 for the three months ended September 30, 2010 as compared to $17,423 for the same period in 2009. This decrease primarily resulted from reductions in the cost of the Company s legacy deposits and a change in the mix of such deposits, with higher costing public fund and time deposits replaced with lower costing core deposits. These reductions were offset by a $551,095 increase in the average balance of interest bearing liabilities as a result of the Crescent acquisition. The balances of public fund deposits decreased $84,624 during the third quarter of 2010 as compared to the same period in 2009.

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Noninterest Income

Noninterest income was $54,534 for the three month period ended September 30, 2010 compared to $13,953 for the same period in 2009. The gain on the acquisition of Crescent totaling $42,211 is the primary factor in the increase in noninterest income for the third quarter of 2010 compared to the same period in 2009.

Service charges on deposits were $5,771 and $5,379 for the third quarter of 2010 and 2009, respectively. Overdraft fees, the largest component of service charges on deposits, were $5,196 for the three month period ended September 30, 2010 compared to $4,833 for the same period in 2009. The acquisition of Crescent increased service charges on deposits and overdraft fees $229 and $187, respectively, in the third quarter of 2010. Beginning in the third quarter of 2010, the Company was required by law to ask customers to affirmatively consent, or opt in to the Company s overdraft service for ATM and one-time debit card transactions before overdraft fees may be assessed by the Company. Management believes these restrictions could have an adverse impact on noninterest income, but it is unable at this time to predict the extent of such impact.

Fees and commissions, which include fees charged for both deposit services (other than service charges on deposits) and loan services, were $3,654 for the three month period ended September 30, 2010 compared to $3,961 for the same period in 2009. Fees charged for loan services were $1,587 for the third quarter of 2010 compared to $1,907 for the same period in 2009, which is reflective of increased production in residential mortgage loans being refinanced due to a decline in mortgage interest rates during the third quarter of 2009 that was not present during the third quarter of 2010. Interchange fees on debit card transactions continue to be a good source of noninterest income. For the third quarter of 2010, fees associated with debit card usage were $1,244 compared to $1,379 for the same period in 2009. The Company also provides specialized products and services to our customers through our Financial Services division. Specialized products include fixed and variable annuities, mutual funds, and stocks offered through a third party provider. Revenues generated from the sale of all of these products, which are included in the Condensed Consolidated Statements of Income in the account line Fees and commissions, were $334 for the third quarter of 2010 compared to $289 for the same period of 2009.

The trust department operates on a custodial basis which includes administration of benefit plans, as well as accounting and money management for trust accounts. The trust department manages a number of trust accounts inclusive of personal and corporate benefit accounts, self-directed IRA s, and custodial accounts. Fees for managing these accounts are based on changes in market values of the assets under management in the account, with the amount of the fee depending on the type of account. Trust revenue for the third quarter of 2010 was $562 as compared to $501 for the same period in 2009. The market value of assets under management was $445,447 and $463,926 as of September 30, 2010 and 2009, respectively.

Gains on sales of securities available for sale for the three months ended September 30, 2010 were $1,906, resulting from the sale of approximately $36,274 in securities. These gains were offset by other-than-temporary-impairment losses totaling $2,915 recognized on two investments held in the Company s pooled trust preferred securities portfolio. The Company did not sell any securities during the third quarter of 2009.

Gains from sales of mortgage loans held for sale were $1,774 for the three months ended September 30, 2010 compared to $1,832 for the same period in 2009.

Noninterest Expense

Noninterest expense was $39,571 for the three month period ended September 30, 2010 compared to $26,118 for the same period in 2009. The acquisition of Crescent increased noninterest expense $5,091 for the third quarter of 2010, which includes noninterest expenses from the operations of Crescent totaling $3,136 and merger related expenses totaling $2,214.

Salaries and employee benefits for the three month period ended September 30, 2010 were $16,694 compared to $13,363 for the same period last year. Salaries and benefits attributable to the Crescent acquisition totaled $1,647.

Data processing costs for the three month period ended September 30, 2010 were $1,703, an increase of $264 compared to $1,439 for the same period last year. Net occupancy expense and equipment expense for the three month period ended September 30, 2010 increased $226 to $3,271 over the comparable period for the prior year. The increase in data processing and net occupancy and equipment expense is primarily attributable to the acquisition of Crescent. In addition, the Company opened a new full service branch in the Mountain Brook area of Birmingham, Alabama in July 2010.

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Amortization of intangible assets was $505 for the three months ended September 30, 2010 compared to $489 for the three months ended September 30, 2009. Intangible assets are amortized over their estimated useful lives, which, at the time of origination, ranged between five and ten years. These finite-lived intangible assets have remaining estimated useful lives ranging from one to ten years.

Advertising and public relations expense was $1,159 for the three months ending September 30, 2010, an increase of 37.65% compared to $842 for the same period in 2009.

Communication expense is incurred for communication to clients and between employees. Communication expense was $1,218 for the three months ended September 30, 2010 compared to $1,057 for the same period in 2009.

The Company incurred prepayment penalties of $2,785 as a result of the early paydown of $148,000 of FHLB advances during the third quarter of 2010.

Other noninterest expense was $11,323 and $4,815 for the three months ended September 30, 2010 and 2009, respectively. Merger expenses related to the acquisition of Crescent recognized during the three months ended September 30, 2010 were $2,214. Expenses on other real estate owned totaled $4,635 for the third quarter of 2010 compared to $1,054 for the same period in 2009. Expenses on other real estate owned for the third quarter of 2010 included a $3,318 write down of the carrying value to fair value on certain pieces of property held in other real estate owned. In addition, other noninterest expense for the three months ended September 30, 2010 includes an increase of $363 in expenses associated with our FDIC deposit insurance assessments due to an increase in the base assessment rates applicable to all insured institutions.

Noninterest expense as a percentage of average assets was 3.70% for the three month period ended September 30, 2010 and 2.82% for the comparable period in 2009. The net overhead ratio, which is defined as noninterest expense less noninterest income, expressed as a percent of average assets, was (1.49)% and 1.31% for the third quarter of 2010 and 2009, respectively. The efficiency ratio measures the cost of generating one dollar of revenue. That is, the ratio is designed to reflect the percentage of one dollar which must be expended to generate that dollar of revenue. Our efficiency ratio was 47.68% for the three month period ended September 30, 2010 compared to 64.73% for the same period of 2009. We calculate this ratio by dividing noninterest expense by the sum of net interest income on a fully taxable equivalent basis and noninterest income. The improvement in the Company s net overhead ratio and its efficiency ratio primarily resulted from increases in our noninterest income resulting from the $42,211 gain associated with the Crescent acquisition.

Income Taxes

Income tax expense was $11,029 for the three month period ended September 30, 2010 compared to $1,451 for the same period in 2009. The effective tax rates for the three month periods ended September 30, 2010 and 2009 were 36.06% and 25.56%, respectively. The increase in the effective tax rate for the three months ended September 30, 2010 as compared to the same period in 2009 is attributable to higher levels of taxable income in 2010 as a result of the gain arising from the Crescent acquisition. We continually seek investing opportunities in assets, primarily through state and local investment securities, whose earnings are given favorable tax treatment.

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Nine Months Ended September 30, 2010 as Compared to the Nine Months Ended September 30, 2009

Net income for the nine month period ended September 30, 2010 was $26,954, an increase of $12,467, or 86.06%, from net income of $14,487 for the same period in 2009. Basic earnings per share were $1.22 for the nine month period ended September 30, 2010, as compared to $0.69 for the same period in 2009. Diluted earnings per share were $1.21 for the nine months ending September 30, 2009 compared to $0.68 for the comparable period a year ago.

The following table sets forth average balance sheet data, including all major categories of interest-earning assets and interest-bearing liabilities, together with the interest earned or interest paid and the average yield or average rate paid on each such category for the nine months ended September 30, 2010 and 2009:

	Nine Months Ended September 30,					
	2010			2009		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Assets						
Interest-earning assets:						
Loans[1]	$ 2,400,482	$ 100,926	5.65%	$ 2,531,118	105,939	5.60%
Securities:						
Taxable[2]	567,198	16,792	3.95 &nb			

Real estate – commercial mortgage	16,126	12,669	—	12,669 2,665		
Installment loans to individuals	233	231	—	231		114
Total	$40,040	$34,466	$357	$	34,823	$8,899
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 which are impaired loans for the periods presented:

	Three Months Ended September 30, 2016		Three Months Ended September 30, 2015	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial, financial, agricultural	$2,387	$ 28	$1,286	$ 7
Lease financing	—	—	—	—
Real estate – construction	1,010	26	—	—
Real estate – 1-4 family mortgage	18,914	115	16,906	99
Real estate – commercial mortgage	13,425	87	20,112	199
Installment loans to individuals	234	—	71	2
Total	$35,970	$ 256	$38,375	$ 307

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	Nine Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial, financial, agricultural	$2,233	$ 48	$1,325	$ 21
Lease financing	—	—	—	—
Real estate – construction	819	28	—	—
Real estate – 1-4 family mortgage	19,146	309	17,192	275
Real estate – commercial mortgage	14,271	294	20,864	472
Installment loans to individuals	239	2	71	2
Total	$36,708	$ 681	$39,452	$ 770

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:

	Unpaid Contractual Principal Balance	Recorded Investment With Allowance	Recorded Investment With No Allowance	Total Recorded Investment	Related Allowance
September 30, 2016					
Commercial, financial, agricultural	$ 21,678	$ 4,729	$ 7,765	$ 12,494	$ 448
Lease financing	—	—	—	—	—
Real estate – construction	2,041	729	993	1,722	
Real estate – 1-4 family mortgage	96,394	22,308	57,924	80,232	726
Real estate – commercial mortgage	248,508	84,859	116,141	201,000	2,243
Installment loans to individuals	2,814	415	1,746	2,161	1
Total	$ 371,435	$ 113,040	$ 184,569	$ 297,609	$ 3,418
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 which are impaired loans for the periods presented:

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	Three Months Ended September 30, 2016		Three Months Ended September 30, 2015	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial, financial, agricultural	$15,317	$ 252	$12,379	$ 189
Lease financing	—	—	—	—
Real estate – construction	988	15	651	43
Real estate – 1-4 family mortgage	92,830	1,056	78,933	1,129
Real estate – commercial mortgage	226,533	2,635	219,229	3,487
Installment loans to individuals	2,508	25	3,261	34
Total	$338,176	$ 3,983	$314,453	$ 4,882

	Nine Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial, financial, agricultural	$15,768	$ 839	$12,298	$ 497
Lease financing	—	—	—	—
Real estate – construction	991	48	219	43
Real estate – 1-4 family mortgage	93,900	3,000	76,851	2,974
Real estate – commercial mortgage	224,004	7,859	217,130	8,779
Installment loans to individuals	2,625	80	3,416	106
Total	$337,288	$ 11,826	$309,914	$ 12,399

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:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Three months ended September 30, 2016			
Commercial, financial, agricultural	—	$ —	$ —
Lease financing	—	—	—
Real estate – construction	1	510	510
Real estate – 1-4 family mortgage	4	326	267
Real estate – commercial mortgage	—	—	—
Installment loans to individuals	—	—	—
Total	5	$ 836	$ 777
Three months ended September 30, 2015			
Commercial, financial, agricultural	—	$ —	$ —
Lease financing	—	—	—
Real estate – construction	—	—	—
Real estate – 1-4 family mortgage	7	545	520
Real estate – commercial mortgage	7	2,895	2,578
Installment loans to individuals	1	67	67
Total	15	$ 3,507	$ 3,165

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Nine months ended September 30, 2016			
Commercial, financial, agricultural	—	$ —	$ —
Real estate – construction	1	510	510
Real estate – 1-4 family mortgage	17	1,611	1,421
Real estate – commercial mortgage	2	612	606
Installment loans to individuals	—	—	—
Total	20	$ 2,733	$ 2,537
Nine months ended September 30, 2015			
Commercial, financial, agricultural	—	$ —	$ —
Real estate – construction	—	—	—
Real estate – 1-4 family mortgage	32	2,858	2,650
Real estate – commercial mortgage	12	6,896	6,567
Installment loans to individuals	1	67	67
Total	45	$ 9,821	$ 9,284

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 no restructured loans contractually 90 days past due or more and still accruing at September 30, 2016 and one restructured loan in the amount of $35 contractually 90 days past due or more and still accruing at September 30, 2015. The outstanding

balance of restructured loans on nonaccrual status was $9,764 and $13,956 at September 30, 2016 and September 30, 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	85	$ 13,453
Additional loans with concessions	23	2,926
Reductions due to:		
Reclassified as nonperforming	(3)	(1,336)
Paid in full	(17)	(3,304)
Charge-offs	—	(32)
Transfer to other real estate owned	(1)	(51)
Principal paydowns	—	(936)
Lapse of concession period	—	—
Reclassified as performing	—	—
Totals at September 30, 2016	87	$ 10,720

The allocated allowance for loan losses attributable to restructured loans was $321 and $1,343 at September 30, 2016 and September 30, 2015, respectively. The Company had $11 in remaining availability under commitments to lend additional funds on these restructured loans at September 30, 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 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
September 30, 2016				
Commercial, financial, agricultural	$515,497	$6,842	$ 2,633	$524,972
Lease financing	—	—	—	—
Real estate – construction	398,029	3,590	223	401,842
Real estate – 1-4 family mortgage	291,311	10,024	11,948	313,283
Real estate – commercial mortgage	2,332,496	25,166	13,968	2,371,630
Installment loans to individuals	95	—	114	209
Total	$3,537,428	$45,622	$ 28,886	$3,611,936
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

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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
September 30, 2016			
Commercial, financial, agricultural	$155,856	$ 804	$156,660
Lease financing	45,168	342	45,510
Real estate – construction	83,537	537	84,074
Real estate – 1-4 family mortgage	1,472,268	4,861	1,477,129
Real estate – commercial mortgage	321,971	1,030	323,001
Installment loans to individuals	109,177	137	109,314
Total	$2,187,977	$ 7,711	$2,195,688
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
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

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
September 30, 2016			
Commercial, financial, agricultural	$14	$12,480	$12,494
Lease financing	—	—	—
Real estate – construction	—	1,722	1,722
Real estate – 1-4 family mortgage	23,190	57,042	80,232
Real estate – commercial mortgage	120	200,880	201,000
Installment loans to individuals	20	2,141	2,161
Total	$23,344	$274,265	$297,609
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

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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 September 30, 2016:

	Covered Loans	Not Covered Loans	Total
Contractually-required principal and interest	$27,604	$393,329	$420,933
Nonaccretable difference[1]	(3,626)	(78,657)	(82,283)
Cash flows expected to be collected	23,978	314,672	338,650
Accretable yield[2]	(634)	(40,407)	(41,041)
Fair value	$23,344	$274,265	$297,609

(1) Represents contractual principal and interest cash flows of $82,248 and $35, respectively, not expected to be collected.
(2) Represents contractual interest payments of $1,862 expected to be collected and purchase discount of $39,179.

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

	Covered Loans	Not Covered Loans	Total
Balance at January 1, 2016	$(3,590)	$(44,116)	$(47,706)
Additions due to acquisition	—	(2,311)	(2,311)
Transfer of balance to Not Covered Loans	2,107	(2,107)	—
Reclasses from nonaccretable difference	(905)	(1,696)	(2,601)
Accretion	1,726	8,217	9,943
Charge-offs	28	1,606	1,634
Balance at September 30, 2016	$(634)	$(40,407)	$(41,041)

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

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

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 September 30, 2016						
Allowance for loan losses:						
Beginning balance	$ 4,512	$ 2,269	$ 14,219	$ 21,683	$ 1,415	$44,098
Charge-offs	(394)	—	(242)	(466)	(201)	(1,303)
Recoveries	85	4	188	181	21	479
Net (charge-offs) recoveries	(309)	4	(54)	(285)	(180)	(824)
Provision for loan losses	1,308	(52)	1,154	(87)	353	2,676
Benefit attributable to FDIC loss-share agreements	(61)	—	—	(47)	(41)	(149)
Recoveries payable to FDIC	4	2	93	24	—	123
Provision for loan losses charged to operations	1,251	(50)	1,247	(110)	312	2,650
Ending balance	$ 5,454	$ 2,223	$ 15,412	$ 21,288	$ 1,547	$45,924

	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other[1]	Total
Nine Months Ended September 30, 2016						
Allowance for loan losses:						
Beginning balance	$ 4,186	$ 1,852	$ 13,908	$ 21,111	$ 1,380	$42,437
Charge-offs	(1,099)	—	(745)	(1,653)	(573)	(4,070)
Recoveries	243	15	753	582	84	1,677
Net (charge-offs) recoveries	(856)	15	8	(1,071)	(489)	(2,393)
Provision for loan losses	2,174	348	1,333	1,067	697	5,619
Benefit attributable to FDIC loss-share agreements	(61)	—	(115)	(48)	(41)	(265)
Recoveries payable to FDIC	11	8	278	229	—	526
Provision for loan losses charged to operations	2,124	356	1,496	1,248	656	5,880
Ending balance	$ 5,454	$ 2,223	$ 15,412	$ 21,288	$ 1,547	$45,924
Period-End Amount Allocated to:						
Individually evaluated for impairment	$ 1,004	$ 2	$ 5,144	$ 2,635	$ 114	$8,899
Collectively evaluated for impairment	4,002	2,221	9,542	16,410	1,432	33,607

Acquired with deteriorated credit quality	448	—	726	2,243	1	3,418
Ending balance	$ 5,454	$ 2,223	$ 15,412	$ 21,288	$ 1,547	$45,924

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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 September 30, 2015						
Allowance for loan losses:						
Beginning balance	$ 3,971	$ 1,297	$ 13,792	$ 21,547	$ 1,281	$41,888
Charge-offs	(143)	—	(251)	(430)	(132)	(956)
Recoveries	82	3	145	112	27	369
Net (charge-offs) recoveries	(61)	3	(106)	(318)	(105)	(587)
Provision for loan losses	(307)	360	165	53	358	629
Benefit attributable to FDIC loss-share agreements	(10)	—	(39)	(231)	—	(280)
Recoveries payable to FDIC	20	1	99	277	4	401
Provision for loan losses charged to operations	(297)	361	225	99	362	750
Ending balance	$ 3,613	$ 1,661	$ 13,911	$ 21,328	$ 1,538	$42,051

	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other[1]	Total
Nine Months Ended September 30, 2015						
Allowance for loan losses:						
Beginning balance	$ 3,305	$ 1,415	$ 13,549	$ 22,759	$ 1,261	$42,289
Charge-offs	(501)	(26)	(1,605)	(2,287)	(238)	(4,657)
Recoveries	221	16	515	581	86	1,419
Net charge-offs	(280)	(10)	(1,090)	(1,706)	(152)	(3,238)
Provision for loan losses	624	254	653	244	425	2,200
Benefit attributable to FDIC loss-share agreements	(65)	—	(82)	(717)	—	(864)
Recoveries payable to FDIC	29	2	881	748	4	1,664
Provision for loan losses charged to operations	588	256	1,452	275	429	3,000
Ending balance	$ 3,613	$ 1,661	$ 13,911	$ 21,328	$ 1,538	$42,051
Period-End Amount Allocated to:						
Individually evaluated for impairment	$ 214	$ —	$ 4,482	$ 3,101	$ —	$7,797
Collectively evaluated for impairment	3,014	1,661	9,137	16,955	1,537	32,304
Acquired with deteriorated credit quality	385	—	292	1,272	1	1,950
Ending balance	$ 3,613	$ 1,661	$ 13,911	$ 21,328	$ 1,538	$42,051

(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
September 30, 2016						
Individually evaluated for impairment	$ 2,380	$ 1,042	$ 18,501	$ 12,669	$ 231	$ 34,823
Collectively evaluated for impairment	679,252	484,874	1,771,911	2,681,962	154,802	5,772,801
Acquired with deteriorated credit quality	12,494	1,722	80,232	201,000	2,161	297,609
Ending balance	$ 694,126	$ 487,638	$ 1,870,644	$ 2,895,631	$ 157,194	$ 6,105,233
December 31, 2015						
Individually evaluated for impairment	$ 370	$ 2,698	$ 16,650	$ 16,819	$ 90	$ 36,627
Collectively evaluated for impairment	619,978	352,218	1,627,024	2,294,300	147,150	5,040,670
Acquired with deteriorated credit quality	16,489	2,749	91,649	222,610	2,668	336,165
Ending balance	$ 636,837	$ 357,665	$ 1,735,323	$ 2,533,729	$ 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
September 30, 2016			
Residential real estate	$ 925	$ 2,103	$ 3,028
Commercial real estate	—	8,412	8,412
Residential land development	1	4,139	4,140
Commercial land development	—	10,748	10,748
Total	$ 926	$ 25,402	$ 26,328
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

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 not covered OREO[1]	(2,974)	2,974	—
Transfers of loans	1,750	3,397	5,147
Impairments[2]	(121)	(2,306)	(2,427)
Dispositions	(417)	(11,058)	(11,475)
Other	(130)	(189)	(319)
Balance at September 30, 2016	$926	$ 25,402	$26,328

(1) Represents a transfer of balances on non-single family assets of Citizens Bank of Effingham and First Southern National Bank (assumed in the Heritage acquisition). The claim period to submit losses to the FDIC for reimbursement on non-single family assets ended February 29, 2016 for Citizens Bank of Effingham and August 31, 2016 for First Southern National Bank.

(2) Of the total impairment charges of $121 recorded for covered OREO, $24 was included in the Consolidated Statements of Income for the nine months ended September 30, 2016, while the remaining $97 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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Repairs and maintenance	$209	$215	$815	$513
Property taxes and insurance	127	176	745	560
Impairments	1,048	527	2,330	1,922
Net losses (gains) on OREO sales	204	(16)	435	(499)
Rental income	(48)	(41)	(214)	(149)
Total	$1,540	$861	$4,111	$2,347

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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Balance at January 1, 2016	$7,149
Acquisition of Heritage (valuation adjustment)	(260)
Realized losses in excess of initial estimates on:	
Loans	265
OREO	97
Reimbursable expenses	—
Amortization	(756)
Reimbursements received from the FDIC	(1,294)
(Due from)/Due to FDIC	(1,148)
Balance at September 30, 2016	$4,053

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. There were $40 of impairment losses on MSRs during the nine months ended September 30, 2016 and no impairment losses recognized during the nine months ended September 30, 2015.
During the first quarter of 2016, the Company sold MSRs relating to mortgage loans having an aggregate unpaid principal balance totaling $1,830,444 to a third party for net proceeds of $18,508. There were no other sales of MSRs in 2016 and no sales in 2015.
Changes in the Company's MSRs were as follows:

Balance at January 1, 2016	$29,642
Sale of MSRs	(18,477)
Capitalization	12,965
Amortization	(1,965)
Impairment	(40)
Balance at September 30, 2016	$22,125

Data and key economic assumptions related to the Company's MSRs as of September 30, 2016 are as follows:

Unpaid principal balance	$2,365,770	
Weighted-average prepayment speed (CPR)	11.27	%
Estimated impact of a 10% increase	$(976	)
Estimated impact of a 20% increase	(1,880	)
Discount rate	9.63	%
Estimated impact of a 10% increase	$(829	)

Estimated impact of a 20% increase	(1,602	)
Weighted-average coupon interest rate	3.88	%
Weighted-average servicing fee (basis points)	25.84	
Weighted-average remaining maturity (in years)	10.13	

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Changes to the fair value of the MSRs are recorded as part of Mortgage banking income in the Consolidated Statements of Income. Also as part of Mortgage banking income, the Company recorded servicing fees of $595 and $1,045 for the three months ended September 30, 2016 and 2015, respectively. The Company recorded servicing fees of $2,212 and $2,163 for the nine months ended September 30, 2016 and 2015, respectively.

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. 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. Final distribution of all benefits under the plan was completed in August 2016. The table below presents the changes in the benefit obligation and plan assets from the beginning of the year until final distribution:

Pension Benefits - HeritageBank	2016
Change in benefit obligation	
Benefit obligation at beginning of year	$12,913
Service cost	—
Interest cost	172
Actuarial loss (gain)	(481)
Annuity benefits paid	(22)
Settlements (lump sum benefits paid)	(11,510)
Transfer to legacy Renasant defined benefit pension plan	(1,072)
Benefit obligation after final distribution	—
Change in plan assets	
Fair value of plan assets at beginning of year	$12,458
Actual return on plan assets	29
Employer contribution	142
Expenses paid from plan trust	(25)
Annuity benefits paid	(22)
Settlements (lump sum benefits paid)	(11,510)
Transfer to legacy Renasant defined benefit pension plan	(1,072)
Fair value of plan assets after final distribution	—

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

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:

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	Pension Benefits Renasant		Pension Benefits HeritageBank		Other Benefits	
	Three Months Ended September 30,		Three Months Ended September 30,		Three Months Ended September 30,	
	2016	2015	2016	2015	2016	2015
Service cost	$ —	$ —	$ —	$ —	$ 1	$ 5
Interest cost	304	275	34	152	14	15
Expected (return) on plan assets	(468)	(510)	(23)	(108)	—	—
Prior service cost recognized	—	—	—	—	—	—
Recognized actuarial gain	101	88	—	—	23	27
Settlement/curtailment/termination gains	—	—	(780)	—	—	—
Net periodic benefit cost (return)	$ (63)	$ (147)	$ (769)	$ 44	$ 38	$ 47

	Pension Benefits Renasant		Pension Benefits HeritageBank		Other Benefits	
	Nine Months Ended September 30,		Nine Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015	2016	2015
Service cost	$—	$—	$—	$—	$9	$13
Interest cost	912	820	172	152	43	45
Expected (return) on plan assets	(1,404)	(1,531)	(113)	(108)	—	—
Prior service cost recognized	—	—	—	—	—	—
Recognized actuarial loss	303	244	—	—	57	73
Settlement/curtailment/termination gains	—	—	(780)	—	—	—
Net periodic benefit (return) cost	$(189)	$(467)	$(721)	$44	$109	$131

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 or nine months ended September 30, 2016 and 2015.

The following table summarizes the changes in stock options as of and for the nine months ended September 30, 2016:

	Shares	Weighted Average Exercise Price

Options outstanding at beginning of period	621,444	$ 17.88
Granted	—	—
Exercised	(163,802)	21.18
Forfeited	(642)	29.67
Options outstanding at end of period	457,000	$ 16.68

The Company awards performance-based restricted stock to executives and other officers and employees and time-based restricted stock to directors, executives and other officers and employees under the long-term equity incentive plan. The performance-based restricted stock vests upon completion of a one-year service period and the attainment of certain performance goals. Performance-based restricted stock is issued at the target level; the number of shares ultimately awarded is determined at the end of each year and may be increased or decreased depending on the Company falling short of, meeting or exceeding financial performance

measures defined by the Board of Directors. Time-based restricted stock vests at the end of the service period defined in the respective grant. The fair value of each restricted stock award is the closing price of the Company's common stock on the day immediately preceding the award date. The following table summarizes the changes in restricted stock as of and for the nine months ended September 30, 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	52,005	31.74
Vested	—	—	(21,138)	27.53
Cancelled	—	—	(18,960)	32.40
Nonvested at end of period	61,700	$ 31.12	117,345	$ 31.76

During the nine months ended September 30, 2016, the Company reissued 128,912 shares from treasury in connection with the exercise of stock options and awards of restricted stock. The Company recorded total stock-based compensation expense of $848 and $1,019 for the three months ended September 30, 2016 and 2015, respectively, and $2,563 and $2,739 for the nine months ended September 30, 2016 and 2015, respectively.

Note H – Segment Reporting
(In Thousands)

The operations of the Company’s reportable segments are described as follows:

- The Community Banks segment delivers a complete range of banking and financial services to individuals and small to medium-sized businesses including checking and savings accounts, business and personal loans, asset-based lending and equipment leasing, as well as safe deposit and night depository facilities.
- The Insurance segment includes a full service insurance agency offering all major lines of commercial and personal insurance through major carriers.
- The Wealth Management segment offers a broad range of fiduciary services which includes the administration and management of trust accounts including personal and corporate benefit accounts, self-directed IRAs, and custodial accounts. In addition, the Wealth Management segment offers annuities, mutual funds and other investment services through a third party broker-dealer.

In order to give the Company’s divisional management a more precise indication of the income and expenses they can control, the results of operations for the Community Banks, the Insurance and the Wealth Management segments reflect the direct revenues and expenses of each respective segment. Indirect revenues and expenses, including but not limited to income from the Company’s investment portfolio, as well as certain costs associated with data processing and back office functions, primarily support the operations of the community banks and, therefore, are included in the results of the Community Banks segment. Included in “Other” are the operations of the holding company and other eliminations which are necessary for purposes of reconciling to the consolidated amounts.

The following table provides financial information for the Company’s operating segments as of and for the periods presented:

	Community Banks	Insurance	Wealth Management	Other	Consolidated
Three months ended September 30, 2016					
Net interest income (loss)	$77,064	$85	$ 472	$(1,890)	$75,731
Provision for loan losses	2,655	—	(5)	—	2,650
Noninterest income (loss)	32,773	2,454	3,248	(203)	38,272
Noninterest expense	71,784	1,762	2,745	177	76,468
Income (loss) before income taxes	35,398	777	980	(2,270)	34,885
Income tax expense (benefit)	12,284	301	—	(879)	11,706
Net income (loss)	$23,114	$476	$ 980	$(1,391)	$23,179
Total assets	$8,446,403	$22,708	$ 51,176	$22,184	$8,542,471
Goodwill	467,767	2,767	—	—	470,534
Three months ended September 30, 2015					
Net interest income (loss)	$69,404	$81	$ 418	$(1,291)	$68,612
Provision for loan losses	749	—	1	—	750
Noninterest income	26,638	2,434	2,981	26	32,079
Noninterest expense	71,461	1,783	2,497	238	75,979
Income (loss) before income taxes	23,832	732	901	(1,503)	23,962
Income tax expense (benefit)	8,040	288	—	(586)	7,742
Net income (loss)	$15,792	$444	$ 901	$(917)	$16,220
Total assets	$7,829,765	$21,978	$ 43,150	$16,070	$7,910,963
Goodwill	441,501	2,767	—	—	444,268

	Community Banks	Insurance	Wealth Management	Other	Consolidated
Nine months ended September 30, 2016					
Net interest income (loss)	$225,449	$259	$ 1,349	$(4,115)	$222,942
Provision for loan losses	5,893	—	(13)	—	5,880
Noninterest income	89,515	7,734	9,296	615	107,160
Noninterest expense	209,442	5,240	8,312	547	223,541
Income (loss) before income taxes	99,629	2,753	2,346	(4,047)	100,681
Income tax expense (benefit)	33,875	1,074	—	(1,563)	33,386
Net income (loss)	$65,754	$1,679	$ 2,346	$(2,484)	$67,295
Total assets	$8,446,403	$22,708	$ 51,176	$22,184	$8,542,471
Goodwill	467,767	2,767	—	—	470,534
Nine months ended September 30, 2015					
Net interest income (loss)	$171,125	$228	$ 1,260	$(3,606)	$169,007
Provision for loan losses	3,008	—	(8)	—	3,000
Noninterest income	62,064	7,012	7,694	58	76,828
Noninterest expense	161,888	5,131	6,748	613	174,380
Income (loss) before income taxes	68,293	2,109	2,214	(4,161)	68,455
Income tax expense (benefit)	22,397	827	—	(1,623)	21,601

Net income (loss)	$45,896	$1,282	$2,214	$(2,538)	$46,854
Total assets	$7,829,765	$21,978	$43,150	$16,070	$7,910,963
Goodwill	441,501	2,767	—	—	444,268

Note I – Fair Value Measurements
(In Thousands)

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Fair Value Measurements and the Fair Level Hierarchy

ASC 820, "Fair Value Measurements and Disclosures," provides guidance for using fair value to measure assets and liabilities and also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to a valuation based on quoted prices in active markets for identical assets and liabilities (Level 1), moderate priority to a valuation based on quoted prices in active markets for similar assets and liabilities and/or based on assumptions that are observable in the market (Level 2), and the lowest priority to a valuation based on assumptions that are not observable in the market (Level 3).

Recurring Fair Value Measurements

The Company carries certain assets and liabilities at fair value on a recurring basis in accordance with applicable standards. The Company's recurring fair value measurements are based on the requirement to carry such assets and liabilities at fair value or the Company's election to carry certain eligible assets and liabilities at fair value. Assets and liabilities that are required to be carried at fair value on a recurring basis include securities available for sale and derivative instruments. The Company has elected to carry mortgage loans held for sale at fair value on a recurring basis as permitted under the guidance in ASC 825, "Financial Instruments" ("ASC 825").

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

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

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

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

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

	Level 1	Level 2	Level 3	Totals
September 30, 2016				
Financial assets:				
Securities available for sale:				
Obligations of other U.S. Government agencies and corporations	$ —	$2,209	$—	$2,209
Residential mortgage-backed securities:				
Government agency mortgage backed securities	—	412,200	—	412,200
Government agency collateralized mortgage obligations	—	170,290	—	170,290
Commercial mortgage-backed securities:				
Government agency mortgage backed securities	—	54,906	—	54,906
Government agency collateralized mortgage obligations	—	2,668	—	2,668
Trust preferred securities	—	—	18,092	18,092
Other debt securities	—	17,273	—	17,273
Other equity securities	—	—	—	—
Total securities available for sale	—	659,546	18,092	677,638
Derivative instruments:				
Interest rate contracts	—	4,784	—	4,784
Interest rate lock commitments	—	7,866	—	7,866
Forward commitments	—	12	—	12
Total derivative instruments	—	12,662	—	12,662
Mortgage loans held for sale	—	189,965	—	189,965
Total financial assets	$ —	$862,173	$18,092	$880,265
Financial liabilities:				
Derivative instruments:				
Interest rate swaps	$ —	$6,225	$—	$6,225
Interest rate contracts	—	4,784	—	4,784
Interest rate lock commitments	—	—	—	—
Forward commitments	—	1,674	—	1,674
Total derivative instruments	—	12,683	—	12,683
Total financial liabilities	$ —	$12,683	$—	$12,683

	Level 1	Level 2	Level 3	Totals
December 31, 2015				
Financial assets:				
Securities available for sale:				
Obligations of other U.S. Government agencies and corporations	$ —	$6,200	$—	$6,200
Residential mortgage-backed securities:				
Government agency mortgage backed securities	—	364,540	—	364,540
Government agency collateralized mortgage obligations	—	168,060	—	168,060
Commercial mortgage-backed securities:				
Government agency mortgage backed securities	—	59,759	—	59,759
Government agency collateralized mortgage obligations	—	5,104	—	5,104
Trust preferred securities	—	—	19,469	19,469
Other debt securities	—	19,333	—	19,333
Other equity securities	—	4,340	—	4,340
Total securities available for sale	—	627,336	19,469	646,805
Derivative instruments:				
Interest rate contracts	—	2,544	—	2,544
Interest rate lock commitments	—	4,508	—	4,508
Forward commitments	—	446	—	446
Total derivative instruments	—	7,498	—	7,498
Mortgage loans held for sale	—	225,254	—	225,254
Total financial assets	$ —	$860,088	$19,469	$879,557
Financial liabilities:				
Derivative instruments:				
Interest rate swaps	$ —	$4,266	$—	$4,266
Interest rate contracts	—	2,544	—	2,544
Forward commitments	—	509	—	509
Total derivative instruments	—	7,319	—	7,319
Total financial liabilities	$ —	$7,319	$—	$7,319

The Company reviews fair value hierarchy classifications on a quarterly basis. Changes in the Company’s ability to observe inputs to the valuation may cause reclassification of certain assets or liabilities within the fair value hierarchy. Transfers between levels of the hierarchy are deemed to have occurred at the end of period. There were no such transfers between levels of the fair value hierarchy during the nine months ended September 30, 2016.

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The following tables provide a reconciliation for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs, or Level 3 inputs, during the three and nine months ended September 30, 2016 and 2015, respectively:

Three Months Ended September 30, 2016	Trust preferred securities
Balance at July 1, 2016	$ 18,179
Accretion included in net income	8
Unrealized losses included in other comprehensive income	(41)
Purchases	—
Sales	—
Issues	—
Settlements	(54)
Transfers into Level 3	—
Transfers out of Level 3	—
Balance at September 30, 2016	$ 18,092

Three Months Ended September 30, 2015	Trust preferred securities
Balance at July 1, 2015	$ 19,127
Accretion included in net income	8
Unrealized losses included in other comprehensive income	(200)
Purchases	—
Sales	—
Issues	—
Settlements	(45)
Transfers into Level 3	—
Transfers out of Level 3	—
Balance at September 30, 2015	$ 18,890

Nine Months Ended September 30, 2016	Trust preferred securities
Balance at January 1, 2016	$ 19,469
Accretion included in net income	23
Unrealized losses included in other comprehensive income	(168)
Purchases	—
Sales	—
Issues	—
Settlements	(1,232)
Transfers into Level 3	
Transfers out of Level 3	—
Balance at September 30, 2016	$ 18,092

Nine Months Ended September 30, 2015	Trust preferred securities
Balance at January 1, 2015	$ 19,756
Accretion included in net income	(70)
Unrealized gains included in other comprehensive income	822
Purchases	—
Sales	(1,117)
Issues	—
Settlements	(501)
Transfers into Level 3	—
Transfers out of Level 3	—
Balance at September 30, 2015	$ 18,890

For the three and nine months ended September 30, 2016 and 2015, there were no gains or losses included in earnings that were attributable to the change in unrealized gains or losses related to assets or liabilities held at the end of each respective period that were measured on a recurring basis using significant unobservable inputs.
The following table presents information as of September 30, 2016 about significant unobservable inputs (Level 3) used in the valuation of assets and liabilities measured at fair value on a recurring basis:

Financial instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs
Trust preferred securities	$18,092	Discounted cash flows	Default rate	0-100%

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

September 30, 2016	Level 1	Level 2	Level 3	Totals
Impaired loans	$ —	$ —	$7,187	$7,187
OREO	—	—	8,810	8,810
Mortgage servicing rights	—	—	22,606	22,606
Total	$ —	$ —	$38,603	$38,603

December 31, 2015	Level 1	Level 2	Level 3	Totals
Impaired loans	$ —	$ —	$6,508	$6,508
OREO	—	—	12,839	12,839
Total	$ —	$ —	$19,347	$19,347

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

Impaired loans: Loans considered impaired are reserved for at the time the loan is identified as impaired taking into account the fair value of the collateral less estimated selling costs. Collateral may be real estate and/or business assets

including but not limited to equipment, inventory and accounts receivable. The fair value of real estate is determined based on appraisals by qualified licensed appraisers. The fair value of the business assets is generally based on amounts reported on the business's financial statements. Appraised and reported values may be adjusted based on changes in market conditions from the time of valuation and management's knowledge of the client and the client's business. Since not all valuation inputs are observable, these nonrecurring fair value

determinations are classified as Level 3. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors previously identified. Impaired loans covered under loss-share agreements were recorded at their fair value upon the acquisition date, and no fair value adjustments were necessary for the nine months ended September 30, 2016 or 2015. Impaired loans not covered under loss-share agreements that were measured or re-measured at fair value had a carrying value of $9,908 and $7,191 at September 30, 2016 and December 31, 2015, respectively, and a specific reserve for these loans of $2,721 and $683 was included in the allowance for loan losses as of such dates.

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

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

	September 30, 2016	December 31, 2015
OREO covered under loss-share agreements:		
Carrying amount prior to remeasurement	$ 84	$ —
Impairment recognized in results of operations	(9)	—
Increase in FDIC loss-share indemnification asset	(37)	—
Receivable from other guarantor	—	—
Fair value	$ 38	$ —
OREO not covered under loss-share agreements:		
Carrying amount prior to remeasurement	$ 10,856	$ 14,726
Impairment recognized in results of operations	(2,084)	(1,887)
Fair value	$ 8,772	$ 12,839

Mortgage servicing rights: Mortgage servicing rights are carried at the lower of amortized cost or fair value. Fair value is determined using an income approach with various assumptions including expected cash flows, market discount rates, prepayment speeds, servicing costs, and other factors. Because these factors are not all observable and include management's assumptions, mortgage servicing rights are classified within Level 3 of the fair value hierarchy. Mortgage servicing rights were carried at amortized cost at September 30, 2016 and December 31, 2015, and $40 in impairment charges were recognized in earnings for the nine months ended September 30, 2016. There were no impairment charges recognized in earnings for the same time period in 2015.

The following table presents information as of September 30, 2016 about significant unobservable inputs (Level 3) used in the valuation of assets and liabilities measured at fair value on a nonrecurring basis:

Financial instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs
Impaired loans	$7,187	Appraised value of collateral less estimated costs to sell	Estimated costs to sell	4-10%
OREO	8,810	Appraised value of property less estimated costs to sell	Estimated costs to sell	4-10%

Fair Value Option

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

Net losses of $145 and net gains of $1,023 resulting from fair value changes of these mortgage loans were recorded in income during the nine months ended September 30, 2016 and 2015, respectively. The amount does not reflect changes in fair values of related derivative instruments used to hedge exposure to market-related risks associated with these mortgage loans. The change in fair value of both mortgage loans held for sale and the related derivative instruments are recorded in "Mortgage banking income" in the Consolidated Statements of Income.
The Company's valuation of mortgage loans held for sale incorporates an assumption for credit risk; however, given the short-term period that the Company holds these loans, valuation adjustments attributable to instrument-specific credit risk is nominal. Interest income on mortgage loans held for sale measured at fair value is accrued as it is earned based on contractual rates and is reflected in loan interest income on the Consolidated Statements of Income.
The following table summarizes the differences between the fair value and the principal balance for mortgage loans held for sale measured at fair value as of:

September 30, 2016	Aggregate Fair Value	Aggregate Unpaid Principal Balance	Difference
Mortgage loans held for sale measured at fair value	$ 189,965	$ 183,357	$ 6,608
Past due loans of 90 days or more	—	—	—
Nonaccrual loans	—	—	—

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

		Fair Value			
As of September 30, 2016	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$217,391	$217,391	$—	$ —	$217,391
Securities held to maturity	362,319	—	381,950	—	381,950
Securities available for sale	677,638	—	659,546	18,092	677,638
Mortgage loans held for sale	189,965	—	189,965	—	189,965
Loans covered under loss-share agreements	30,533	—	—	30,704	30,704
Loans not covered under loss-share agreements, net	6,028,776	—	—	6,016,370	6,016,370
FDIC loss-share indemnification asset	4,053	—	—	4,053	4,053
Mortgage servicing rights	22,125	—	—	22,606	22,606
Derivative instruments	12,662	—	12,662	—	12,662
Financial liabilities					
Deposits	$6,817,798	$5,190,976	$1,631,027	$ —	$6,822,003
Short-term borrowings	266,943	266,943	—	—	266,943
Other long-term borrowings	158	158	—	—	158
Federal Home Loan Bank advances	8,807	—	9,363	—	9,363
Junior subordinated debentures	95,506	—	73,301	—	73,301
Subordinated notes	98,167	—	102,500	—	102,500
Derivative instruments	12,683	—	12,683	—	12,683

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		Fair Value			
As of December 31, 2015	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$211,571	$211,571	$—	$ —	$211,571
Securities held to maturity	458,400	—	473,753	—	473,753
Securities available for sale	646,805	—	627,336	19,469	646,805
Mortgage loans held for sale	225,254	—	225,254	—	225,254
Loans covered under loss-share agreements	93,142	—	—	92,528	92,528
Loans not covered under loss-share agreements, net	5,277,883	—	—	5,208,630	5,208,630
FDIC loss-share indemnification asset	7,149	—	—	7,149	7,149
Mortgage servicing rights	29,642	—	—	33,283	33,283
Derivative instruments	7,498	—	7,498	—	7,498
Financial liabilities					
Deposits	$6,218,602	$4,723,312	$1,502,202	$ —	$6,225,514
Short-term borrowings	422,279	422,279	—	—	422,279
Other long-term borrowings	192	192	—	—	192
Federal Home Loan Bank advances	52,930	—	56,101	—	56,101
Junior subordinated debentures	95,095	—	78,095	—	78,095
Derivative instruments	7,319	—	7,319	—	7,319

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value. The methodologies for estimating the fair value of financial assets and liabilities that are measured at fair value on a recurring or nonrecurring basis were discussed previously.
Cash and cash equivalents: Cash and cash equivalents consist of cash and due from banks and interest-bearing balances with banks. The carrying amount reported in the Consolidated Balance Sheets for cash and cash equivalents approximates fair value based on the short-term nature of these assets.
Securities held to maturity: Securities held to maturity consist of debt securities such as obligations of U.S. Government agencies, states, and other political subdivisions. Where quoted market prices in active markets are available, securities are classified within Level 1 of the fair value hierarchy. If quoted prices in active markets are not available, fair values are based on quoted market prices for similar instruments traded in active markets, quoted market prices for identical or similar instruments traded in markets that are not active, or model-based valuation techniques where all significant assumptions are observable in the market. Such instruments are classified within Level 2 of the fair value hierarchy. When assumptions used in model-based valuation techniques are not observable in the market, the assumptions used by management reflect estimates of assumptions used by other market participants in determining fair value. When there is limited transparency around the inputs to the valuation, the instruments are classified within Level 3 of the fair value hierarchy.
Loans covered under loss-share agreements: The fair value of loans covered under loss-share agreements is based on the net present value of future cash proceeds expected to be received using discount rates that are derived from current market rates and reflect the level of interest risk in the covered loans.
Loans not covered under loss-share agreements: For variable-rate loans not covered under loss-share agreements that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values of fixed-rate loans not covered under loss-share agreements, including mortgages and commercial, agricultural and consumer loans, are estimated using a discounted cash flow analysis based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

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

Deposits: The fair values disclosed for demand deposits, both interest-bearing and noninterest-bearing, are, by definition, equal to the amount payable on demand at the reporting date. Such deposits are classified within Level 1 of the fair value hierarchy. The

fair values of certificates of deposit and individual retirement accounts are estimated using a discounted cash flow based on currently effective interest rates for similar types of deposits. These deposits are classified within Level 2 of the fair value hierarchy.

Short-term borrowings: Short-term borrowings consist of securities sold under agreements to repurchase and short-term FHLB advances. The fair value of these borrowings approximates the carrying value of the amounts reported in the Consolidated Balance Sheets for each respective account given the short-term nature of the liabilities.

Federal Home Loan Bank advances: The fair value for Federal Home Loan Bank ("FHLB") advances is determined by discounting the expected future cash outflows using current market rates for similar borrowings, or Level 2 inputs.

Junior subordinated debentures and subordinated notes: The fair value for the Company's junior subordinated debentures and subordinated notes is determined using quoted market prices for similar instruments traded in active markets.

Note J – Derivative Instruments

(In Thousands)

The Company utilizes derivative financial instruments, including interest rate contracts such as swaps, caps and/or floors, as part of its ongoing efforts to mitigate its interest rate risk exposure and to facilitate the needs of its customers. The Company also from time to time enters into derivative instruments that are not designated as hedging instruments to help its commercial customers manage their exposure to interest rate fluctuations. To mitigate the interest rate risk associated with these customer contracts, the Company enters into an offsetting derivative contract position. The Company manages its credit risk, or potential risk of default by its commercial customers, through credit limit approval and monitoring procedures. At September 30, 2016, the Company had notional amounts of $80,065 on interest rate contracts with corporate customers and $80,065 in offsetting interest rate contracts with other financial institutions to mitigate the Company's rate exposure on its corporate customers' contracts and certain fixed-rate loans.

In June 2014, the Company entered into two forward interest rate swap contracts on floating rate liabilities at the Bank level with notional amounts of $15,000 each. The interest rate swap contracts are each accounted for as a cash flow hedge with the objective of protecting against any interest rate volatility on future FHLB borrowings for a four-year and five-year period beginning June 1, 2018 and December 3, 2018 and ending June 2022 and June 2023, respectively. Under these contracts, Renasant Bank will pay a fixed interest rate and will receive a variable interest rate based on the three-month LIBOR plus a pre-determined spread, with quarterly net settlements.

In March and April 2012, the Company entered into two interest rate swap agreements effective March 30, 2014 and March 17, 2014, respectively. Under these swap agreements, the Company receives a variable rate of interest based on the three-month LIBOR plus a pre-determined spread and pays a fixed rate of interest. The agreements, which both terminate in March 2022, are accounted for as cash flow hedges to reduce the variability in cash flows resulting from changes in interest rates on $32,000 of the Company's junior subordinated debentures.

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

The Company enters into interest rate lock commitments with its customers to mitigate the interest rate risk associated with the commitments to fund fixed-rate residential mortgage loans. The notional amount of commitments to fund fixed-rate mortgage loans was $265,911 and $251,676 at September 30, 2016 and December 31, 2015, respectively. The Company also enters into forward commitments to sell residential mortgage loans to secondary market investors. The notional amount of commitments to sell residential mortgage loans to secondary market investors was $353,000 and $293,500 at September 30, 2016 and December 31, 2015, respectively.
The following table provides details on the Company's derivative financial instruments as of the dates presented:

	Balance Sheet Location	Fair Value September 30, 2016	December 31, 2015
Derivative assets:			
Not designated as hedging instruments:			
Interest rate contracts	Other Assets	$4,784	$ 2,544
Interest rate lock commitments	Other Assets	7,866	4,508
Forward commitments	Other Assets	12	446
Totals		$12,662	$ 7,498
Derivative liabilities:			
Designated as hedging instruments:			
Interest rate swaps	Other Liabilities	$6,225	$ 4,266
Totals		$6,225	$ 4,266
Not designated as hedging instruments:			
Interest rate contracts	Other Liabilities	$4,784	$ 2,544
Interest rate lock commitments	Other Liabilities	—	—
Forward commitments	Other Liabilities	1,674	509
Totals		$6,458	$ 3,053

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Derivatives not designated as hedging instruments:				
Interest rate contracts:				
Included in interest income on loans	$ 660	$ 576	$1,786	$1,677
Interest rate lock commitments:				
Included in gains on sales of mortgage loans held for sale	2,297	2,326	3,359	3,783
Forward commitments				
Included in gains on sales of mortgage loans held for sale	3,020	(2,999)	(1,599)	(1,288)
Total	$ 5,977	$ (97)	$3,546	$4,172

For the Company's derivatives designated as cash flow hedges, changes in fair value of the cash flow hedges are, to the extent that the hedging relationship is effective, recorded as other comprehensive income and are subsequently recognized in earnings at the same time that the hedged item is recognized in earnings. The ineffective portions of the changes in fair value of the hedging instruments are immediately recognized in earnings. The assessment of the

effectiveness of the hedging relationship is evaluated under the hypothetical derivative method. There were no ineffective portions for the three and nine months ended September 30, 2016 and 2015. The impact on other comprehensive income for the three and nine months ended September 30, 2016 and 2015, can be seen at Note K, "Other Comprehensive Income."

Offsetting

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

	Offsetting Derivative Assets		Offsetting Derivative Liabilities	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Gross amounts recognized	$ 12	$ 446	$ 12,004	$ 6,454
Gross amounts offset in the Consolidated Balance Sheets	—	—	—	—
Net amounts presented in the Consolidated Balance Sheets	12	446	12,004	6,454
Gross amounts not offset in the Consolidated Balance Sheets				
Financial instruments	12	282	12	282
Financial collateral pledged	—	—	10,922	6,020
Net amounts	$ —	$ 164	$ 1,070	$ 152

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

	Pre-Tax	Tax Expense (Benefit)	Net of Tax
Three months ended September 30, 2016			
Securities available for sale:			
Unrealized holding gains on securities	$2,258	$ 873	$ 1,385
Reclassification adjustment for gains realized in net income	—	—	—
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(18)	(7)	(11)
Total securities available for sale	2,240	866	1,374
Derivative instruments:			
Unrealized holding gains on derivative instruments	807	312	495
Total derivative instruments	807	312	495
Defined benefit pension and post-retirement benefit plans:			
Reclassification adjustment for net settlement gain realized in net income	(383)	(148)	(235)
Amortization of net actuarial loss recognized in net periodic pension cost	124	48	76
Total defined benefit pension and post-retirement benefit plans	(259)	(100)	(159)
Total other comprehensive income	$2,788	$ 1,078	$ 1,710
Three months ended September 30, 2015			
Securities available for sale:			
Unrealized holding gains on securities	$6,029	$ 2,312	$ 3,717
Reclassification adjustment for gains realized in net income	—	—	—
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(42)	(16)	(26)
Total securities available for sale	5,987	2,296	3,691
Derivative instruments:			
Unrealized holding losses on derivative instruments	(1,752)	(677)	(1,075)
Total derivative instruments	(1,752)	(677)	(1,075)
Defined benefit pension and post-retirement benefit plans:			
Amortization of net actuarial loss recognized in net periodic pension cost	114	59	55
Total defined benefit pension and post-retirement benefit plans	114	59	55
Total other comprehensive income	$4,349	$ 1,678	$ 2,671

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

	Pre-Tax	Tax Expense (Benefit)	Net of Tax
Nine months ended September 30, 2016			
Securities available for sale:			
Unrealized holding gains on securities	$8,573	$ 3,313	$ 5,260
Reclassification adjustment for gains realized in net income	(1,186)	(458)	(728)
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(79)	(30)	(49)
Total securities available for sale	7,308	2,825	4,483
Derivative instruments:			
Unrealized holding losses on derivative instruments	(1,959)	(760)	(1,199)
Total derivative instruments	(1,959)	(760)	(1,199)
Defined benefit pension and post-retirement benefit plans:			
Reclassification adjustment for net settlement gain realized in net income	(383)	(148)	(235)
Amortization of net actuarial loss recognized in net periodic pension cost	360	132	228
Total defined benefit pension and post-retirement benefit plans	(23)	(16)	(7)
Total other comprehensive income	$5,326	$ 2,049	$ 3,277
Nine months ended September 30, 2015			
Securities available for sale:			
Unrealized holding gains on securities	$4,066	$ 1,561	$ 2,505
Reclassification adjustment for gains realized in net income	(96)	(36)	(60)
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(139)	(53)	(86)
Total securities available for sale	3,831	1,472	2,359
Derivative instruments:			
Unrealized holding losses on derivative instruments	(1,437)	(556)	(881)
Total derivative instruments	(1,437)	(556)	(881)
Defined benefit pension and post-retirement benefit plans:			
Amortization of net actuarial loss recognized in net periodic pension cost	316	136	180
Total defined benefit pension and post-retirement benefit plans	316	136	180
Total other comprehensive income	$2,710	$ 1,052	$ 1,658

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

	September 30, 2016	December 31, 2015
Unrealized gains on securities	$ 20,967	$ 16,500
Non-credit related portion of other-than-temporary impairment on securities	(16,719)	(16,735)
Unrealized losses on derivative instruments	(3,081)	(1,882)
Unrecognized losses on defined benefit pension and post-retirement benefit plans obligations	(7,425)	(7,418)
Total accumulated other comprehensive loss	$ (6,258)	$ (9,535)

Note L – Net Income Per Common Share

(In Thousands, Except Share Data)

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Renasant Corporation and Subsidiaries
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Basic net income per common share is calculated by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted net income per common share reflects the pro forma dilution of shares outstanding assuming outstanding stock options were exercised into common shares, calculated in accordance with the treasury method. Basic and diluted net income per common share calculations are as follows for the periods presented:

	Three Months Ended September 30,	
	2016	2015
Basic		
Net income applicable to common stock	$23,179	$ 16,220
Average common shares outstanding	42,091,164	40,265,941
Net income per common share - basic	$0.55	$ 0.40
Diluted		
Net income applicable to common stock	$23,179	$ 16,220
Average common shares outstanding	42,091,164	40,265,941
Effect of dilutive stock-based compensation	219,194	252,472
Average common shares outstanding - diluted	42,310,358	40,518,413
Net income per common share - diluted	$0.55	$ 0.40

	Nine Months Ended September 30,	
	2016	2015
Basic		
Net income applicable to common stock	$67,295	$ 46,854
Average common shares outstanding	41,500,407	34,521,255
Net income per common share - basic	$1.62	$ 1.36
Diluted		
Net income applicable to common stock	$67,295	$ 46,854
Average common shares outstanding	41,500,407	34,521,255
Effect of dilutive stock-based compensation	229,501	277,863
Average common shares outstanding - diluted	41,729,908	34,799,118
Net income per common share - diluted	$1.61	$ 1.35

Stock options that could potentially dilute basic net income per common share in the future that were not included in the computation of diluted net income per common share due to their anti-dilutive effect were as follows for the periods presented:

	Three Months Ended September 30,	
	2016	2015
Number of shares	—	—
Exercise prices	$—	$—

	Nine Months Ended September 30,	
	2016	2015
Number of shares	—	99,852
Range of exercise prices	$—	30.63

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Note M – Mergers and Acquisitions
(In Thousands, Except Share Data)

Acquisition of KeyWorth Bank
Effective April 1, 2016, the Company completed its acquisition of KeyWorth Bank ("KeyWorth") in a transaction valued at approximately $58,885. The Company issued 1,680,021 shares of common stock and paid approximately $3,594 to KeyWorth stock option and warrant holders for 100% of the voting equity interest in KeyWorth. At closing, KeyWorth merged with and into Renasant Bank, with Renasant Bank the surviving banking corporation in the merger.

As a result of the KeyWorth acquisition, the Company acquired total assets with an estimated fair value of $415,232, total loans with an estimated fair value of $272,330 and total deposits with an estimated fair value of $348,961, and six banking locations in the Atlanta metropolitan area. The Company is finalizing the fair value of taxes and property and equipment related to the KeyWorth acquisition.

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

Acquisition of Heritage Financial Group, Inc.

Effective July 1, 2015, the Company completed its acquisition by merger with Heritage Financial Group, Inc. ("Heritage") in a transaction valued at $295,444. The Company issued 8,635,879 shares of common stock and paid $5,915 to Heritage stock option holders for 100% of the voting equity interest in Heritage. At closing, Heritage merged with and into the Company, with the Company surviving the merger. On the same date, HeritageBank was merged into Renasant Bank. On July 1, 2015, Heritage operated 48 banking, mortgage and investment offices in Alabama, Georgia and Florida.

The Company recorded approximately $187,468 in intangible assets which consist of goodwill of $175,212 and a core deposit intangible of $12,256. Goodwill resulted from a combination of revenue enhancements from expansion into new markets and efficiencies resulting from operational synergies. The fair value of the core deposit intangible is being amortized on an accelerated basis over the estimated useful life, currently expected to be approximately 10 years. The goodwill is not deductible for income tax purposes.

The following table summarizes the allocation of purchase price to assets and liabilities acquired in connection with the Company's acquisition of Heritage based on their fair values on July 1, 2015.

Purchase Price:		
Shares issued to common shareholders	8,635,879	
Purchase price per share	$32.60	
Value of stock paid		$281,530
Cash paid for fractional shares		26
Cash settlement for stock options, net of tax benefit		5,915
Deal charges		7,973
Total Purchase Price		$295,444
Net Assets Acquired:		
Stockholders’ equity at acquisition date	$160,652	
Increase (decrease) to net assets as a result of fair value adjustments to assets acquired and liabilities assumed:		
Securities	(1,401)	
Mortgage loans held for sale	(3,158)	
Loans, net of Heritage's allowance for loan losses	(16,837)	
Fixed assets	(6,419)	
Intangible assets, net of Heritage's existing core deposit intangible	18,193	
Other real estate owned	1,390	
FDIC loss-share indemnification asset	(15,507)	
Other assets	3,045	
Deposits	(3,776)	
Other liabilities	(7,873)	
Deferred income taxes	(8,077)	
Total Net Assets Acquired		120,232
Goodwill resulting from merger[1]		$175,212

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

The following table summarizes the fair value of assets acquired and liabilities assumed at acquisition date in connection with the merger with Heritage.

Cash and cash equivalents	$ 38,626
Securities	177,849
Loans, including mortgage loans held for sale, net of unearned income	1,458,411
Premises and equipment	42,914
Other real estate owned	9,972
Intangible assets	187,468
Other assets	104,737
Total assets	2,019,977
Deposits	1,375,354
Borrowings	314,656
Other liabilities	34,523
Total liabilities	1,724,533

The following unaudited pro forma combined condensed consolidated financial information presents the results of operations for the nine months ended September 30, 2016 and 2015 of the Company as though the Heritage merger had been completed as of January 1, 2015. The unaudited estimated pro forma information combines the historical

results of Heritage 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

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place on January 1, 2015. 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.

	Nine Months Ended September 30,	
	2016	2015
Interest income	$243,299	$225,985
Interest expense	20,357	16,680
Net interest income	222,942	209,305
Provision for loan and lease losses	5,880	3,300
Noninterest income	107,160	103,778
Noninterest expense	223,541	238,651
Income before income taxes	100,681	71,132
Income taxes	33,386	22,610
Net income	67,295	48,522
Earnings per share:		
Basic	$1.61	$1.12
Diluted	$1.60	$1.12

In connection with the acquisition of Heritage, the Bank assumed two loss-sharing agreements with the FDIC which covered Citizens Bank of Effingham ("Citizens") and First Southern National Bank ("First Southern"). The claim periods to submit losses to the FDIC for reimbursement ended February 29, 2016 for non-single family Citizens loans and ends February 28, 2021 for single family Citizens loans. The claim periods to submit losses to the FDIC for reimbursement ended August 31, 2016 for non-single family First Southern loans and ends August 31, 2021 for single family First Southern loans.

Acquisition of First M&F Corporation

On September 1, 2013, the Company completed its acquisition by merger of First M&F, a bank holding company headquartered in Kosciusko, Mississippi, and the parent of Merchants and Farmers Bank, a Mississippi banking corporation. On the same date, Merchants and Farmers Bank was merged into Renasant Bank. On August 31, 2013, First M&F operated 43 banking and insurance locations in Mississippi, Alabama and Tennessee. The Company issued 6,175,576 shares of its common stock for 100% of the voting equity interests in First M&F. The aggregate transaction value, including the dilutive impact of First M&F's stock based compensation assumed by the Company, was $156,845.

The Company recorded approximately $115,159 in intangible assets which consist of goodwill of $90,127 and core deposit intangible of $25,032. 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 intangible assets are not deductible for income tax purposes.

The Company assumed $30,928 in fixed/floating rate junior subordinated deferrable interest debentures payable to First M&F Statutory Trust I that mature in March 2036. The acquired subordinated debentures require interest to be paid quarterly at a rate of 90-day LIBOR plus 1.33%. The fair value adjustment on the junior subordinated debentures of $12,371 will be amortized on a straight line basis over the remaining life.

Acquisition of RBC Bank (USA) Trust Division

On August 31, 2011, the Company acquired the Birmingham, Alabama-based trust division of RBC Bank (USA), which served clients in Alabama and Georgia. Under the terms of the transaction, RBC Bank (USA) transferred its approximately $680,000 in assets under management, comprised of personal and institutional clients with over 200 trust, custodial and escrow accounts, to a wholly-owned subsidiary, and the Bank acquired all of the ownership interests in the subsidiary, which was subsequently merged into the Bank.

FDIC-Assisted Acquisitions

On February 4, 2011, the Bank entered into a purchase and assumption agreement with loss-share agreements with the FDIC to acquire specified assets and assume specified liabilities of American Trust Bank, a Georgia-chartered bank headquartered in

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Roswell, Georgia (“American Trust”). American Trust operated 3 branches in the northwest region of Georgia. In connection with the acquisition, the Bank entered into loss-share agreements with the FDIC that covered $73,657 of American Trust loans (the “covered ATB loans”). The Bank will share in the losses on the asset pools (including single family residential mortgage loans and commercial loans) covered under the loss-share agreements. Pursuant to the terms of the loss-share agreements, the FDIC is obligated to reimburse the Bank for 80% of all eligible losses with respect to covered ATB loans, 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 ATB loans. The claim periods to submit losses to the FDIC for reimbursement ended February 5, 2016 for non-single family ATB loans and ends February 28, 2021 for single family ATB loans.

On July 23, 2010, the Bank acquired specified assets and assumed specified liabilities of Crescent Bank & Trust Company, a Georgia-chartered bank headquartered in Jasper, Georgia (“Crescent”), from the FDIC, as receiver for Crescent. Crescent operated 11 branches in the northwest region of Georgia. In connection with the acquisition, the Bank entered into loss-share agreements with the FDIC that covered $361,472 of Crescent loans and $50,168 of other real estate owned (the “covered Crescent assets”). The Bank will share in the losses on the asset pools (including single family residential mortgage loans and commercial loans) covered under the loss-share agreements. Pursuant to the terms of the loss-share agreements, the FDIC is obligated to reimburse the Bank for 80% of all eligible losses with respect to covered Crescent 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 Crescent assets. The claim periods to submit losses to the FDIC for reimbursement ended July 25, 2015 for non-single family Crescent assets and ends July 31, 2020 for single family Crescent assets.

Note N – Regulatory Matters
(In Thousands)
Renasant Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on Renasant Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, Renasant Bank must meet specific capital guidelines that involve quantitative measures of Renasant Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Renasant Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

The Federal Reserve, the FDIC and the Office of the Comptroller of the Currency have issued guidelines governing the levels of capital that banks must maintain. Those guidelines specify capital tiers, which include the following classifications:

Capital Tiers	Tier 1 Capital to Average Assets (Leverage)	Common Equity Tier 1 to Risk - Weighted Assets	Tier 1 Capital to Risk – Weighted Assets	Total Capital to Risk – Weighted Assets
Well capitalized	5% or above	6.5% or above	8% or above	10% or above
Adequately capitalized	4% or above	4.5% or above	6% or above	8% or above
Undercapitalized	Less than 4%	Less than 4.5%	Less than 6%	Less than 8%
Significantly undercapitalized	Less than 3%	Less than 3%	Less than 4%	Less than 6%
Critically undercapitalized	Tangible Equity / Total Assets less than 2%			

The following table provides the capital and risk-based capital and leverage ratios for the Company and for Renasant Bank as of September 30,

	2016		2015	
	Amount	Ratio	Amount	Ratio
Renasant Corporation				
Tier 1 Capital to Average Assets (Leverage)	$757,589	9.38 %	$665,707	8.95 %
Common Equity Tier 1 Capital to Risk-Weighted Assets	665,516	10.16%	576,360	9.92 %
Tier 1 Capital to Risk-Weighted Assets	757,589	11.57%	665,707	11.46%
Total Capital to Risk-Weighted Assets	906,004	13.84%	712,737	12.27%
Renasant Bank				
Tier 1 Capital to Average Assets (Leverage)	$731,119	9.08 %	$639,189	8.75 %
Common Equity Tier 1 Capital to Risk-Weighted Assets	731,119	11.19%	639,189	11.02%
Tier 1 Capital to Risk-Weighted Assets	731,119	11.19%	639,189	11.02%
Total Capital to Risk-Weighted Assets	781,367	11.96%	685,565	11.82%

In July 2013, the Federal Reserve, the FDIC and the Office of the Comptroller of the Currency approved the implementation of the Basel III regulatory capital reforms and issued rules effecting certain changes required by the Dodd-Frank Act (the "Basel III Rules") that call for broad and comprehensive revision of regulatory capital standards for U.S. banking organizations. Generally, the new Basel III Rules became effective on January 1, 2015, although parts of the Basel III Rules will be phased in through 2019. The Basel III Rules implemented a new common equity Tier 1 minimum capital requirement ("CET1"), and a higher minimum Tier 1 capital requirement, as reflected in the

table above, and adjusted other items affecting the calculation of the numerator of a banking organization's risk-based capital ratios. The new CET1 capital ratio includes common equity as defined under GAAP and does not include any other type of non-common equity under GAAP. Additionally, the Basel III Rules apply limits to a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a specified amount of CET1 capital in addition to the amount necessary to meet its minimum risk-based capital requirements.

Further, the Basel III Rules changed the agencies' general risk-based capital requirements for determining risk-weighted assets, which affect the calculation of the denominator of a banking organization's risk-based capital ratios. The Basel III Rules have

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revised the agencies' rules for calculating risk-weighted assets to enhance risk sensitivity and to incorporate certain international capital standards of the Basel Committee on Banking Supervision set forth in the standardized approach of the "International Convergence of Capital Measurement and Capital Standards: A Revised Framework".

The calculation of risk-weighted assets in the denominator of the Basel III capital ratios has been adjusted to reflect the higher risk nature of certain types of loans. Specifically, as applicable to the Company and Renasant Bank:

— Residential mortgages: Replaced the former 50% risk weight for performing residential first-lien mortgages and a 100% risk-weight for all other mortgages with a risk weight of between 35% and 200% determined by the mortgage's loan-to-value ratio and whether the mortgage falls into one of two categories based on eight criteria that include the term, use of negative amortization and balloon payments, certain rate increases and documented and verified borrower income.

— Commercial mortgages: Replaced the former 100% risk weight with a 150% risk weight for certain high volatility commercial real estate acquisition, development and construction loans.

— Nonperforming loans: Replaced the former 100% risk weight with a 150% risk weight for loans, other than residential mortgages, that are 90 days past due or on nonaccrual status.

The Final Rules also introduce a new capital conservation buffer designed to absorb losses during periods of economic stress. The capital conservation buffer is composed entirely of CET1, on top of these minimum risk-weighted asset ratios. In addition, the Final Rules provide for a countercyclical capital buffer applicable only to certain covered institutions. It is not expected that the countercyclical capital buffer will be applicable to the Company or Renasant Bank. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall. The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and be phased in over a 4-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019).

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

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

The Company has investments in qualified affordable housing projects (“QAHPs”) that provide low income housing tax credits and operating loss benefits over an extended period. At September 30, 2016 and December 31, 2015, the Company’s carrying value of QAHPs was $6,664 and $7,666, respectively. The Company has no remaining funding obligations related to the QAHPs. The investments in QAHPs are being accounted for using the effective yield method. The investments in QAHPs are included in “Other assets” on the Consolidated Balance Sheets.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Tax credit amortization	$353	$324	$1,001	$972
Tax credits and other benefits	(503)	(471)	(1,445)	(1,412)
Total	$(150)	$(147)	$(444)	$(440)

Note P – Income Taxes

(In Thousands)

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

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

	September 30, 2016	September 30, 2015	December 31, 2015
Deferred tax assets			
Allowance for loan losses	$21,418	$21,178	$ 17,430
Loans	24,299	27,920	26,239
Deferred compensation	12,368	17,681	17,060
Securities	2,346	2,581	2,572
Net unrealized losses on securities - OCI	4,016	3,717	6,065
Impairment of assets	3,877	3,108	3,271
Federal and State net operating loss carryforwards	3,113	5,519	3,681
Intangibles	1,012	—	—
Other	7,958	5,287	4,927
Gross deferred tax assets	80,407	86,991	81,245
Valuation allowance on state net operating loss carryforwards	—	—	—
Total deferred tax assets	80,407	86,991	81,245
Deferred tax liabilities			
FDIC loss-share indemnification asset	1,939	2,814	1,927
Investment in partnerships	2,001	2,461	2,507
Core deposit intangible	—	4,023	3,386
Fixed assets	2,598	(20)	673
Mortgage servicing rights	3,589	4,580	4,032
Junior subordinated debt	4,128	4,340	4,287
Other	4,294	569	2,364
Total deferred tax liabilities	18,549	18,767	19,176
Net deferred tax assets	$61,858	$68,224	$ 62,069

The Company acquired federal and state net operating losses as part of the Heritage acquisition. The federal net operating loss acquired totaled $18,321, of which $7,124 remained to be utilized as of September 30, 2016, while state net operating losses totaled $17,168, of which $15,062 remained to be utilized as of September 30, 2016. Both the federal and state net operating losses will expire at various dates beginning in 2024.

The Company expects to utilize the federal and state net operating losses prior to expiration. Because the benefits are expected to be fully realized, the Company recorded no valuation allowance against the net operating losses for the three and nine months ended September 30, 2016 and 2015 or the year ended December 31, 2015.

Note Q – Goodwill and Other Intangible Assets
(In Thousands)
Changes in the carrying amount of goodwill during the nine months ended September 30, 2016 were as follows:

	Community Banks	Insurance	Total
Balance at January 1, 2016	$ 443,104	$ 2,767	$445,871
Addition to goodwill from KeyWorth acquisition	20,633	—	20,633
Adjustment to previously recorded goodwill	4,030	—	4,030
Balance at September 30, 2016	$ 467,767	$ 2,767	$470,534

The addition to goodwill from the KeyWorth acquisition represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed in the transaction. The Company is finalizing the fair values of taxes and property and equipment related to the KeyWorth acquisition; as such, the recorded balance of goodwill is subject to change. The adjustment to previously recorded goodwill is due to valuation adjustments on property and equipment as well as certain loans acquired from Heritage. There were no adjustments to goodwill during the three months ended September 30, 2016.

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

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

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
September 30, 2016			
Core deposit intangibles	$ 47,992	$ (23,595)	$ 24,397
Customer relationship intangible	1,970	(668)	1,302
Total finite-lived intangible assets	$ 49,962	$ (24,263)	$ 25,699
December 31, 2015			
Core deposit intangibles	$ 45,982	$ (18,572)	$ 27,410
Customer relationship intangible	1,970	(569)	1,401
Total finite-lived intangible assets	$ 47,952	$ (19,141)	$ 28,811

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Amortization expense for:				
Core deposit intangibles	$ 1,651	$ 1,770	$ 5,024	$ 4,218
Customer relationship intangible	33	33	99	99
Total intangible amortization	$ 1,684	$ 1,803	$ 5,123	$ 4,317

The estimated amortization expense of finite-lived intangible assets for the year ending December 31, 2016 and the succeeding four years is summarized as follows:

	Core Deposit Intangibles	Customer Relationship Intangible	Total
2016	$ 6,616	$ 131	$ 6,747
2017	5,722	131	$ 5,853
2018	4,881	131	$ 5,012
2019	4,101	131	$ 4,232
2020	3,213	131	$ 3,344

Note R – Subordinated Notes

(In Thousands)

On August 22, 2016, the Company issued and sold in an underwritten public offering $60,000 aggregate principal amount of its 5.00% Fixed-to-Floating Rate Subordinated Notes due 2026 (the “2026 Notes”) and $40,000 aggregate principal amount of its 5.50% Fixed-to-Floating Rate Subordinated Notes due 2031 (the “2031 Notes”; the 2026 Notes and the 2031 Notes are referred to collectively as the “Notes”), at a public offering price equal to 100% of the aggregate

principal amounts of the Notes. The net proceeds from the sale of the Notes to the Company were approximately $98,167, after giving effect to the underwriting discount of 1.50% and expenses of the offering of the Notes.

The 2026 Notes will mature on September 1, 2026. Until but excluding September 1, 2021, the Company will pay interest on the 2026 Notes semi-annually in arrears on each March 1 and September 1, commencing March 1, 2017, at a fixed annual interest rate equal to 5.00%. From and including September 1, 2021 to but excluding the maturity date or the date of earlier redemption, the interest rate will reset quarterly to an annual interest rate equal to the then-current three-month LIBOR rate plus a spread of 384 basis points, payable quarterly in arrears on each March 1, June 1, September 1 and December 1. Notwithstanding the foregoing,

in the event that three-month LIBOR is less than zero, three-month LIBOR shall be deemed to be zero. The Company may, beginning with the interest payment date of September 1, 2021 and on any interest payment date thereafter, redeem the 2026 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2026 Notes to be redeemed plus accrued and unpaid interest to but excluding the date of redemption.

The 2031 Notes will mature on September 1, 2031. Until but excluding September 1, 2026, the Company will pay interest on the 2031 Notes semi-annually in arrears on each March 1 and September 1, commencing March 1, 2017, at a fixed annual interest rate equal to 5.50%. From and including September 1, 2026 to but excluding the maturity date or the date of earlier redemption, the interest rate will reset quarterly to an annual interest rate equal to the then-current three-month LIBOR rate plus a spread of 407.1 basis points, payable quarterly in arrears on each March 1, June 1, September 1 and December 1. Notwithstanding the foregoing, in the event that three-month LIBOR is less than zero, three-month LIBOR shall be deemed to be zero. The Company may, beginning with the interest payment date of September 1, 2026 and on any interest payment date thereafter, redeem the 2031 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2031 Notes to be redeemed plus accrued and unpaid interest to but excluding the date of redemption.

The Company may also redeem the 2026 Notes and the 2031 Notes at any time, at the Company’s option, in whole or in part, if: (i) a change or prospective change in law occurs that could prevent the Company from deducting interest payable on the 2026 Notes or the 2031 Notes, as applicable, for U.S. federal income tax purposes; (ii) a subsequent event occurs that could preclude the 2026 Notes or the 2031 Notes, as applicable, from being recognized as Tier 2 capital for regulatory capital purposes; or (iii) the Company is required to register as an investment company under the Investment Company Act of 1940, as amended; in each case, at a redemption price equal to 100% of the principal amount of the notes being redeemed plus any accrued and unpaid interest to but excluding the redemption date. There is no sinking fund for the benefit of the 2026 Notes or 2031 Notes, and neither the 2026 Notes nor the 2031 Notes are convertible or exchangeable.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(In Thousands, Except Share Data)
This Form 10-Q may contain or incorporate by reference statements regarding Renasant Corporation (referred to herein as the “Company”, “we”, “our”, or “us”) which may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements usually include words such as “expects,” “projects,” “proposes,” “anticipates,” “believes,” “intends,” “estimates,” “strategy,” “plan,” “potential,” “possible” and other similar expressions. Prospective investo cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties and that actual results may differ materially from those contemplated by such forward-looking statements.
Important factors currently known to management that could cause actual results to differ materially from those in forward-looking statements include (1) the Company’s ability to efficiently integrate acquisitions into its operations, retain the customers of these businesses and grow the acquired operations; (2) the effect of economic conditions and interest rates on a national, regional or international basis; (3) the timing of the implementation of changes in operations to achieve enhanced earnings or effect cost savings; (4) competitive pressures in the consumer finance, commercial finance, insurance, financial services, asset management, retail banking, mortgage lending and auto lending industries; (5) the financial resources of, and products available to, competitors; (6) changes in laws and regulations, including changes in accounting standards; (7) changes in policy by regulatory agencies; (8) changes in the securities and foreign exchange markets; (9) the Company’s potential growth, including its entrance or expansion

into new markets, and the need for sufficient capital to support that growth; (10) changes in the quality or composition of the Company’s loan or investment portfolios, including adverse developments in borrower industries or in the repayment ability of individual borrowers; (11) an insufficient allowance for loan losses as a result of inaccurate assumptions; (12) general economic, market or business conditions; (13) changes in demand for loan products and financial services; (14) concentration of credit exposure; (15) changes or the lack of changes in interest rates, yield curves and interest rate spread relationships; and (16) other circumstances, many of which are beyond management’s control. Management undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time.

Non-GAAP Financial Measures

In addition to results presented in accordance with generally accepted accounting principles in the United States of America ("GAAP"), this document contains certain non-GAAP financial measures. These non-GAAP financial measures adjust GAAP financial measures to exclude purchase accounting adjustments from loan interest income and net interest income when calculating the Company's taxable equivalent loan yields and net interest margin, respectively, which the Company's management uses when evaluating core operating results and assessing ongoing profitability. In addition, the Company believes that these non-GAAP

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financial measures facilitate the making of period-to-period comparisons and provide useful information to investors, analysts, regulators and other users of the financial statements by excluding certain items specific to our mergers and acquisition activities and allow these readers to more easily compare the Company's results to the results of other companies without similar mergers and acquisitions activities.

The presentation of these non-GAAP financial measures is not intended to be considered in isolation or as a substitute for any measure prepared in accordance with GAAP. Readers of this Form 10-Q should note that, because there are no standard definitions for the calculations as well as the results, the Company's calculations may not be comparable to other similarly titled measures presented by other companies. Also there may be limits in the usefulness of these measures to readers of this document. As a result, the Company encourages readers to consider its consolidated financial statements and footnotes thereto in their entirety and not to rely on any single financial measure.

Financial Condition

The following discussion provides details regarding the changes in significant balance sheet accounts at September 30, 2016 compared to December 31, 2015.

Mergers and Acquisitions

On April 1, 2016, the Company completed its acquisition of KeyWorth Bank (“KeyWorth”), a bank headquartered in Johns Creek, Georgia. At closing, KeyWorth merged with and into Renasant Bank. As of the acquisition date, KeyWorth operated six banking locations in the Atlanta metropolitan area and had, prior to any purchase accounting adjustments, approximately $399,252 in assets, $284,410 in loans and $346,988 in deposits. The Company is finalizing the fair value of certain taxes and property and equipment related to the KeyWorth acquisition.

On July 1, 2015, the Company completed its acquisition of Heritage Financial Group, Inc. (“Heritage”), a bank holding company headquartered in Albany, Georgia, and the parent of HeritageBank of the South. On the same date, HeritageBank of the South was merged into Renasant Bank. As of the acquisition date, Heritage operated 48 banking, mortgage and investment offices in Alabama, Georgia and Florida and had, prior to any purchase accounting adjustments, approximately $1,869,514 in assets, $1,137,774 in loans, and $1,373,777 in deposits.

The discussion of the impact of the KeyWorth and Heritage acquisitions on the specific components of the Company's financial condition and results of operations below reflects the effect of purchase accounting adjustments, when applicable. See Note M, “Mergers and Acquisitions,” in the Notes to Consolidated Financial Statements included in Item 1, “Financial Statements,” for details regarding the Company’s recent mergers and acquisitions. The Company's financial condition and results of operations include the impact of KeyWorth's and Heritage's operations since the respective acquisition dates.

Assets

Total assets were $8,542,471 at September 30, 2016 compared to $7,926,496 at December 31, 2015. The acquisition of KeyWorth increased total assets approximately $415,232 at April 1, 2016.

Investments

The securities portfolio is used to provide a source for meeting liquidity needs and to supply securities to be used in collateralizing certain deposits and other types of borrowings. The following table shows the carrying value of our securities portfolio by investment type and the percentage of such investment type relative to the entire securities portfolio as of the dates presented:

	September 30, 2016	Percentage of Portfolio		December 31, 2015	Percentage of Portfolio	
Obligations of other U.S. Government agencies and corporations	$16,309	1.57	%	$ 107,355	9.71	%
Obligations of states and political subdivisions	348,219	33.48		357,245	32.32	

Mortgage-backed securities	640,064	61.55		597,463	54.07	
Trust preferred securities	18,092	1.74		19,469	1.76	
Other debt securities	17,273	1.66		19,333	1.75	
Other equity securities	—	—		4,340	0.39	
	$1,039,957	100.00	%	$ 1,105,205	100.00	%

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The balance of our securities portfolio at September 30, 2016 decreased $65,248 to $1,039,957 from $1,105,205 at December 31, 2015. The KeyWorth acquisition increased the securities portfolio approximately $69,395 at the acquisition date. During the nine months ended September 30, 2016, we purchased $92,887 in investment securities. Mortgage-backed securities and collateralized mortgage obligations ("CMOs"), in the aggregate, comprised 88.17% of the purchases during the first nine months of 2016. CMOs are included in the "Mortgage-backed securities" line item in the above table. The mortgage-backed securities and CMOs held in our investment portfolio are primarily issued by government sponsored entities. Government agency and municipal securities accounted for the remainder of the securities purchased in the first nine months of 2016. Proceeds from maturities, calls, sales and principal payments on securities during the first nine months of 2016 totaled $230,565.
The Company holds investments in pooled trust preferred securities. This portfolio had a cost basis of $24,628 and $24,770 and a fair value of $18,092 and $19,469 at September 30, 2016 and December 31, 2015, respectively. At September 30, 2016, the investment 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 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 our tranches is negatively impacted. The Company's quarterly evaluation of these investments for other-than-temporary-impairment resulted in no additional write-downs during the nine months ended September 30, 2016 or 2015. Furthermore, 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 September 30, 2016, and investment interest is recorded on the cash-basis method until qualifying for return to accrual status. For more information about the Company's trust preferred securities, see Note B, "Securities," in the Notes to Consolidated Financial Statements of the Company in Item 1, "Financial Statements," in this report.

Over recent periods, pricing on the Company's pooled trust preferred securities has improved such that the amortized cost on one of its pooled trust preferred securities (XIII) had been fully recovered as of March 31, 2015. During the second quarter of 2015, the Company sold this security, having a carrying value of $1,117 at the time of sale, for net proceeds of $1,213, resulting in a gain of $96.
Loans
The table below sets forth the balance of loans, net of unearned income, outstanding by loan type and the percentage of each loan type to total loans as of the dates presented:

	September 30, 2016	Percentage of Total Loans		December 31, 2015	Percentage of Total Loans	
Commercial, financial, agricultural	$694,126	11.37	%	$ 636,837	11.76	%
Lease financing	45,510	0.74		34,815	0.64	
Real estate – construction	487,638	7.99		357,665	6.61	
Real estate – 1-4 family mortgage	1,870,644	30.64		1,735,323	32.06	
Real estate – commercial mortgage	2,895,631	47.43		2,533,729	46.80	
Installment loans to individuals	111,684	1.83		115,093	2.13	
Total loans, net of unearned income	$6,105,233	100.00	%	$ 5,413,462	100.00	%

Loan concentrations are considered to exist when there are amounts loaned to a number of borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. At September 30, 2016, there were no concentrations of loans exceeding 10% of total loans which are not disclosed as a category of

loans separate from the categories listed above.

Total loans at September 30, 2016 were $6,105,233, an increase of $691,771 from $5,413,462 at December 31, 2015. The KeyWorth acquisition increased the loan portfolio $272,330 at the acquisition date.

Loans covered under loss-share agreements with the FDIC (referred to as “covered loans”), including the two loss-share agreements assumed in connection with the Heritage acquisition, were $30,533 at September 30, 2016, a decrease of $62,609, or 67.22%, compared to $93,142 at December 31, 2015. This decrease is primarily a result of the expiration of loss-share coverage on certain loans as discussed below. For covered loans, the FDIC will reimburse Renasant Bank 80% of the losses incurred on these loans.

Renasant Bank has a corresponding obligation to reimburse the FDIC for 80% of eligible recoveries with respect to these loans. The loss-share agreements applicable to this portfolio provide reimbursement for qualifying losses on single-family residential loans for ten years, which ends on July 31, 2020 for loans acquired from Crescent Bank & Trust Company (“Crescent”), February 28, 2021 for loans acquired from each of American Trust Bank (“American Trust”) and Citizens Bank of Effingham (“Citizens Effingham”) and August 31, 2021 for loans acquired from First Southern National Bank (“First Southern”). For qualifying losses on commercial loans, reimbursement ran for five years, which ended July 25, 2015 for Crescent loans, February 5, 2016 for American Trust loans, February 18, 2016 for Citizens Effingham loans and August 19, 2016 for First Southern loans. As a result of the expiration of these loss-share agreements, the Company reclassified loans from acquired covered loans to acquired non-covered loans totaling $54,495 during the third quarter of 2015, $42,637 during the first quarter of 2016 and $9,893 during the third quarter of 2016.

Loans not covered under loss-share agreements with the FDIC at September 30, 2016 were $6,074,700, compared to $5,320,320 at December 31, 2015. Loans acquired and not covered under loss-share agreements totaled $1,548,674 at September 30, 2016 compared to $1,489,886 at December 31, 2015.

Excluding the loans acquired from previous acquisitions or in FDIC-assisted transactions (collectively referred to as "acquired loans"), loans increased $695,592 during the nine months ended September 30, 2016. The Company experienced loan growth across all categories of loans with loans from our new commercial business lines, which consist of asset-based lending, equipment leasing and healthcare banking groups, contributing $36,492 of the total increase in loans from December 31, 2015.

Looking at the change in loans geographically, non-acquired loans in our Mississippi, Tennessee and Georgia markets increased $107,571, $96,601 and $291,642, respectively, while loans in our Alabama and Florida markets (collectively referred to as our “Central Division”) increased by $199,778 when compared to December 31, 2015.

The following tables provide a breakdown of non-acquired loans, loans acquired and covered under loss-share agreements, and loans acquired and not covered under loss-share agreements as of the dates presented:

	September 30, 2016			
	Not Acquired	Acquired and Covered Under Loss Share	Acquired and Not covered	Total Loans
Commercial, financial, agricultural	$554,151	$14	$139,961	$694,126
Lease financing	45,510	—	—	45,510
Real estate – construction:				
Residential	181,939	—	27,021	208,960
Commercial	232,791	—	44,683	277,474
Condominiums	1,204	—	—	1,204
Total real estate – construction	415,934	—	71,704	487,638
Real estate – 1-4 family mortgage:				
Primary	748,969	18,259	291,085	1,058,313
Home equity	353,341	6,952	69,395	429,688
Rental/investment	234,816	5,000	63,779	303,595
Land development	50,940	93	28,015	79,048
Total real estate – 1-4 family mortgage	1,388,066	30,304	452,274	1,870,644
Real estate – commercial mortgage:				
Owner-occupied	794,504	—	397,234	1,191,738
Non-owner occupied	1,112,260	96	419,212	1,531,568
Land development	123,862	84	48,379	172,325
Total real estate – commercial mortgage	2,030,626	180	864,825	2,895,631

Installment loans to individuals	91,739	35	19,910	111,684
Total loans, net of unearned income	$4,526,026	$30,533	$1,548,674	$6,105,233

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	December 31, 2015			
	Not Acquired	Acquired and Covered Under Loss Share	Acquired and Not covered	Total Loans
Commercial, financial, agricultural	$485,407	$2,406	$149,024	$636,837
Lease financing	34,815	—	—	34,815
Real estate – construction:				
Residential	123,711	91	44,813	168,615
Commercial	166,006	39	20,524	186,569
Condominiums	1,984	—	497	2,481
Total real estate – construction	291,701	130	65,834	357,665
Real estate – 1-4 family mortgage:				
Primary	661,135	27,270	343,504	1,031,909
Home equity	304,045	9,120	69,090	382,255
Rental/investment	196,217	7,686	48,063	251,966
Land development	42,831	1,912	24,450	69,193
Total real estate – 1-4 family mortgage	1,204,228	45,988	485,107	1,735,323
Real estate – commercial mortgage:				
Owner-occupied	709,598	15,297	357,659	1,082,554
Non-owner occupied	896,060	24,343	351,856	1,272,259
Land development	123,391	4,910	50,615	178,916
Total real estate – commercial mortgage	1,729,049	44,550	760,130	2,533,729
Installment loans to individuals	85,234	68	29,791	115,093
Total loans, net of unearned income	$3,830,434	$93,142	$1,489,886	$5,413,462

Mortgage loans held for sale were $189,965 at September 30, 2016 compared to $225,254 at December 31, 2015. Originations of mortgage loans to be sold totaled $1,516,650 in the nine months ended September 30, 2016 compared to $992,555 for the same period in 2015. The increase in mortgage loan originations is due to an increase in mortgage activity driven by historically low mortgage rates and the addition of Heritage's mortgage operations in the third quarter of 2015.

Mortgage loans to be sold are sold either on a “best efforts” basis or under a mandatory delivery sales agreement. Under a “best
efforts” sales agreement, residential real estate originations are locked in at a contractual rate with third party private investors or directly with government sponsored agencies, and the Company is obligated to sell the mortgages to such investors only if the mortgages are closed and funded. The risk we assume is conditioned upon loan underwriting and market conditions in the national mortgage market. Under a mandatory delivery sales agreement, the Company commits to deliver a certain principal amount of mortgage loans to an investor at a specified price and delivery date. Penalties are paid to the investor if we fail to satisfy the contract. Gains and losses are realized at the time consideration is received and all other criteria for sales treatment have been met. These loans are typically sold within thirty days after the loan is funded; however, in recent quarters, the Company has elected to hold these loans longer than thirty days to collect additional interest payments without negatively impacting the income generated from the sale of these loans. Although loan fees and some interest income are derived from mortgage loans held for sale, the main source of income is gains from the sale of these loans in the secondary market.

Deposits

The Company relies on deposits as its major source of funds. Total deposits were $6,817,798 and $6,218,602 at September 30, 2016 and December 31, 2015, respectively. Noninterest-bearing deposits were $1,514,820 and $1,278,337 at September 30, 2016 and December 31, 2015, respectively, while interest-bearing deposits were $5,302,978 and $4,940,265 at September 30, 2016 and December 31, 2015, respectively. The acquisition of KeyWorth increased total deposits by $348,961 at the acquisition date. This consisted of noninterest-bearing deposits of $73,077 and interest-bearing deposits of $275,884. Management continues to focus on growing and maintaining a stable source of funding, specifically core deposits. Under certain circumstances, however, management may elect to acquire non-core deposits in the form of public fund deposits or time deposits. The source of funds that we select depends on the terms and how those terms assist us in mitigating interest rate risk, maintaining our liquidity position and managing our net interest margin. Accordingly, funds are only acquired when needed and at a rate that is prudent under the circumstances.

Public fund deposits are those of counties, municipalities or other political subdivisions and may be readily obtained based on the Company's pricing bid in comparison with competitors. Since public fund deposits are obtained through a bid process, these deposit balances may fluctuate as competitive and market forces change. The Company has focused on growing stable sources of deposits to reduce reliance on public fund deposits. However, the Company continues to participate in the bidding process for public fund deposits when it is reasonable under the circumstances. Our public fund transaction accounts are principally obtained from municipalities including school boards and utilities. Public fund deposits were $804,839 and $775,385 at September 30, 2016 and December 31, 2015, respectively.

Looking at the change in deposits geographically, deposits in our Mississippi and Tennessee markets increased $200,953 and $45,250, respectively, from December 31, 2015, while deposits in our Central Division markets decreased $35,364 from December 31, 2015. Excluding the contribution from KeyWorth, deposits in our Georgia markets increased $70,550 from December 31, 2015.

Borrowed Funds

Total borrowings include securities sold under agreements to repurchase, short-term borrowings, advances from the FHLB, subordinated notes and junior subordinated debentures and are classified on the Consolidated Balance Sheets as either short-term borrowings or long-term debt. Short-term borrowings have original maturities less than one year and typically include securities sold under agreements to repurchase, federal funds purchased and short-term FHLB advances. There were $266,943 of short-term borrowings, consisting of security repurchase agreements of $9,943 and short-term borrowings from the FHLB of $257,000, at September 30, 2016 compared to security repurchase agreements of $22,279 and short-term borrowings from the FHLB of $400,000 at December 31, 2015.

At September 30, 2016, long-term debt totaled $202,637 compared to $148,217 at December 31, 2015. Funds are borrowed from the FHLB primarily to match-fund against certain loans, negating interest rate exposure when rates rise. Such match-funded loans are typically large, fixed rate commercial or real estate loans with long-term maturities. Long-term FHLB advances were $8,806 and $52,930 at September 30, 2016 and December 31, 2015, respectively. During the third quarter of 2016, the Company prepaid $38,886 in long-term FHLB advances and incurred prepayment penalties of $2,210. At September 30, 2016, $9 of the total FHLB advances outstanding were scheduled to mature within twelve months or less. The Company had $1,964,477 of availability on unused lines of credit with the FHLB at September 30, 2016 compared to $1,659,779 at December 31, 2015. The cost of our long-term FHLB advances was 4.05% and 4.16% for the first nine months of 2016 and 2015, respectively.

The Company owns the outstanding common securities of business trusts that issued corporation-obligated mandatorily redeemable preferred capital securities to third-party investors. The trusts used the proceeds from the issuance of their preferred capital securities and common securities (collectively referred to as "capital securities") to buy floating rate junior subordinated debentures issued by the Company (or by companies that the Company subsequently acquired.) The debentures are the trusts' only assets and interest payments from the debentures finance the distributions paid on the capital securities. The Company's junior subordinated debentures totaled $95,506 at September 30, 2016 compared to $95,095 at December 31, 2015.

On August 22, 2016, the Company completed an underwritten public offering and sale of $60,000 of its 5.00% fixed-to-floating rate subordinated notes due September 1, 2026, and $40,000 of its 5.50% fixed-to-floating rate subordinated notes due September 1, 2031 (collectively, the "Notes"). The Notes were sold at par, resulting in net proceeds, after deducting underwriting discounts and expenses, of $98,167. The Company has used, and intends to continue to use, the net proceeds from the Notes offerings for general corporate purposes, which may include providing capital to support the Company's growth organically or through strategic acquisitions, repaying indebtedness and financing investments and capital expenditures, and for investments in the Bank as regulatory capital. The Notes are included in Tier 2 capital under the current regulatory guidelines. For more information about the terms and conditions of the Notes, see Note R, "Subordinated Notes," in the Notes to the Consolidated Financial

Statements of the Company in Item 1, “Financial Statements,” in this report.

Results of Operations

Three Months Ended September 30, 2016 as Compared to the Three Months Ended September 30, 2015

Net Income

Net income for the three month period ended September 30, 2016 was $23,179 compared to net income of $16,220 for the three month period ended September 30, 2015. Basic and diluted earnings per share ("EPS") for the three month period ended September 30, 2016 were $0.55, compared to basic and diluted EPS of $0.40 for the three month period ended September 30, 2015.

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During the three months ended September 30, 2016, the Company incurred pre-tax merger and conversion expenses of $268, equal to $178 on an after-tax basis, which had an immaterial impact on reported diluted EPS, as compared to pre-tax merger and conversion expenses incurred during the three months ended September 30, 2015 of $7,746, equal to $5,243 on an after-tax basis, which reduced diluted EPS by $0.13.

In connection with the prepayment of $38,886 in long term advances from the Federal Home Loan Bank ("FHLB") in the third quarter of 2016, the Company incurred prepayment penalty charges of $2,210, equal to $1,469 on an after-tax basis, which reduced diluted EPS by $0.04. The Company did not incur any FHLB prepayment penalties in the third quarter of 2015.

Net Interest Income

Net interest income, the difference between interest earned on assets and the cost of interest-bearing liabilities, is the largest component of our net income, comprising 66.94% of total net revenue for the third quarter of 2016. Total net revenue consists of net interest income on a fully taxable equivalent basis and noninterest income. The primary concerns in managing net interest income are the volume, mix and repricing of assets and liabilities.

Net interest income increased to $75,731 for the third quarter of 2016 compared to $68,612 for the same period in 2015. On a tax equivalent basis, net interest income was $77,483 for the third quarter of 2016 as compared to $70,553 for the third quarter of 2015. Net interest margin, the tax equivalent net yield on earning assets, increased to 4.15% during the third quarter of 2016 compared to 4.09% for the third quarter of 2015. Net interest margin excluding the impact from purchase accounting adjustments on loans was 3.77% and 3.82% for the third quarter of 2016 and 2015, respectively. The table below presents the reconciliation of these non-GAAP measures to reported net interest margin.

	Three Months Ended September 30,	
	2016	2015
Taxable equivalent net interest income, as reported	$77,483	$70,553
Accretable yield recognized on purchased loans[1]	6,976	4,803
Net interest income, excluding accretable yield	$70,507	$65,750
Average earning assets	$7,433,461	$6,842,452
Net interest margin, as reported	4.15 %	4.09 %
Net interest margin, excluding accretable yield	3.77 %	3.81 %

(1) Includes additional interest income recognized in connection with the acceleration of paydowns and payoffs from acquired loans of $3,426 and $804 for the three months ended September 30, 2016 and 2015, respectively, which increased net interest margin by 18 basis points and 5 basis points for the same periods, respectively.

Net interest margin and net interest income are influenced by internal and external factors. Internal factors include balance sheet changes in volume, mix and pricing decisions. External factors include changes in market interest rates, competition and the shape of the interest rate yield curve.

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The following table sets forth average balance sheet data, including all major categories of interest-earning assets and interest-bearing liabilities, together with the interest earned or interest paid and the average yield or average rate paid on each such category for the periods presented:

	Three Months Ended September 30,					
	2016			2015		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Assets						
Interest-earning assets:						
Loans[1]	$6,289,331	$77,154	4.88%	$5,621,753	$67,853	4.79%
Securities:						
Taxable[2]	695,589	3,418	1.95	791,269	3,910	1.96
Tax-exempt	350,316	4,081	4.63	352,308	4,427	4.99
Interest-bearing balances with banks	98,225	131	0.53	77,122	51	0.26
Total interest-earning assets	7,433,461	84,784	4.54	6,842,452	76,241	4.42
Cash and due from banks	124,794			103,900		
Intangible assets	497,064			449,042		
FDIC loss-share indemnification asset	4,816			9,171		
Other assets	502,064			493,204		
Total assets	$8,562,199			$7,897,769		
Liabilities and shareholders' equity						
Interest-bearing liabilities:						
Deposits:						
Interest-bearing demand[3]	$3,106,568	$1,515	0.19%	$2,893,950	$1,295	0.18%
Savings deposits	528,794	94	0.07	496,653	90	0.07
Time deposits	1,619,740	3,029	0.74	1,582,114	2,230	0.56
Total interest-bearing deposits	5,255,102	4,638	0.35	4,972,717	3,615	0.29
Borrowed funds	550,222	2,663	1.93	556,269	2,073	1.48
Total interest-bearing liabilities	5,805,324	7,301	0.50	5,528,986	5,688	0.41
Noninterest-bearing deposits	1,510,309			1,272,714		
Other liabilities	111,493			79,926		
Shareholders' equity	1,135,073			1,016,143		
Total liabilities and shareholders' equity	$8,562,199			$7,897,769		
Net interest income/net interest margin		$77,483	4.15%		$70,553	4.09%

[1] Includes mortgage loans held for sale and shown net of unearned income.
[2] U.S. Government and some U.S. Government agency securities are tax-exempt in the states in which we operate.
[3] Interest-bearing demand deposits include interest-bearing transactional accounts and money market deposits.

The average balances of nonaccruing assets are included in the table above. Interest income and weighted average yields on tax-exempt loans and securities have been computed on a fully tax equivalent basis assuming a federal tax rate of 35% and a state tax rate of 3.66%, which is net of federal tax benefit.

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The following table sets forth a summary of the changes in interest earned, on a tax equivalent basis, and interest paid resulting from changes in volume and rates for the Company for the third quarter of 2016 compared to the third quarter of 2015:

	Volume	Rate	Net[1]
Interest income:			
Loans [2]	$8,009	$1,292	$9,301
Securities:			
Taxable	(480)	(12)	(492)
Tax-exempt	(26)	(320)	(346)
Interest-bearing balances with banks	17	63	80
Total interest-earning assets	7,520	1,023	8,543
Interest expense:			
Interest-bearing demand deposits	97	123	220
Savings deposits	6	(2)	4
Time deposits	54	745	799
Borrowed funds	(22)	612	590
Total interest-bearing liabilities	135	1,478	1,613
Change in net interest income	$7,385	$(455)	$6,930

(1) Changes in interest due to both volume and rate have been allocated on a pro-rata basis using the absolute ratio value of amounts calculated.
(2) Includes mortgage loans held for sale and shown net of unearned income.

Interest income, on a tax equivalent basis, was $84,784 for the third quarter of 2016 compared to $76,241 for the same period in 2015. This increase in interest income, on a tax equivalent basis, is due primarily to the additional earning assets from the KeyWorth acquisition and loan growth in the Company's non-acquired loan portfolio as well as an increase in loan yields due to higher levels of accretable yield from the acquired loan portfolios. Overall, after excluding the impact from purchase accounting adjustments, the Company continues to experience downward pressure on earning asset yields as a result of replacing higher rate maturing assets with new or renewed assets at current market rates which are generally lower due to the current interest rate environment.

The following table presents the percentage of total average earning assets, by type and yield, for the periods presented:

	Percentage of Total		Yield	
	Three Months Ended September 30,		Three Months Ended September 30,	
	2016	2015	2016	2015
Loans	84.61 %	82.16 %	4.88%	4.79%
Securities	14.07	16.71	2.85	2.89
Other	1.32	1.13	0.53	0.26
Total earning assets	100.00%	100.00%	4.54%	4.42%

For the third quarter of 2016, loan income, on a tax equivalent basis, increased $9,301 to $77,154 from $67,853 compared to the same period in 2015. The average balance of loans increased $667,578 from the third quarter of 2016 compared to the third quarter of 2015 due primarily to the loans acquired in connection with the KeyWorth acquisition as well as loan growth in the Company's non-acquired loan portfolio. The tax equivalent yield on loans was 4.88%, a

nine basis point increase from the third quarter of 2015. Excluding the impact from purchase accounting adjustments, the tax equivalent yield on loans was 4.44% and 4.45% for the third quarter of 2016 and 2015, respectively. The table below presents the reconciliation of these non-GAAP measures to reported taxable equivalent yield on loans.

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	Three Months Ended September 30,	
	2016	2015
Taxable equivalent interest income on loans, as reported	$77,154	$67,853
Accretable yield recognized on purchased loans(1)	6,976	4,803
Taxable equivalent interest income on loans, excluding accretable yield	$70,178	$63,050
Average loans	$6,289,331	$5,621,753
Taxable equivalent loan yield, as reported	4.88 %	4.79 %
Taxable equivalent loan yield, excluding accretable yield	4.44 %	4.45 %

(1) Includes additional interest income recognized in connection with the acceleration of paydowns and payoffs from acquired loans of $3,426 and $804 for the three months ended September 30, 2016 and 2015, respectively, which increased our taxable equivalent loan yield by 22 basis points and 6 basis points for the same periods, respectively.

Investment income, on a tax equivalent basis, decreased $838 to $7,499 for the third quarter of 2016 from $8,337 for the third quarter of 2015. The average balance in the investment portfolio for the third quarter of 2016 was $1,045,905 compared to $1,143,577 for the same period in 2015. The tax equivalent yield on the investment portfolio for the third quarter of 2016 was 2.85%, down 4 basis points from the same period in 2015. Proceeds from sales, maturities and calls of higher yielding securities were either redeployed to fund loan growth or reinvested in lower earning securities accounting for both the decrease in the average balance of investments and tax equivalent yield thereon when compared to the same period in the prior year. The reinvestment rates on securities were lower due to the generally lower interest rate environment.

Interest expense was $7,301 for the third quarter of 2016 as compared to $5,688 for the same period in 2015. The cost of interest-bearing liabilities was 0.50% for the three months ended September 30, 2016 as compared to 0.41% at September 30, 2015.

The following table presents, by type, the Company’s funding sources, which consist of total average deposits and borrowed funds, and the total cost of each funding source for the periods presented:

	Percentage of Total Three Months Ended September 30,		Cost of Funds Three Months Ended September 30,	
	2016	2015	2016	2015
Noninterest-bearing demand	20.65 %	18.71 %	— %	— %
Interest-bearing demand	42.46	42.55	0.19	0.18
Savings	7.23	7.30	0.07	0.07
Time deposits	22.14	23.26	0.74	0.56
Short term borrowings	5.20	5.93	0.46	0.17
Long-term Federal Home Loan Bank advances	0.43	0.85	3.89	4.16
Subordinated notes	0.58	—	5.47	—
Other borrowed funds	1.31	1.40	5.54	5.41
Total deposits and borrowed funds	100.00%	100.00%	0.40%	0.33%

Interest expense on deposits was $4,638 and $3,615 for the third quarter of 2016 and 2015, respectively. The cost of interest-bearing deposits was 0.35% and 0.29% for the same periods. Although the Company continues to seek

changes in the mix of our deposits from higher costing time deposits to lower costing interest-bearing deposits and non-interest bearing deposits, rates offered on the Company's interest-bearing deposit accounts, including time deposits, have increased to match competitive market interest rates in order to maintain stable sources of funding.

Interest expense on total borrowings was $2,663 and $2,073 for the third quarter of 2016 and 2015, respectively. The cost of total borrowed funds was 1.93% and 1.48% for the same periods. The impact on the average balance of borrowings from the aforementioned Notes offering was nearly offset by the prepayment of long-term FHLB advances also mentioned previously. The increase in the cost of the Company's borrowed funds is primarily driven by the higher interest rate on the Notes when compared

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to the interest rate on the prepaid FHLB advances, coupled with increased market interest rates on the Company's short-term borrowings.

A more detailed discussion of the cost of our funding sources is set forth below under the heading “Liquidity and Capital Resources” in this item.

Noninterest Income

Noninterest Income to Average Assets Three Months Ended September 30,	
2016	2015
1.78%	1.61%

Total noninterest income includes fees generated from deposit services, originations and sales of mortgage loans, insurance products, trust and other wealth management products and services, security gains and all other noninterest income. Our focus is to develop and enhance our products that generate noninterest income in order to diversify our revenue sources. Noninterest income was $38,272 for the third quarter of 2016 as compared to $32,079 for the same period in 2015. The increase in noninterest income and its related components is primarily attributable to the KeyWorth acquisition and a significant increase in mortgage banking income.

Service charges on deposit accounts include maintenance fees on accounts, per item charges, account enhancement charges for additional packaged benefits and overdraft fees. Service charges on deposit accounts were $8,200 and $8,151 for the third quarter of 2016 and 2015, respectively. Overdraft fees, the largest component of service charges on deposits, were $5,947 for the three months ended September 30, 2016 compared to $5,896 for the same period in 2015.

Fees and commissions increased to $4,921 during the third quarter of 2016 as compared to $4,271 for the same period in 2015. Fees and commissions include fees related to deposit services, such as interchange fees on debit card transactions, as well as fees charged on mortgage loans originated to be sold, such as origination, underwriting, documentation and other administrative fees. For the third quarter of 2016, fees associated with debit card usage were $4,023 as compared to $3,934 for the same period in 2015.

Through Renasant Insurance, we offer a range of commercial and personal insurance products through major insurance carriers.
Income earned on insurance products was $2,420 and $2,381 for the three months ended September 30, 2016 and 2015, respectively. Contingency income, which is included in "Other noninterest income" in the Consolidated Statements of Income, is a bonus received from the insurance underwriters and is based both on commission income and claims experience on our clients' policies during the previous year. Increases and decreases in contingency income are reflective of corresponding increases and decreases in the amount of claims paid by insurance carriers. Contingency income was $25 and $50 for the three months ended September 30, 2016 and 2015, respectively.
The Trust division within the Wealth Management segment operates on a custodial basis which includes administration of benefit plans, as well as accounting and money management for trust accounts. The division manages a number of trust accounts inclusive of personal and corporate benefit accounts, self-directed IRAs, and

custodial accounts. Fees for managing these accounts are based on changes in market values of the assets under management in the account, with the amount of the fee depending on the type of account. Additionally, the Financial Services division within the Wealth Management segment provides specialized investment products and services to our customers, which include fixed and variable annuities, mutual funds, and stocks offered through a third party provider. Wealth Management revenue was $3,040 for the third quarter of 2016 compared to $2,833 for the same period in 2015. The market value of trust assets under management was $3,091,815 and $3,003,550 at September 30, 2016 and September 30, 2015, respectively.

Mortgage banking income is derived from the origination and sale of mortgage loans and the servicing of mortgage loans that the Company has sold but retained the right to service. Mortgage banking income was $15,846 and $11,893 for the three months ended September 30, 2016 and 2015, respectively. Originations of mortgage loans to be sold totaled $510,143 in the three months ended September 30, 2016 compared to $584,662 for the same period in 2015. The increase in mortgage banking income is primarily driven by an increase in margins realized from the sales of loans. The following table presents the components of mortgage banking income included in noninterest income for the three months ending September 30:

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	2016	2015
Mortgage servicing income, net	$(158)	$(109)
Gain on sales of loans, net	13,716	7,998
Fees, net	2,288	4,004
Mortgage banking income, net	$15,846	$11,893

Other noninterest income includes contingency income from our insurance underwriters, income from our SBA banking division, and other miscellaneous income. Other noninterest income was $2,866 and $1,440 for the three months ended September 30, 2016 and 2015, respectively. The increase from 2015 is primarily attributable to income from our SBA banking division and the gains we realized on the sale of the guaranteed portion of loans originated by this division. SBA banking income was $1,782 and $493 for the three months ended September 30, 2016 and 2015, respectively.

Noninterest Expense

Noninterest Expense to Average Assets Three Months Ended September 30,	
2016	2015
3.55%	3.82%

Noninterest expense was $76,468 and $75,979 for the third quarter of 2016 and 2015, respectively. The Company recorded merger and conversion expenses of $268 for the three months ended September 30, 2016, as compared to $7,746 for the same period in 2015. During the third quarter of 2016, the Company recognized a penalty charge of $2,210 in connection with the prepayment of $38,886 in borrowings from the FHLB. No such charge was incurred during the comparable quarter in 2015. After considering these expenses, which are typically nonrecurring, the overall increase in noninterest expenses and its related components is primarily attributable to the addition of KeyWorth operations.

Salaries and employee benefits increased $1,654 to $44,702 for the third quarter of 2016 as compared to $43,048 for the same period in 2015. The increase in salary and employee benefits was primarily attributable to the KeyWorth acquisition along with higher levels of commissions and incentives paid in our commercial lending and mortgage banking divisions.

Data processing costs increased to $4,560 in the third quarter of 2016 from $3,819 for the same period in 2015. The increase for the third quarter of 2016 as compared to the same period in 2015 was primarily attributable to the acquisition of KeyWorth as well as increased volume in mobile banking and increased volume on our small business internet banking platform.

Net occupancy and equipment expense for the third quarter of 2016 was $8,830, up from $7,733 for the same period in 2015. The increase is primarily attributable to the KeyWorth acquisition coupled with enhancements to our IT infrastructure in response to banking and governmental regulation and increased global risk from cyber security breaches.

Expenses related to other real estate owned for the third quarter of 2016 were $1,540 compared to $861 for the same period in 2015. Expenses on other real estate owned for the third quarter of 2016 included write downs of $1,048 of the carrying value to fair value on certain pieces of property held in other real estate owned. Other real estate owned with a cost basis of $3,287 was sold during the three months ended September 30, 2016, resulting in a net loss of $204. Expenses on other real estate owned for the three months ended September 30, 2015 included a $527 write down of the carrying value to fair value on certain pieces of property held in other real estate owned. Other real estate owned with a cost basis of $5,406 was sold during the three months ended September 30, 2015, resulting in a net gain of $16.

Professional fees include fees for legal and accounting services. Professional fees were $1,313 for the third quarter of 2016 as compared to $1,242 for the same period in 2015. Professional fees remain elevated in large part due to additional legal, accounting and consulting fees associated with compliance costs of newly enacted as well as existing banking and governmental regulation. Professional fees attributable to legal fees associated with loan workouts and foreclosure proceedings remain at higher levels in correlation with the credit deterioration identified in our loan portfolio and the Company’s efforts to bring these credits to resolution.

Advertising and public relations expense was $1,661 for the third quarter of 2016 compared to $1,567 for the same period in 2015.

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Amortization of intangible assets totaled $1,684 and $1,803 for the third quarter of 2016 and 2015, respectively. This amortization relates to finite-lived intangible assets which are being amortized over the useful lives as determined at acquisition. These finite-lived intangible assets have remaining estimated useful lives ranging from 9 months to 10 years.

Communication expenses, those expenses incurred for communication to clients and between employees, were $2,097 for the third quarter of 2016 as compared to $2,339 for the same period in 2015.

Efficiency Ratio

Three Months Ended September 30,	
2016	2015
66.06%	74.03%

The efficiency ratio is one measure of productivity in the banking industry. This ratio is calculated to measure the cost of generating one dollar of revenue. That is, the ratio is designed to reflect the percentage of one dollar which must be expended to generate that dollar of revenue. The Company calculates this ratio by dividing noninterest expense by the sum of net interest income on a fully tax equivalent basis and noninterest income. Merger and conversion expenses and debt prepayment penalties contributed approximately 23 basis points and 191 basis points, respectively, to the efficiency ratio for the third quarter of 2016. Merger and conversion expenses contributed approximately 755 basis points to the efficiency ratio for the third quarter of 2015. We remain committed to aggressively managing our costs within the framework of our business model. We expect the efficiency ratio to improve from currently reported levels from revenue growth while at the same time controlling noninterest expenses.

Income Taxes

Income tax expense for the third quarter of 2016 and 2015 was $11,706 and $7,742, respectively. The effective tax rates for those periods were 33.56% and 32.31%, respectively. The increased effective tax rate for the third quarter of 2016 as compared to the same period in 2015 is the result of the Company experiencing improvements in its financial results, including the contribution from acquisitions, resulting in higher levels of taxable income.

Results of Operations
Nine Months Ended September 30, 2016 as Compared to the Nine Months Ended September 30, 2015
Net Income

Net income for the nine months ended September 30, 2016 was $67,295 compared to net income of $46,854 for the nine months ended September 30, 2015. Basic and diluted earnings per share for the nine months ended September 30, 2016 were $1.62 and $1.61, respectively, as compared to $1.36 and $1.35 for basic and diluted earnings per share, respectively, for the nine months ended September 30, 2015.

During the nine months ended September 30, 2016, the Company incurred pre-tax merger and conversion expenses of $4,023, equal to $2,689 on an after-tax basis, which reduced basic and diluted earnings per share by $0.06, as compared to pre-tax merger and conversion expenses incurred during the nine months ended September 30, 2015 of $9,691, equal to $6,633 on an after-tax basis, which reduced basic and diluted earnings per share by $0.19.

In connection with the prepayment of $42,369 in long term advances from the Federal Home Loan Bank ("FHLB") in the first nine months of 2016, the Company incurred prepayment penalty charges of $2,539, equal to $1,697 on an after-tax basis, which reduced diluted EPS by $0.04. The Company did not incur any FHLB prepayment penalties in the nine months ended September 30, 2015.

Net Interest Income

Net interest income, the difference between interest earned on assets and the cost of interest-bearing liabilities, is the largest component of our net income, comprising 68.05% of total net revenue for the first nine months of 2016. Total net revenue consists of net interest income on a fully taxable equivalent basis and noninterest income. The primary concerns in managing net interest income are the volume, mix and repricing of assets and liabilities.

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Net interest income increased to $222,942 for the nine months ended September 30, 2016 compared to $169,007 for the same period in 2015. On a tax equivalent basis, net interest income was $228,228 for the nine months ended September 30, 2016 as compared to $174,440 for the nine months ended September 30, 2015. Net interest margin, the tax equivalent net yield on earning assets, increased to 4.21% during the nine months ended September 30, 2016, as compared to 4.09% for the nine months ended September 30, 2015. Net interest margin, excluding the impact from purchase accounting adjustments on loans, was 3.82% and 3.81% for the nine months ended September 30, 2016 and 2015, respectively. The following table presents the reconciliation of these non-GAAP measures to reported net interest margin.

	Nine Months Ended September 30,	
	2016	2015
Taxable equivalent net interest income, as reported	$228,228	$174,440
Accretable yield recognized on purchased loans[1]	21,523	12,218
Net interest income, excluding accretable yield	$206,705	$162,222
Average earning assets	$7,233,302	$5,696,156
Net interest margin, as reported	4.21 %	4.09 %
Net interest margin, excluding accretable yield	3.82 %	3.81 %

(1) Includes additional interest income recognized in connection with the acceleration of paydowns and payoffs from acquired loans of $10,004 and $5,443 for the nine months ended September 30, 2016 and 2015, respectively, which increased net interest margin by 18 basis points and 13 basis points for the same periods, respectively.

Net interest margin and net interest income are influenced by internal and external factors. Internal factors include balance sheet changes in volume, mix and pricing decisions. External factors include changes in market interest rates, competition and the shape of the interest rate yield curve.

The following table sets forth average balance sheet data, including all major categories of interest-earning assets and interest bearing liabilities, together with the interest earned or interest paid and the average yield or average rate paid on each such category for the periods presented:

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	Nine Months Ended September 30,					
	2016			2015		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Assets						
Interest-earning assets:						
Loans[1]	$6,066,280	$223,936	4.93%	$4,575,155	$166,332	4.86%
Securities:						
Taxable[2]	732,915	11,875	2.16	722,200	11,836	2.19
Tax-exempt	353,954	12,466	4.70	322,791	12,346	5.11
Interest-bearing balances with banks	80,153	308	0.51	76,010	154	0.27
Total interest-earning assets	7,233,302	248,585	4.59	5,696,156	190,668	4.48
Cash and due from banks	134,238			91,934		
Intangible assets	490,225			347,613		
FDIC loss-share indemnification asset	5,725			9,345		
Other assets	493,949			384,911		
Total assets	$8,357,439			$6,529,959		
Liabilities and shareholders' equity						
Interest-bearing liabilities:						
Deposits:						
Interest-bearing demand[3]	$3,058,663	$4,277	0.19	$2,507,455	$3,465	0.18
Savings deposits	521,176	276	0.07	412,335	232	0.08
Time deposits	1,573,749	8,465	0.72	1,350,912	6,643	0.66
Total interest-bearing deposits	5,153,588	13,018	0.34	4,270,702	10,340	0.32
Borrowed funds	561,294	7,339	1.75	311,390	5,888	2.53
Total interest-bearing liabilities	5,714,882	20,357	0.48	4,582,092	16,228	0.47
Noninterest-bearing deposits	1,435,438			1,059,413		
Other liabilities	104,464			64,372		
Shareholders' equity	1,102,655			824,082		
Total liabilities and shareholders' equity	$8,357,439			$6,529,959		
Net interest income/net interest margin		$228,228	4.21%		$174,440	4.09%

(1) Includes mortgage loans held for sale and shown net of unearned income.
(2) U.S. Government and some U.S. Government agency securities are tax-exempt in the states in which we operate.
(3) Interest-bearing demand deposits include interest-bearing transactional accounts and money market deposits.

The average balances of nonaccruing assets are included in the table above. Interest income and weighted average yields on tax-exempt loans and securities have been computed on a fully tax equivalent basis assuming a federal tax rate of 35% and a state tax rate of 3.66%, which is net of federal tax benefit.

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The following table sets forth a summary of the changes in interest earned, on a tax equivalent basis, and interest paid resulting from changes in volume and rates for the Company for the nine months ended September 30, 2016 compared to the same period in 2015:

	Volume	Rate	Net[1]
Interest income:			
Loans [2]	$55,134	$2,470	$57,604
Securities:			
Taxable	225	(186)	39
Tax-exempt	701	(581)	120
Interest-bearing balances with banks	9	145	154
Total interest-earning assets	56,069	1,848	57,917
Interest expense:			
Interest-bearing demand deposits	773	39	812
Savings deposits	57	(13)	44
Time deposits	1,166	656	1,822
Borrowed funds	2,360	(909)	1,451
Total interest-bearing liabilities	4,356	(227)	4,129
Change in net interest income	$51,713	$2,075	$53,788

(1) Changes in interest due to both volume and rate have been allocated on a pro-rata basis using the absolute ratio value of amounts calculated.
(2) Includes mortgage loans held for sale and shown net of unearned income.

Interest income, on a tax equivalent basis, was $248,585 for the nine months ended September 30, 2016 compared to $190,668 for the same period in 2015. This increase in interest income, on a tax equivalent basis, is due primarily to the additional earning assets from the Heritage and KeyWorth acquisitions and loan growth in the Company's non-acquired loan portfolio as well as an increase in loan yields due to higher levels of accretable yield from the acquired loan portfolios. Overall, after excluding the impact from purchase accounting adjustments, the Company continues to experience downward pressure on earning asset yields as a result of replacing higher rate maturing assets with new or renewed assets at current market rates which are generally lower due to the current interest rate environment.

The following table presents the percentage of total average earning assets, by type and yield, for the periods presented:

	Percentage of Total		Yield	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Loans	83.86 %	80.32 %	4.93%	4.86%
Securities	15.03	18.35	2.99	3.09
Other	1.11	1.33	0.51	0.27
Total earning assets	100.00%	100.00%	4.59%	4.48%

For the nine months ending September 30, 2016, loan income, on a tax equivalent basis, increased $57,604 to $223,936 from $166,332 in the same period in 2015. The average balance of loans increased $1,491,125 for the nine

months ended September 30, 2016 compared to the same period in 2015 primarily due to the acquisitions of KeyWorth and Heritage, as well as increased production in the commercial and secondary mortgage loan markets. The tax equivalent yield on loans was 4.93% for the nine months ending September 30, 2016, a seven basis point increase from the same period in 2015. Excluding the impact from purchase accounting adjustments, the tax equivalent yield on loans was 4.46% and 4.50% for the nine months ending September 30, 2016 and 2015, respectively. The table below presents the reconciliation of these non-GAAP measures to reported taxable equivalent yield on loans.

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	Nine Months Ended September 30,	
	2016	2015
Taxable equivalent interest income on loans, as reported	$223,936	$166,332
Accretable yield recognized on purchased loans[(1)]	21,523	12,218
Taxable equivalent interest income on loans, excluding accretable yield	$202,413	$154,114
Average loans	$6,066,280	$4,575,155
Taxable equivalent loan yield, as reported	4.93 %	4.86 %
Taxable equivalent loan yield, excluding accretable yield	4.46 %	4.50 %

(1) Includes additional interest income recognized in connection with the acceleration of paydowns and payoffs from acquired loans of $10,004 and $5,443 for the nine months ended September 30, 2016 and 2015, respectively, which increased our taxable equivalent loan yield by 22 basis points and 16 basis points for the same periods, respectively.

Investment income, on a tax equivalent basis, increased $159 to $24,341 for the nine months ended September 30, 2016 from $24,182 for the same period in 2015. The average balance in the investment portfolio for the nine months ended September 30, 2016 was $1,086,869 compared to $1,044,991 for the same period in 2015. Excluding the contribution from KeyWorth and Heritage, the average balance in the investment portfolio decreased when compared to the same period in 2015. The tax equivalent yield on the investment portfolio for the first nine months of 2016 was 2.99%, down 10 basis points from 3.09% in the same period in 2015. Proceeds from sales, maturities and calls of higher yielding securities were either redeployed to fund loan growth or reinvested in lower earning securities accounting for both the decrease in the average balance of investments, excluding the contribution from Heritage and KeyWorth, and tax equivalent yield thereon when compared to the same period in the prior year. The reinvestment rates on securities were lower due to the generally lower interest rate environment.

Interest expense for the nine months ended September 30, 2016 was $20,357 as compared to $16,228 for the same period in 2015 The cost of interest-bearing liabilities was 0.48% for the nine months ended September 30, 2016 as compared to 0.47% for the same period in September 30, 2015.

The following table presents, by type, the Company’s funding sources, which consist of total average deposits and borrowed funds, and the total cost of each funding source for the periods presented:

	Percentage of Total Nine Months Ended September 30,		Cost of Funds Nine Months Ended September 30,	
	2016	2015	2016	2015
Noninterest-bearing demand	20.08 %	18.78 %	— %	— %
Interest-bearing demand	42.78	44.44	0.19	0.18
Savings	7.29	7.31	0.07	0.08
Time deposits	22.01	23.95	0.72	0.66
Short-term borrowings	5.68	2.78	0.47	0.17
Long-term Federal Home Loan Bank advances	0.63	1.06	4.05	4.16
Subordinated notes	0.20	—	5.45	—
Other long term borrowings	1.33	1.68	5.54	5.40
Total deposits and borrowed funds	100.00%	100.00%	0.48%	0.47%

Interest expense on deposits was $13,018 and $10,340 for the nine months ended September 30, 2016 and 2015, respectively. The cost of interest bearing deposits was 0.34% and 0.32% for the same periods. The increase is primarily attributable to the increase in the average balance of interest bearing deposits from the KeyWorth and Heritage acquisitions. Furthermore, although the Company continues to seek changes in the mix of our deposits from higher costing time deposits to lower costing interest-bearing deposits and non-interest bearing deposits, rates offered on the Company's interest-bearing deposit accounts, including time deposits, have increased to match competitive market interest rates in order to maintain stable sources of funding.

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Interest expense on total borrowings was $7,339 and $5,888 for the first nine months of 2016 and 2015, respectively. The average balance of borrowings increased $249,904 to $561,294 for the nine months ended September 30, 2016, as compared to $311,390 for the same period in 2015. The increase is primarily attributable to an increase in short-term borrowings due to the increased production in the Company's mortgage operations as overnight and other short-term borrowings are often used to fund these short-term assets. The impact to the average balance of borrowings from the aforementioned Notes offerings was nearly offset by the prepayment of long-term FHLB advances also previously mentioned. The cost of total borrowed funds was 1.75% and 2.53% for the first nine months of 2016 and 2015, respectively. The decrease in the cost of the Company's borrowed funds is primarily attributable to the shift in mix driven by the increase in lower costing overnight and short-term borrowings.

A more detailed discussion of the cost of our funding sources is set forth below under the heading “Liquidity and Capital Resources” in this item.

Noninterest Income

Noninterest Income to Average Assets	
Nine Months Ended September 30,	
2016	2015
1.71%	1.57%

Noninterest income was $107,160 for the nine months ended September 30, 2016 as compared to $76,828 for the same period in 2015. The increase in noninterest income and its related components is primarily attributable to the Heritage and KeyWorth acquisitions, Heritage's mortgage operations and a significant increase in mortgage revenue from the Company's existing mortgage operations due to increased production as a result of continued decreases in interest rates and recent mortgage originator hires.

Service charges on deposit accounts include maintenance fees on accounts, per item charges, account enhancement charges for additional packaged benefits and overdraft fees. Service charges on deposit accounts were $23,712 and $21,008 for the nine months ended September 30, 2016 and 2015, respectively. Overdraft fees, the largest component of service charges on deposits, were $17,013 for the nine months ended September 30, 2016 compared to $14,915 for the same period in 2015.

Fees and commissions increased to $14,042 for the first nine months of September 30, 2016 as compared to $11,408 for the same period in 2015. Fees and commissions include fees related to deposit services, such as ATM fees and interchange fees on debit card transactions, as well as servicing income from non-mortgage loans serviced by the Company. Fees associated with debit card usage were $12,178 for the nine months ending September 30, 2016 as compared to $10,290 for the same period in 2015.

Through Renasant Insurance, we offer a range of commercial and personal insurance products through major insurance carriers. Income earned on insurance products was $6,557 and $6,467 for the nine months ended September 30, 2016 and 2015, respectively. Contingency income is a bonus received from the insurance underwriters and is based both on commission income and claims experience on our clients' policies during the previous year. Increases and decreases in contingency income are reflective of corresponding increases and decreases in the amount of claims

paid by insurance carriers. Contingency income, which is included in “Other noninterest income” in the Consolidated Statements of Income, was $1,154 and $539 for the nine months ended September 30, 2016 and 2015, respectively.

The Trust division within the Wealth Management segment operates on a custodial basis which includes administration of benefit plans, as well as accounting and money management for trust accounts. The division manages a number of trust accounts inclusive of personal and corporate benefit accounts, self-directed IRAs, and custodial accounts. Fees for managing these accounts are based on changes in market values of the assets under management in the account, with the amount of the fee depending on the type of account. Additionally, the Financial Services division within the Wealth Management segment provides specialized products and services to our customers, which include fixed and variable annuities, mutual funds, and stocks offered through a third party provider. Wealth Management revenue was $8,803 for the nine months ended September 30, 2016 compared to $7,199 for the same period in 2015. This increase is primarily attributable to an increase in assets under management through the Heritage acquisition. The market value of trust assets under management was $3,091,815 and $3,003,550 at September 30, 2016 and September 30, 2015, respectively.

Mortgage banking income is derived from the origination and sale of mortgage loans and the servicing of mortgage loans that the Company has sold but retained the right to service. Mortgage banking income was $41,181 and $24,113 for the nine months ended September 30, 2016 and 2015, respectively. Originations of mortgage loans to be sold totaled $1,516,650 in the nine months ended September 30, 2016 compared to $992,555 for the same period in 2015. The increase in mortgage loan originations is due to an increase in mortgage activity driven by historically low mortgage rates and the addition of Heritage's mortgage operations

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during the third quarter of 2015. The following table presents the components of mortgage banking income included in noninterest income for the nine months ending September 30:

	2016	2015
Mortgage servicing income, net	$187	$(94)
Gain on sales of loans, net	26,685	18,038
Fees, net	14,309	6,169
Mortgage banking income, net	$41,181	$24,113

Other noninterest income includes contingency income from our insurance underwriters, income from our SBA banking division, and other miscellaneous income. Other noninterest income was $8,750 and $3,869 for the nine months ended September 30, 2016 and 2015, respectively. The increase from 2015 is primarily attributable to contingency income from our insurance underwriters as well as income from our SBA banking division and the gains we realized on the sale of the guaranteed portion of loans originated by this division. SBA banking income was $4,068 and $1,006 for the nine months ended September 30, 2016 and 2015, respectively.

Noninterest Expense

Noninterest Expense to Average Assets Nine Months Ended September 30,	
2016	2015
3.57%	3.57%

Noninterest expense was $223,541 and $174,380 for the nine months ended September 30, 2016 and 2015, respectively. Merger and conversion expense was $4,023 for the nine months ended September 30, 2016, as compared to $9,691 for the same period in 2015. During the nine months ended September 30, 2016, the Company recognized a penalty charge of $2,539 in connection with the prepayment of $42,369 in borrowings from the FHLB. No such charge was incurred during the comparable period in 2015. After considering these expenses, which are typically nonrecurring, the overall increase in noninterest expenses and its related components is primarily attributable to the addition of Heritage and KeyWorth operations.

Salaries and employee benefits increased $30,780 to $132,482 for the nine months ended September 30, 2016 as compared to $101,702 for the same period in 2015. The increase in salaries and employee benefits is attributable to the addition of the Heritage and KeyWorth operations and higher levels of commissions paid in our commercial lending and mortgage banking divisions.

Data processing costs increased to $13,220 in the nine months ended September 30, 2016 from $10,248 for the same period in 2015. The increase for the nine months ended September 30, 2016 as compared to the same period in 2015 was primarily attributable to the Heritage and KeyWorth acquisitions and the addition of enhancements to our products and services, including mobile banking and small business internet banking platform.

Net occupancy and equipment expense for the first nine months of 2016 was $25,585, up from $18,816 for the same period in 2015. The increase in occupancy and equipment expense is primarily attributable to the Heritage and KeyWorth acquisitions coupled with enhancements to our IT infrastructure in response to banking and governmental regulation and increased global risk from cyber security breaches.

Expenses related to other real estate owned for the first nine months of 2016 were $4,111 compared to $2,347 for the same period in 2015. Expenses on other real estate owned for the nine months ended September 30, 2016 included write downs of $2,330 of the carrying value to fair value on certain pieces of property held in other real estate owned. Other real estate owned with a cost basis of $11,475 was sold during the nine months ended September 30, 2016, resulting in a net loss of $435. Expenses on other real estate owned for the nine months ended September 30, 2015 included a $1,922 write down of the carrying value to fair value on certain pieces of property held in other real estate owned. Other real estate owned with a cost basis of $18,062 was sold during the nine months ended September 30, 2015, resulting in a net gain of $499.

Professional fees include fees for legal and accounting services. Professional fees were $3,789 for the nine months ended September 30, 2016 as compared to $3,238 for the same period in 2015. Professional fees remain elevated in large part due to additional legal, accounting and consulting fees associated with compliance costs of newly enacted as well as existing banking and governmental regulation. Professional fees attributable to legal fees associated with loan workouts and foreclosure proceedings

remain at higher levels in correlation with the overall economic downturn and credit deterioration identified in our loan portfolio and the Company's efforts to bring these credits to resolution.

Advertising and public relations expense was $5,040 for the nine months ended September 30, 2016 compared to $4,351 for the same period in 2015.

Amortization of intangible assets totaled $5,123 and $4,317 for the nine months ended September 30, 2016 and 2015, respectively. This amortization relates to finite-lived intangible assets which are being amortized over the useful lives as determined at acquisition. These finite-lived intangible assets have remaining estimated useful lives ranging from 9 months to 10 years. The increase in amortization expense for the nine months ended September 30, 2016 as compared to the same period in 2015 is attributable to the amortization of the core deposit intangibles recognized in connection with the KeyWorth and Heritage acquisitions.

Communication expenses, those expenses incurred for communication to clients and between employees, were $6,308 for the nine months ended September 30, 2016 as compared to $5,263 for the same period in 2015. The increase can be attributed to the Heritage and KeyWorth acquisitions as well as expenses incurred to increase the bandwidth of data lines throughout our footprint.

Efficiency Ratio

Nine Months Ended September 30,	
2016	2015
66.65%	69.40%

The efficiency ratio is one measure of productivity in the banking industry. This ratio is calculated to measure the cost of generating one dollar of revenue. That is, the ratio is designed to reflect the percentage of one dollar which must be expended to generate that dollar of revenue. The Company calculates this ratio by dividing noninterest expense by the sum of net interest income on a fully tax equivalent basis and noninterest income. Merger and conversion expenses and debt prepayment penalties contributed approximately 120 basis points and 76 basis points, respectively, to the efficiency ratio for the first nine months of 2016. Merger and conversion expenses contributed approximately 386 basis points to the efficiency ratio for first nine months of 2015.We remain committed to aggressively managing our costs within the framework of our business model. We expect the efficiency ratio to continue to improve from currently reported levels as a result of revenue growth while at the same time controlling noninterest expenses.

Income Taxes

Income tax expense for the nine months ended September 30, 2016 and 2015 was $33,386 and $21,601, respectively. The effective tax rates for those periods were 33.16% and 31.56%, respectively. The increased effective tax rate for the nine months ended September 30, 2016 as compared to the same period in 2015 is the result of the Company experiencing improvements in its financial results throughout 2015 and into the first nine months of 2016, including the contributions from Heritage and KeyWorth, resulting in higher levels of taxable income.

Risk Management

The management of risk is an on-going process. Primary risks that are associated with the Company include credit, interest rate and liquidity risk. Credit risk and interest rate risk are discussed below, while liquidity risk is discussed in the next subsection under the heading "Liquidity and Capital Resources."

Credit Risk and Allowance for Loan Losses

Inherent in any lending activity is credit risk, that is, the risk of loss should a borrower default. Credit risk is monitored and managed on an ongoing basis by a credit administration department, senior loan committee, a loss management committee and the Board of Directors loan committee. Credit quality, adherence to policies and loss mitigation are major concerns of credit administration and these committees. The Company's central appraisal review department reviews and approves third-party appraisals obtained by the Company on real estate collateral and monitors loan maturities to ensure updated appraisals are obtained. This department is managed by a State Certified General Real Estate Appraiser and employs an additional State Certified General Real Estate appraiser, Appraisal Intern and four evaluators.

We have a number of documented loan policies and procedures that set forth the approval and monitoring process of the lending function. Adherence to these policies and procedures is monitored by management and the Board of Directors. A number of

committees and an underwriting staff oversee the lending operations of the Company. These include in-house loan and loss management committees and the Board of Directors loan committee and problem loan review committee. In addition, we maintain a loan review staff to independently monitor loan quality and lending practices. Loan review personnel monitor and, if necessary, adjust the grades assigned to loans through periodic examination, focusing their review on commercial and real estate loans rather than consumer and small balance consumer mortgage loans, such as 1-4 family mortgage loans.

In compliance with loan policy, the lending staff is given lending limits based on their knowledge and experience. In addition, each lending officer’s prior performance is evaluated for credit quality and compliance as a tool for establishing and enhancing lending limits. Before funds are advanced on consumer and commercial loans below certain dollar thresholds, loans are reviewed and scored using centralized underwriting methodologies. Loan quality, or “risk-rating,” grades are assigned based upon certain factors, which include the scoring of the loans. This information is used to assist management in monitoring credit quality. Loan requests of amounts greater than an officer’s lending limits are reviewed by senior credit officers, in-house loan committees or the Board of Directors.

For commercial and commercial real estate secured loans, 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. Loan grades range from 1 to 9, with 1 being loans with the least credit risk. Allowance factors established by management are applied to the total balance of loans in each grade to determine the amount needed in the allowance for loan losses. The allowance factors are established based on historical loss ratios experienced by the Company for these loan types, as well as the credit quality criteria underlying each grade, adjusted for trends and expectations about losses inherent in our existing portfolios. In making these adjustments to the allowance factors, management takes into consideration factors which it believes are causing, or are likely in the future to cause, losses within our loan portfolio but which may not be fully reflected in our historical loss ratios. For portfolio balances of consumer, small balance consumer mortgage loans, such as 1-4 family mortgage loans and certain other similar loan types, 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 loss management committee and the Board of Directors’ problem loan review committee monitor loans that are past due or those that have been downgraded and placed on the Company’s internal watch list due to a decline in the collateral value or cash flow of the debtor; the committees then adjust loan grades accordingly. This information is used to assist management in monitoring credit quality. In addition, the Company’s portfolio management committee monitors and identifies risks within the Company’s loan portfolio by focusing its efforts on reviewing and analyzing loans which are not on the Company’s internal watch list. The portfolio management committee monitors loans in portfolios or regions which management believes could be stressed or experiencing credit deterioration.

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 and interest when due according to the contractual terms of the loan agreement. Impairment is measured on a loan-by-loan basis for problem loans of $500 or greater 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. For real estate collateral, the fair market value of the collateral is based upon a recent appraisal by a qualified and licensed appraiser of the underlying collateral. When the ultimate collectability of a loan’s principal is in doubt, wholly or partially, the loan is placed on nonaccrual.

After all collection efforts have failed, collateral securing loans may be repossessed and sold or, for loans secured by real estate, foreclosure proceedings initiated. The collateral is sold at public auction for fair market value (based upon recent appraisals described in the above paragraph), with fees associated with the foreclosure being deducted from the sales price. The purchase price is applied to the outstanding loan balance. If the loan balance is greater than the sales

proceeds, the deficient balance is sent to the Board of Directors' loan committee for charge-off approval. These charge-offs reduce the allowance for loan losses. Charge-offs reflect the realization of losses in the portfolio that were recognized previously through the provision for loan losses.

Net charge-offs for the third quarter of 2016 were $824, or 0.05% of average loans, compared to net charge-offs of $587, or 0.04% of average loans, for the same period in 2015. The levels of net charge-offs relative to the size of our loan portfolio reflect the improved credit quality measures and the Company's continued efforts to bring these problem credits to resolution.

The allowance for loan losses is available to absorb probable credit losses inherent in the entire loan portfolio. The appropriate level of the allowance is based on an ongoing analysis of the loan portfolio and represents an amount that management deems adequate to provide for inherent losses, including collective impairment as recognized under the Financial Accounting Standards Board Accounting Standards Codification Topic ("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, "Receivables." The balance of these loans and their related allowance is included in management's estimation and analysis of the allowance for

loan losses. Other considerations in establishing the allowance for loan losses include economic conditions reflected within industry segments, the unemployment rate in our markets, loan segmentation and historical losses that are inherent in the loan portfolio. The allowance for loan losses is established after input from management, loan review and the loss management committee. An evaluation of the adequacy of the allowance is calculated quarterly based on the types of loans, an analysis of credit losses and risk in the portfolio, economic conditions and trends within each of these factors. In addition, on a regular basis, management and the Board of Directors review loan ratios. These ratios include the allowance for loan losses as a percentage of total loans, net charge-offs as a percentage of average loans, the provision for loan losses as a percentage of average loans, nonperforming loans as a percentage of total loans and the allowance coverage on nonperforming loans. Also, management reviews past due ratios by officer, community bank and the Company as a whole.

The following table presents the allocation of the allowance for loan losses by loan category as of the dates presented:

	September 30, 2016	December 31, 2015	September 30, 2015
Commercial, financial, agricultural	$ 5,454	$ 4,186	$ 3,613
Lease financing	208	160	60
Real estate – construction	2,223	1,852	1,661
Real estate – 1-4 family mortgage	15,412	13,908	13,911
Real estate – commercial mortgage	21,288	21,111	21,328
Installment loans to individuals	1,339	1,220	1,478
Total	$ 45,924	$ 42,437	$ 42,051

For impaired loans, specific reserves are established to adjust the carrying value of the loan to its estimated net realizable value. The following table quantifies the amount of the specific reserves component of the allowance for loan losses and the amount of the allowance determined by applying allowance factors to graded loans as of the dates presented:

	September 30, 2016	December 31, 2015	September 30, 2015
Specific reserves for impaired loans	$ 8,899	$ 7,600	$ 7,797
Allocated reserves for remaining portfolio	33,607	33,131	32,304
Acquired with deteriorated credit quality	3,418	1,706	$ 1,950
Total	$ 45,924	$ 42,437	$ 42,051

The provision for loan losses charged to operating expense is an amount which, in the judgment of management, is necessary to maintain the allowance for loan losses at a level that is believed to be adequate to meet the inherent risks of losses in our loan portfolio. Factors considered by management in determining the amount of the provision for loan losses include the internal risk rating of individual credits, historical and current trends in net charge-offs, trends in nonperforming loans, trends in past due loans, trends in the market values of underlying collateral securing loans and the current economic conditions in the markets in which we operate. The provision for loan losses was $5,880 and $3,000 for the nine months ended September 30, 2016 and 2015, respectively, which reflects the aforementioned improving credit quality trends coupled with providing for significant loan growth during each respective period.

A majority of the loans acquired in the Company’s FDIC-assisted acquisitions and certain loans acquired and not covered under the Company's FDIC loss-share agreements are accounted for under ASC 310-30, “Loans and Debt Securities Acquired with Deteriorated Credit Quality” (“ASC 310-30”), and are carried at values which, in management’s opinion, reflect the estimated future cash flows, based on the facts and circumstances surrounding each respective loan at the date of acquisition. As of September 30, 2016, the fair value of loans accounted for in accordance with ASC

310-30 was $297,609. The Company continually monitors these loans as part of our normal credit review and monitoring procedures for changes in the estimated future cash flows; to the extent future cash flows deteriorate below initial projections, the Company may be required to reserve for these loans in the allowance for loan losses through future provision for loan losses. As of September 30, 2016, the Company has increased the allowance for loan losses by $3,418 for loans accounted for under ASC 310-30. As of September 30, 2015, the Company increased the allowance for loan losses by $1,950 for loans accounted for under ASC 310-30. The Company increased the allowance for loan losses in the third quarter of 2016 due to the loans acquired in the Heritage acquisition that are accounted for under ASC 310-30.

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The table below reflects the activity in the allowance for loan losses for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Balance at beginning of period	$44,098	$41,888	$42,437	$42,289
Charge-offs				
Commercial, financial, agricultural	394	143	1,099	501
Lease financing	—	—	—	—
Real estate – construction	—	—	—	26
Real estate – 1-4 family mortgage	242	251	745	1,605
Real estate – commercial mortgage	466	430	1,653	2,287
Installment loans to individuals	201	132	573	238
Total charge-offs	1,303	956	4,070	4,657
Recoveries				
Commercial, financial, agricultural	85	82	243	221
Lease financing	—	—	—	—
Real estate – construction	4	3	15	16
Real estate – 1-4 family mortgage	188	145	753	515
Real estate – commercial mortgage	181	112	582	581
Installment loans to individuals	21	27	84	86
Total recoveries	479	369	1,677	1,419
Net charge-offs	824	587	2,393	3,238
Provision for loan losses	2,650	750	5,880	3,000
Balance at end of period	$45,924	$42,051	$45,924	$42,051
Net charge-offs (annualized) to average loans	0.05 %	0.04 %	0.06 %	0.10 %
Allowance for loan losses to:				
Total loans not acquired	1.01 %	1.17 %	1.01 %	1.17 %
Nonperforming loans not acquired	310.95 %	277.22 %	310.95 %	277.22 %

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The following table provides further details of the Company’s net charge-offs (recoveries) of loans secured by real estate for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Real estate – construction:				
Residential	$(4)	$(3)	$(13)	$12
Commercial	—	—	—	—
Condominiums	—	—	(2)	(2)
Total real estate – construction	(4)	(3)	(15)	10
Real estate – 1-4 family mortgage:				
Primary	4	119	104	755
Home equity	62	(3)	113	172
Rental/investment	3	12	137	74
Land development	(15)	(22)	(362)	89
Total real estate – 1-4 family mortgage	54	106	(8)	1,090
Real estate – commercial mortgage:				
Owner-occupied	115	283	343	1,700
Non-owner occupied	80	42	325	188
Land development	90	(7)	403	(182)
Total real estate – commercial mortgage	285	318	1,071	1,706
Total net charge-offs of loans secured by real estate	$335	$421	$1,048	$2,806

Nonperforming Assets

Nonperforming assets consist of nonperforming loans, other real estate owned and nonaccruing securities available-for-sale. Nonperforming loans are those on which the accrual of interest has stopped or loans which are contractually 90 days past due on which interest continues to accrue. Generally, the accrual of interest is discontinued when the full collection of principal or interest is in doubt or when the payment of principal or interest has been contractually 90 days past due, unless the obligation is both well secured and in the process of collection. Management, the loss management committee and our loan review staff closely monitor loans that are considered to be nonperforming.

Debt securities may be transferred to nonaccrual status where the recognition of investment interest is discontinued. A number of qualitative factors, including but not limited to the financial condition of the underlying issuer and current and projected deferrals or defaults, are considered by management in the determination of whether a debt security should be transferred to nonaccrual status. The interest on these nonaccrual investment securities is accounted for on the cash-basis method until qualifying for return to accrual status. Nonaccruing securities available-for-sale consist of one of the Company’s three investments in pooled trust preferred securities issued by financial institutions, which are discussed earlier in this section under the heading "Investments".

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The following table provides details of the Company's nonperforming assets that are not acquired and not covered by FDIC loss-share agreements ("Not Acquired"), nonperforming assets that have been acquired and are covered by loss-share agreements with the FDIC ("Acquired Covered Assets"), and nonperforming assets acquired and not covered by loss-share agreements with the FDIC ("Acquired Not Covered") as of the dates presented:

	Not Acquired	Acquired Covered Assets	Acquired Not Covered	Total
September 30, 2016				
Nonaccruing loans	$ 12,454	$ 1,628	$ 12,105	$ 26,187
Accruing loans past due 90 days or more	2,315	786	12,619	15,720
Total nonperforming loans	14,769	2,414	24,724	41,907
Other real estate owned	8,429	926	16,973	26,328
Total nonperforming loans and OREO	23,198	3,340	41,697	68,235
Nonaccruing securities available-for-sale, at fair value	9,654	—	—	9,654
Total nonperforming assets	$ 32,852	$ 3,340	$ 41,697	$ 77,889
Nonperforming loans to total loans				0.69 %
Nonperforming assets to total assets				0.91 %
December 31, 2015				
Nonaccruing loans	$ 13,645	$ 3,319	$ 12,070	$ 29,034
Accruing loans past due 90 days or more	1,326	3,609	11,458	16,393
Total nonperforming loans	14,971	6,928	23,528	45,427
Other real estate owned	12,987	2,818	19,597	35,402
Total nonperforming loans and OREO	27,958	9,746	43,125	80,829
Nonaccruing securities available-for-sale, at fair value	10,448	—	—	10,448
Total nonperforming assets	$ 38,406	$ 9,746	$ 43,125	$ 91,277
Nonperforming loans to total loans				0.84 %
Nonperforming assets to total assets				1.15 %

Overall, the Company experienced lower levels of classified loans and nonperforming loans resulting in improving credit quality measures in 2015 and through the first nine months of 2016. At September 30, 2016, not acquired, nonperforming loans decreased $202 from $14,971 at December 31, 2015. Total acquired nonperforming loans, which consist of acquired covered and acquired not covered, decreased $3,318 for the first nine months of 2016. The decrease in total acquired, nonperforming loans reflects the improved credit quality in the Company's acquired loan portfolio and the Company's continued efforts to bring these problem credits to resolution. At September 30, 2016, the acquisition of Heritage added $11,103 acquired, nonperforming loans compared to $11,462 at December 31, 2015. At September 30, 2016, the Company added $223 of nonperforming loans as a result of the KeyWorth acquisition.

Due to the significant difference in the accounting for the loans and other real estate owned covered by loss-share agreements and loss mitigation offered under the loss-share agreements with the FDIC, the Company believes that excluding the covered assets from its asset quality measures provides a more meaningful presentation of the Company's asset quality. The asset quality measures surrounding the Company's nonperforming assets discussed in the remainder of this section exclude covered assets relating to the Company's FDIC-assisted acquisitions.

Another category of assets which contribute to our credit risk is 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 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. Restructured loans that are not performing in accordance with their restructured terms that are either contractually 90 days past due or placed on nonaccrual status are reported as nonperforming loans.

The following table shows the principal amounts of nonperforming and restructured loans as of the dates presented. All loans where information exists about possible credit problems that would cause us to have serious doubts about the borrower's ability to comply with the current repayment terms of the loan have been reflected in the table below.

	September 30, 2016	December 31, 2015	September 30, 2015
Nonaccruing loans	$ 24,559	$ 25,715	$ 30,318
Accruing loans past due 90 days or more	14,934	12,784	9,471
Total nonperforming loans	39,493	38,499	39,789
Restructured loans in compliance with modified terms	10,720	13,453	18,881
Total nonperforming and restructured loans	$ 50,213	$ 51,952	$ 58,670

Acquired nonperforming loans that are not covered by FDIC loss-share agreements totaled $24,724 at September 30, 2016 which consisted of $12,105 in loans on nonaccrual status and $12,619 in accruing loans past due 90 days or more. The recent acquisition of Heritage added $10,527 acquired, non-covered, nonperforming loans, the First M&F merger contributed $5,566 and the KeyWorth merger added $223 of such loans at September 30, 2016. At December 31, 2015 nonperforming loans from the acquired non-covered portfolio were $23,528. Excluding the nonperforming loans from acquisitions, nonperforming loans were $14,769 at September 30, 2016 and $14,971 at December 31, 2015. The following table presents nonperforming loans, not subject to a loss-share agreement, by loan category as of the dates presented:

	September 30, 2016	December 31, 2015	September 30, 2015
Commercial, financial, agricultural	$ 3,428	$ 1,266	$ 1,649
Real estate – construction:			
Residential	707	176	—
Commercial	—	—	—
Condominiums	—	—	—
Total real estate – construction	707	176	—
Real estate – 1-4 family mortgage:			
Primary	7,170	6,957	6,875
Home equity	587	1,073	891
Rental/investment	2,350	4,284	4,138
Land development	2,550	2,048	1,983
Total real estate – 1-4 family mortgage	12,657	14,362	13,887
Real estate – commercial mortgage:			
Owner-occupied	10,287	8,574	9,030
Non-owner occupied	9,161	7,645	7,966
Land development	2,632	6,320	6,731
Total real estate – commercial mortgage	22,080	22,539	23,727
Installment loans to individuals	279	156	107
Lease financing	342	—	419
Total nonperforming loans	$ 39,493	$ 38,499	$ 39,789

Our level of nonperforming loans, not subject to a loss-share agreement, increased from the fourth quarter of 2015, due primarily to our acquisition of Heritage as well as loss-share loans acquired in the Crescent and Heritage acquisitions being transferred to the acquired not covered loan category. However, the Company is continuing its efforts to bring problem credits to resolution. Total nonperforming loans as a percentage of total loans were 0.65% as of September 30, 2016 compared to 0.72% as of December 31, 2015 and 0.77% as of September 30, 2015. The

Company's coverage ratio, or its allowance for loan losses as a percentage of nonperforming loans, was 116.28% as of September 30, 2016 as compared to 110.23% as of December 31, 2015 and 105.68% as of September 30, 2015. Management has evaluated the aforementioned loans and other loans classified as nonperforming and believes that all nonperforming loans have been adequately reserved for in the allowance for loan losses at September 30, 2016.

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Management also continually monitors past due loans for potential credit quality deterioration. Total loans 30-89 days past due increased to $21,554 at September 30, 2016 as compared to $14,412 at December 31, 2015 and $15,964 at September 30, 2015. The acquisition of First M&F contributed $3,731 of acquired, not covered loans 30-89 days past due, while the Heritage acquisition contributed $6,856 of acquired, not covered loans 30-89 days past due at September 30, 2016. The acquisition of Heritage contributed $4,920 of acquired, not covered loans 30-89 days past due, while the First M&F merger contributed $2,177 of acquired, not covered loans 30-89 days past due at December 31, 2015. The acquisition of First M&F contributed $3,431 of acquired, not covered loans 30-89 days past due at September 30, 2015.

As shown below, restructured loans totaled $10,720 at September 30, 2016 compared to $13,453 at December 31, 2015 and $18,881 at September 30, 2015. At September 30, 2016, loans restructured through interest rate concessions represented 45% of total restructured loans, while loans restructured by a concession in payment terms represented the remainder. The following table provides further details of the Company's restructured loans in compliance with their modified terms as of the dates presented:

	September 30, 2016	December 31, 2015	September 30, 2015
Commercial, financial, agricultural	$ 244	$ 257	$ 460
Real estate – construction:			
Residential	510	—	—
Total real estate – construction	510	—	—
Real estate – 1-4 family mortgage:			
Primary	4,542	4,309	4,091
Home equity	250	—	—
Rental/investment	744	1,455	1,472
Land development	10	14	—
Total real estate – 1-4 family mortgage	5,546	5,778	5,563
Real estate – commercial mortgage:			
Owner-occupied	2,406	3,214	3,058
Non-owner occupied	1,439	3,596	9,199
Land development	508	541	534
Total real estate – commercial mortgage	4,353	7,351	12,791
Installment loans to individuals	67	67	67
Total restructured loans in compliance with modified terms	$ 10,720	$ 13,453	$ 18,881

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

	2016	2015
Balance at January 1,	$13,453	$14,337
Additional loans with concessions	2,926	9,490
Reductions due to:		
Reclassified as nonperforming	(1,336)	(21)
Paid in full	(3,304)	(1,494)
Charge-offs	(32)	—
Transfer to other real estate owned	(51)	—
Paydowns	(936)	(294)
Balance at September 30,	$10,720	$22,018

Other real estate owned consists of properties acquired through foreclosure or acceptance of a deed in lieu of foreclosure. These properties are carried at the lower of cost or fair market value based on appraised value less estimated selling costs. Losses arising at the time of foreclosure of properties are charged against the allowance for loan losses. Reductions in the carrying value subsequent to acquisition are charged to earnings and are included in "Other real estate owned" in the Consolidated Statements of Income.

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Other real estate owned with a cost basis of $11,058 was sold during the nine months ended September 30, 2016, resulting in a net loss of $253, while other real estate owned with a cost basis of $10,793 was sold during the nine months ended September 30, 2015, resulting in a net gain of $377.
The following table provides details of the Company's other real estate owned as of the dates presented:

	September 30, 2016	December 31, 2015	September 30, 2015
Residential real estate	$ 2,103	$ 4,265	$ 4,452
Commercial real estate	8,412	11,041	12,583
Residential land development	4,139	4,595	4,729
Commercial land development	10,748	12,683	11,387
Total other real estate owned	$ 25,402	$ 32,584	$ 33,151

Changes in the Company's other real estate owned were as follows:

	2016	2015
Balance at January 1,	$32,584	$28,104
Acquired OREO	—	6,250
Transfer of balance to non-covered[1]	2,974	3,431
Additions	3,397	8,016
Impairments	(2,306)	(1,831)
Dispositions	(11,058)	(10,794)
Other	(189)	(25)
Balance at September 30,	$25,402	$33,151

(1) Represents a transfer of balances on non-single family assets of Citizens Bank of Effingham and First Southern National Bank (assumed in the Heritage acquisition). The claim period to submit losses to the FDIC for reimbursement on non-single family assets ended February 29, 2016 for Citizens Bank of Effingham and August 31, 2016 for First Southern National Bank.

Interest Rate Risk

Market risk is the risk of loss from adverse changes in market prices and rates. The majority of assets and liabilities of a financial institution are monetary in nature and therefore differ greatly from most commercial and industrial companies that have significant investments in fixed assets and inventories. Our market risk arises primarily from interest rate risk inherent in lending and deposit-taking activities. Management believes a significant impact on the Company's financial results stems from our ability to react to changes in interest rates. To that end, management actively monitors and manages our interest rate risk exposure.
We have an Asset/Liability Committee ("ALCO") which is authorized by the Board of Directors to monitor our interest rate sensitivity and to make decisions relating to that process. The ALCO's goal is to structure our asset/liability composition to maximize net interest income while managing interest rate risk so as to minimize the adverse impact of changes in interest rates on net interest income and capital. Profitability is affected by fluctuations in interest rates. A sudden and substantial change in interest rates may adversely impact our earnings because the interest rates borne by assets and liabilities do not change at the same speed, to the same extent or on the same basis.
We utilize an asset/liability model as the primary quantitative tool in measuring the amount of interest rate risk associated with changing market rates. The model is used to perform both net interest income forecast simulations for multiple year horizons, and economic value of equity ("EVE") analyses, under various interest rate scenarios.
Net interest income simulations measure the short and medium-term earnings exposure from changes in market interest rates in a rigorous and explicit fashion. Our current financial position is combined with assumptions regarding future business to calculate net interest income under varying hypothetical rate scenarios. EVE measures our

long-term earnings exposure from changes in market rates of interest. EVE is defined as the present value of assets minus the present value of liabilities at a point in time for a given set of market rate assumptions. An increase in EVE due to a specified rate change indicates an improvement in the long-term earnings capacity of the balance sheet assuming that the rate change remains in effect over the life of the current balance sheet.

The following table presents the projected impact of a change in interest rates on (1) static EVE and (2) earnings at risk (that is, net interest income) for the 1-12 and 13-24 month periods commencing October 1, 2016, in each case as compared to the result under rates present in the market on September 30, 2016. The changes in interest rates assume an instantaneous and parallel shift in the yield curve and does not take into account changes in the slope of the yield curve. On account of the present position of the target federal funds rate, the Company did not present an analysis assuming a downward movement in rates.

	Percentage Change In:		
Immediate Change in Rates of:	Economic Value Equity (EVE)	Earning at Risk (EAR) (Net Interest Income)	
	Static	1-12 Months	13-24 Months
+400	13.48%	1.16%	9.16%
+300	12.28%	1.30%	7.78%
+200	12.02%	1.19%	6.00%
+100	11.03%	0.67%	3.57%

The rate shock results for the net interest income simulations for the next twenty-four months produce a slightly asset sensitive position at September 30, 2016. The Company's interest rate risk strategy is to remain in a slightly asset sensitive position with a focus on balance sheet strategies that will result in a more asset sensitive position over time. To accomplish this strategy, the Company has focused on increasing variable rate loan production and generating deposits that are less sensitive to increases in interest rates.

The preceding measures assume no change in the size or asset/liability compositions of the balance sheet. Thus, the measures do not reflect actions the ALCO may undertake in response to such changes in interest rates. The above results of the interest rate shock analysis are within the parameters set by the Board of Directors. The scenarios assume instantaneous movements in interest rates in increments of 100, 200, 300 and 400 basis points. As interest rates are adjusted over a period of time, it is our strategy to proactively change the volume and mix of our balance sheet in order to mitigate our interest rate risk. The computation of the prospective effects of hypothetical interest rate changes requires numerous assumptions regarding characteristics of new business and the behavior of existing positions. These business assumptions are based upon our experience, business plans and published industry experience. Key assumptions employed in the model include asset prepayment speeds, competitive factors, the relative price sensitivity of certain assets and liabilities and the expected life of non-maturity deposits. Because these assumptions are inherently uncertain, actual results will differ from simulated results.

The Company utilizes derivative financial instruments, including interest rate contracts such as swaps, caps and/or floors, as part of its ongoing efforts to mitigate its interest rate risk exposure and to facilitate the needs of its customers. The Company also enters into derivative instruments that are not designated as hedging instruments to help its commercial customers manage their exposure to interest rate fluctuations. To mitigate the interest rate risk associated with these customer contracts, the Company enters into an offsetting derivative contract position. The Company manages its credit risk, or potential risk of default by its commercial customers, through credit limit approval and monitoring procedures. At September 30, 2016, the Company had notional amounts of $80,065 on interest rate contracts with corporate customers and $80,065 in offsetting interest rate contracts with other financial institutions to mitigate the Company's rate exposure on its corporate customers' contracts and certain fixed-rate loans.

In March and April 2012, the Company entered into two interest rate swap agreements effective in March 2014. Under these agreements, the Company receives a variable rate of interest based on the three-month LIBOR plus a pre-determined spread and pays a fixed rate of interest. The agreements, which both terminate in March 2022, are accounted for as cash flow hedges to reduce the variability in cash flows resulting from changes in interest rates on $32,000 of the Company's junior subordinated debentures. In connection with its acquisition of First M&F, the Company assumed an interest rate swap designed to convert floating rate interest payments into fixed rate payments. Based on the terms of the agreement, which terminates in March 2018, the Company receives a variable rate of interest based on the three-month LIBOR plus a pre-determined spread and pays a fixed rate of interest. The interest

rate swap is accounted for as a cash flow hedge to reduce the variability in cash flows resulting from changes in interest rates on $30,000 of the junior subordinated debentures assumed in the merger with First M&F.

On June 5, 2014, the Company entered into two forward interest rate swap contracts on floating rate liabilities at the Bank level with notional amounts of $15,000 each. The interest rate swap contracts are each accounted for as a cash flow hedge with the objective of protecting against any interest rate volatility on future FHLB borrowings for a four-year and five-year period beginning June 1, 2018 and December 3, 2018 and ending June 2022 and June 2023, respectively. Under these contracts, Renasant Bank will pay a fixed interest rate and will receive a variable interest rate based on the three-month LIBOR plus a pre-determined spread, with quarterly net settlements.

The Company also enters into interest rate lock commitments with its customers to mitigate the Company's interest rate risk associated with its commitments to fund fixed-rate residential mortgage loans. Under the interest rate lock commitments, interest rates for mortgage loans are locked in with the customer for a period of time, typically thirty days. Once an interest rate lock commitment is entered into with a customer, the Company also enters into a forward commitment to sell the residential mortgage loan to secondary market investors. Accordingly, the Company does not incur risk if the interest rate lock commitment in the pipeline fails to close.

For more information about the Company's derivative financial instruments, see Note J, "Derivative Instruments," in the Notes
to Consolidated Financial Statements of the Company in Item 1, "Financial Statements," in this report.

Liquidity and Capital Resources

Liquidity management is the ability to meet the cash flow requirements of customers who may be either depositors wishing to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs. Management continually monitors the Bank's liquidity through review of a variety of reports.

Core deposits, which are deposits excluding time deposits and public fund deposits, are a major source of funds used by Renasant Bank to meet cash flow needs. Maintaining the ability to acquire these funds as needed in a variety of markets is the key to assuring Renasant Bank's liquidity.

Our investment portfolio is another alternative for meeting liquidity needs. These assets generally have readily available markets that offer conversions to cash as needed. Within the next twelve months the securities portfolio is forecasted to generate cash flow through principal payments and maturities equal to 17.75% of the carrying value of the total securities portfolio. Securities within our investment portfolio are also used to secure certain deposit types and short-term borrowings. At September 30, 2016, securities with a carrying value of $681,499 were pledged to secure public fund deposits and as collateral for short-term borrowings and derivative instruments as compared to securities with a carrying value of $718,767 similarly pledged at December 31, 2015.

Other sources available for meeting liquidity needs include federal funds purchased and short-term and long-term advances from the FHLB. Interest is charged at the prevailing market rate on federal funds purchased and FHLB advances. There were $257,000 in overnight borrowings from the FHLB at September 30, 2016 compared to $400,000 at December 31, 2015. Long-term funds obtained from the FHLB are used primarily to match-fund fixed rate loans in order to minimize interest rate risk and also are used to meet day to day liquidity needs, particularly when the cost of such borrowing compares favorably to the rates that we would be required to pay to attract deposits. At September 30, 2016, the balance of our outstanding long-term advances with the FHLB was $8,807. The total amount of the remaining credit available to us from the FHLB at September 30, 2016 was $1,964,477. We also maintain lines of credit with other commercial banks totaling $75,000. These are unsecured lines of credit maturing at various times within the next twelve months. There were no amounts outstanding under these lines of credit at September 30, 2016 or December 31, 2015.

As discussed above under the heading "Financial Condition" under "Borrowings" in August 2016, the Company issued and sold $60,000 aggregate principal amount of its 5.00% Fixed-to-Floating Rate Subordinated Notes due 2026 and $40,000 aggregate principal amount of its 5.50% Fixed-to-Floating Rate Subordinated Notes due 2031. The carrying value of the Notes was $98,167 at September 30, 2016.

The following table presents, by type, the Company's funding sources, which consist of total average deposits and borrowed funds, and the total cost of each funding source for the periods presented:

	Percentage of Total Nine Months Ended September 30,		Cost of Funds Nine Months Ended September 30,	
	2016	2015	2016	2015
Noninterest-bearing demand	20.08 %	18.78 %	— %	— %
Interest-bearing demand	42.78	44.44	0.19	0.18
Savings	7.29	7.31	0.07	0.08
Time deposits	22.01	23.95	0.72	0.66
Short-term borrowings	5.68	2.78	0.47	0.17
Long-term Federal Home Loan Bank advances	0.63	1.06	4.05	4.16
Subordinated notes	0.20	—	5.45	—
Other borrowed funds	1.33	1.68	5.54	5.40
Total deposits and borrowed funds	100.00 %	100.00 %	0.48 %	0.47 %

Our strategy in choosing funds is focused on minimizing cost along with considering our balance sheet composition and interest rate risk position. Accordingly, management targets growth of non-interest bearing deposits. While we do not control the types of deposit instruments our clients choose, we do influence those choices with the rates and the deposit specials we offer. We constantly monitor our funds position and evaluate the effect that various funding sources have on our financial position.

Cash and cash equivalents were $217,391 at September 30, 2016 compared to $203,849 at September 30, 2015. Cash used in investing activities for the nine months ended September 30, 2016 was $240,085 compared to cash used in investing activities of $139,531 for the nine months ended September 30, 2015. Proceeds from the sale, maturity or call of securities within our investment portfolio were $230,565 for the nine months ended 2016. These proceeds from the investment portfolio were primarily used to fund loan growth or reinvested back into the security portfolio. Proceeds from the sale, maturity or call of securities within our investment portfolio during the nine months ended September 30, 2015 were $213,370. These proceeds were primarily reinvested in the investment portfolio. Purchases of investment securities were $92,887 for the first nine months of 2016 compared to $192,032 for the same period in 2015.

Cash provided by financing activities for the nine months ended September 30, 2016 and 2015 was $121,167 and $52,627, respectively. Deposits increased $248,411 and $22,035 for the nine months ended September 30, 2016 and 2015, respectively. Cash provided through deposit growth was partially used to fund loan growth.

Restrictions on Bank Dividends, Loans and Advances

The Company's liquidity and capital resources, as well as its ability to pay dividends to its shareholders, are substantially dependent on the ability of the Bank to transfer funds to the Company in the form of dividends, loans and advances. Under Mississippi law, a Mississippi bank may not pay dividends unless its earned surplus is in excess of three times capital stock. A Mississippi bank with earned surplus in excess of three times capital stock may pay a dividend, subject to the approval of the Mississippi Department of Banking and Consumer Finance. Accordingly, the approval of this supervisory authority is required prior to Renasant Bank paying dividends to the Company.

Federal Reserve regulations also limit the amount Renasant Bank may loan to the Company unless such loans are collateralized by specific obligations. At September 30, 2016, the maximum amount available for transfer from Renasant Bank to the Company in the form of loans was $73,112. The Company maintains a line of credit collateralized by cash with Renasant Bank totaling $3,030. There were no amounts outstanding under this line of credit at September 30, 2016. These restrictions did not have any impact on the Company's ability to meet its cash

obligations in the nine months ended September 30, 2016, nor does management expect such restrictions to materially impact the Company's ability to meet its currently-anticipated cash obligations.

Off-Balance Sheet Transactions

The Company enters into loan commitments and standby letters of credit in the normal course of its business. Loan commitments are made to accommodate the financial needs of the Company's customers. Standby letters of credit commit the Company to make payments on behalf of customers when certain specified future events occur. Both arrangements have credit risk essentially the same as that involved in extending loans to customers and are subject to the Company's normal credit policies. Collateral (e.g., securities, receivables, inventory, equipment, etc.) is obtained based on management's credit assessment of the customer.

Loan commitments and standby letters of credit do not necessarily represent future cash requirements of the Company in that while the borrower has the ability to draw upon these commitments at any time, these commitments often expire without being drawn upon. The Company’s unfunded loan commitments and standby letters of credit outstanding were as follows as of the dates presented:

	September 30, 2016	December 31, 2015
Loan commitments	$ 1,238,601	$ 1,131,842
Standby letters of credit	34,203	37,063

The Company closely monitors the amount of remaining future commitments to borrowers in light of prevailing economic conditions and adjusts these commitments as necessary. The Company will continue this process as new commitments are entered into or existing commitments are renewed.

Shareholders’ Equity and Regulatory Matters

Total shareholders’ equity of the Company was $1,142,247 at September 30, 2016 compared to $1,036,818 at December 31, 2015. Book value per share was $27.13 and $25.73 at September 30, 2016 and December 31, 2015, respectively. The growth in shareholders’ equity was primarily attributable to earnings retention and changes in accumulated other comprehensive income offset by dividends declared.

On September 15, 2015, the Company filed a shelf registration statement with the Securities and Exchange Commission (“SEC”). The shelf registration statement, which was automatically effective upon filing, allows the Company to raise capital from time to time through the sale of common stock, preferred stock, depository shares, debt securities, rights, warrants and units, or a combination thereof, subject to market conditions. Specific terms and prices will be determined at the time of any offering under a separate prospectus supplement that the Company will be required to file with the SEC at the time of the specific offering. The proceeds of the sale of securities, if and when offered, will be used for general corporate purposes or as otherwise described in the prospectus supplement applicable to the offering and could include the expansion of the Company’s banking, insurance and wealth management operations as well as other business opportunities. The Notes were offered and sold pursuant to this shelf registration statement and prospectus supplements filed with respect thereto.

The Company has junior subordinated debentures with a carrying value of $95,506 at September 30, 2016, of which $92,318 are included in the Company’s Tier 1 capital. The Federal Reserve Board issued guidance in March 2005 providing more strict quantitative limits on the amount of securities that, similar to our junior subordinated debentures, are includable in Tier 1 capital. The new guidance, which became effective in March 2009, did not impact the amount of debentures we include in Tier 1 capital. In addition, although our existing junior subordinated debentures are unaffected, on account of changes enacted as part of the Dodd-Frank Act, any trust preferred securities issued after May 19, 2010 may not be included in Tier 1 capital.

The Notes have a carrying value of $98,167 at September 30, 2016. In accordance with the above-referenced Federal Reserve Board guidance, the Notes are included in the Company's Tier 2 capital.

The Federal Reserve, the FDIC and the Office of the Comptroller of the Currency have issued guidelines governing the levels of capital that banks must maintain. Those guidelines specify capital tiers, which include the following classifications:

Capital Tiers	Tier 1 Capital to Average Assets (Leverage)	Common Equity Tier 1 to Risk - Weighted Assets	Tier 1 Capital to Risk – Weighted Assets	Total Capital to Risk – Weighted Assets

Well capitalized	5% or above	6.5% or above	8% or above	10% or above
Adequately capitalized	4% or above	4.5% or above	6% or above	8% or above
Undercapitalized	Less than 4%	Less than 4.5%	Less than 6%	Less than 8%
Significantly undercapitalized	Less than 3%	Less than 3%	Less than 4%	Less than 6%
Critically undercapitalized	Tangible Equity / Total Assets less than 2%			

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The following table provides the capital and risk-based capital and leverage ratios for the Company and for Renasant Bank as of the dates presented:

	Actual		Minimum Capital Requirement to be Well Capitalized		Minimum Capital Requirement to be Adequately Capitalized (including the phase-in of the Capital Conservation Buffer)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
September 30, 2016						
Renasant Corporation:						
Risk-based capital ratios:						
Common equity tier 1 capital ratio	$665,516	10.16%	$425,643	6.50 %	$335,603	5.125%
Tier 1 risk-based capital ratio	757,589	11.57%	523,869	8.00 %	433,829	6.625%
Total risk-based capital ratio	906,004	13.84%	654,836	10.00%	564,796	8.625%
Leverage capital ratios:						
Tier 1 leverage ratio	757,589	9.38 %	403,666	5.00 %	322,933	4.00 %
Renasant Bank:						
Risk-based capital ratios:						
Common equity tier 1 capital ratio	$731,119	11.19%	$424,582	6.50 %	$334,767	5.125%
Tier 1 risk-based capital ratio	731,119	11.19%	522,562	8.00 %	432,747	6.625%
Total risk-based capital ratio	781,367	11.96%	653,203	10.00%	563,388	8.625%
Leverage capital ratios:						
Tier 1 leverage ratio	731,119	9.08 %	402,555	5.00 %	322,044	4.00 %
December 31, 2015						
Renasant Corporation:						
Risk-based capital ratios:						
Common equity tier 1 capital ratio	$591,356	9.99 %	$384,830	6.50 %	$266,421	4.50 %
Tier 1 risk-based capital ratio	681,731	11.51%	473,637	8.00 %	355,228	6.00 %
Total risk-based capital ratio	729,321	12.32%	592,047	10.00%	473,637	8.00 %
Leverage capital ratios:						
Tier 1 leverage ratio	681,731	9.16 %	371,968	5.00 %	297,574	4.00 %
Renasant Bank:						
Risk-based capital ratios:						
Common equity tier 1 capital ratio	$654,830	11.09%	$383,660	6.50 %	$265,611	4.50 %
Tier 1 risk-based capital ratio	654,830	11.09%	472,198	8.00 %	354,148	6.00 %
Total risk-based capital ratio	701,591	11.89%	590,247	10.00%	472,198	8.00 %
Leverage capital ratios:						
Tier 1 leverage ratio	654,830	8.82 %	371,183	5.00 %	296,946	4.00 %

In July 2013, the Federal Reserve, the FDIC and the Office of the Comptroller of the Currency approved the implementation of the Basel III regulatory capital reforms and issued rules effecting certain changes required by the

Dodd-Frank Act (the “Basel III Rules”) that call for broad and comprehensive revision of regulatory capital standards for U.S. banking organizations. Generally, the new Basel III Rules became effective on January 1, 2015, although parts of the Basel III Rules will be phased in through 2019.

The Basel III Rules implemented a new common equity Tier 1 minimum capital requirement (“CET1”) and a higher minimum Tier 1 capital requirement, as reflected in the table above, and adjusted other items affecting the calculation of the numerator of a banking organization’s risk-based capital ratios. The new CET1 capital ratio includes common equity as defined under GAAP and does not include any other type of non-common equity under GAAP. Additionally, the Basel III Rules apply limits to a banking

organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a specified amount of CET1 capital in addition to the amount necessary to meet its minimum risk-based capital requirements.

Further, the Basel III Rules changed the agencies' general risk-based capital requirements for determining risk-weighted assets, which affect the calculation of the denominator of a banking organization's risk-based capital ratios. The Basel III Rules have revised the agencies' rules for calculating risk-weighted assets to enhance risk sensitivity and to incorporate certain international capital standards of the Basel Committee on Banking Supervision set forth in the standardized approach of the "International Convergence of Capital Measurement and Capital Standards: A Revised Framework".

The calculation of risk-weighted assets in the denominator of the Basel III capital ratios has been adjusted to reflect the higher risk nature of certain types of loans. Specifically, as applicable to the Company and Renasant Bank:

— Residential mortgages: Replaced the former 50% risk weight for performing residential first-lien mortgages and a 100% risk-weight for all other mortgages with a risk weight of between 35% and 200% determined by the mortgage's loan-to-value ratio and whether the mortgage falls into one of two categories based on eight criteria that include the term, use of negative amortization and balloon payments, certain rate increases and documented and verified borrower income.

— Commercial mortgages: Replaced the former 100% risk weight with a 150% risk weight for certain high volatility commercial real estate acquisition, development and construction loans.

— Nonperforming loans: Replaced the former 100% risk weight with a 150% risk weight for loans, other than residential mortgages, that are 90 days past due or on nonaccrual status.

The Final Rules also introduce a new capital conservation buffer designed to absorb losses during periods of economic stress. The capital conservation buffer is composed entirely of CET1, on top of these minimum risk-weighted asset ratios. In addition, the Final Rules provide for a countercyclical capital buffer applicable only to certain covered institutions. It is not expected that the countercyclical capital buffer will be applicable to the Company or Renasant Bank. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall. The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and be phased in over a 4-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019).

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk since December 31, 2015. For additional information regarding our market risk, see our Annual Report on Form 10-K for the year ended December 31, 2015.

Item 4. CONTROLS AND PROCEDURES

Based on their evaluation as of the end of the period covered by this quarterly report on Form 10-Q, our Principal Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) are effective for ensuring that information the Company is required to disclose in reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. There were no changes in the Company's internal

control over financial reporting during the fiscal quarter covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

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Part II. OTHER INFORMATION

Item 1A. RISK FACTORS

Information regarding risk factors appears in Part I, Item 1A, “Risk Factors,” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2015. There have been no material changes in the risk factors disclosed in the Annual Report on Form 10-K.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

The Company did not repurchase any shares of its outstanding stock during the three month period ended September 30, 2016.

Please refer to the information discussing restrictions on the Company’s ability to pay dividends under the heading “Liquidity and Capital Resources” in Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of this report, which is incorporated by reference herein.

Item 6. EXHIBITS

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Exhibit Number	Description
(2)(i)	Agreement and Plan of Merger by and among Renasant Corporation, Renasant Bank, First M&F Corporation and Merchants and Farmers Bank dated as of February 6, 2013[1]
(2)(ii)	Agreement and Plan of Merger by and among Renasant Corporation, Renasant Bank, Heritage Financial Group, Inc. and HeritageBank of the South [2]
(2)(iii)	Agreement and Plan of Merger by and among Renasant Corporation, Renasant Bank, and KeyWorth Bank dated as of October 20, 2015 [3]
(3)(i)	Articles of Incorporation of Renasant Corporation, as amended [4]
(3)(ii)	Restated Bylaws of Renasant Corporation, as amended [5]
(4)(i)	Articles of Incorporation of Renasant Corporation, as amended [4]
(4)(ii)	Restated Bylaws of Renasant Corporation, as amended [5]
(4)(iii)	Subordinated Indenture dated August 22, 2016 between Renasant Corporation and Wilmington Trust, National Association, as Trustee.[6]
(4)(iv)	First Supplemental Indenture dated August 22, 2016 between Renasant Corporation and Wilmington Trust, National Association, as Trustee.[7]
(4)(v)	Second Supplemental Indenture dated August 22, 2016 between Renasant Corporation and Wilmington Trust, National Association, as Trustee.[8]
(4)(vi)	Form of 5.00% Fixed-to-Floating Rate Subordinated Note due 2026 (included in exhibit (4)(iv)).
(4)(vii)	Form of 5.50% Fixed-to-Floating Rate Subordinated Note due 2031 (included in exhibit (4)(v)).
(12)(i)	Computation of Ratios of Earnings to Fixed Charges
(31)(i)	Certification of the Principal Executive Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31)(ii)	Certification of the Principal Financial Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32)(i)	Certification of the Principal Executive Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(32)(ii)	

	Certification of the Principal Financial Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(101)	The following materials from Renasant Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 were formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements (Unaudited).

(1) Filed as exhibit 2.1 to the Form 8-K of the Company filed with the Securities and Exchange Commission on February 11, 2013 and incorporated herein by reference.

(2) Filed as exhibit 2.1 to the Form 8-K of the Company filed with the Securities and Exchange Commission on December 15, 2014 and incorporated herein by reference.

(3) Filed as exhibit 2.1 to the Form 8-K of the Company filed with the Securities and Exchange Commission on October 23, 2015 and incorporated herein by reference.

(4) Filed as exhibit 3.1 to the Form 10-Q of the Company filed with the Securities and Exchange Commission on May 10, 2016 and incorporated herein by reference.

(5) Filed as exhibit 3.2 to the Pre-Effective Amendment No. 1 to Form S-4 Registration Statement of the Company (File No. 333-208753) filed with the Securities and Exchange Commission on January 29, 2016 and incorporated herein by reference.

(6) Filed as exhibit 4.1 to the Form 8-K of the Company filed with the Securities and Exchange Commission on August 22, 2016 and incorporated herein by reference.

(7) Filed as exhibit 4.2 to the Form 8-K of the Company filed with the Securities and Exchange Commission on August 22, 2016 and incorporated herein by reference.

(8) Filed as exhibit 4.3 to the Form 8-K of the Company filed with the Securities and Exchange Commission on August 22, 2016 and incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		RENASANT CORPORATION (Registrant)
Date:	November 9, 2016	/s/ E. Robinson McGraw E. Robinson McGraw Chairman of the Board, Director, and Chief Executive Officer (Principal Executive Officer)
Date:	November 9, 2016	/s/ Kevin D. Chapman Kevin D. Chapman Executive Vice President and Chief Financial Officer (Principal Financial Officer)

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