RENASANT CORP
Form 10-Q
August 08, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2018
Or
o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to
Commission file number: 001-13253

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

Mississippi	64-0676974
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
209 Troy Street, Tupelo, Mississippi	38804-4827
(Address of principal executive offices)	(Zip Code)

(662) 680-1001
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ý No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	ý	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o
Emerging growth company	o		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

As of July 31, 2018, 49,438,848 shares of the registrant’s common stock, $5.00 par value per share, were outstanding.

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For the Quarterly Period Ended June 30, 2018
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PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

Renasant Corporation and Subsidiaries
Consolidated Balance Sheets

(In Thousands, Except Share Data)

	(Unaudited) June 30, 2018	December 31, 2017
Assets		
Cash and due from banks	$155,235	$187,838
Interest-bearing balances with banks	137,717	93,615
Cash and cash equivalents	292,952	281,453
Securities available for sale, at fair value	1,088,779	671,488
Mortgage loans held for sale, at fair value	245,046	108,316
Loans, net of unearned income:		
Non purchased loans and leases	6,057,766	5,588,556
Purchased loans	1,709,891	2,031,766
Total loans, net of unearned income	7,767,657	7,620,322
Allowance for loan losses	(47,355)	(46,211)
Loans, net	7,720,302	7,574,111
Premises and equipment, net	186,568	183,254
Other real estate owned:		
Non purchased	4,698	4,410
Purchased	9,006	11,524
Total other real estate owned, net	13,704	15,934
Goodwill	611,046	611,046
Other intangible assets, net	21,265	24,510
Bank-owned life insurance	177,973	175,863
Mortgage servicing rights	43,239	39,339
Other assets	143,601	144,667
Total assets	$10,544,475	$9,829,981
Liabilities and shareholders’ equity		
Liabilities		
Deposits		
Noninterest-bearing	$1,888,561	$1,840,424
Interest-bearing	6,492,159	6,080,651
Total deposits	8,380,720	7,921,075
Short-term borrowings	313,393	89,814
Long-term debt	207,354	207,546
Other liabilities	84,340	96,563
Total liabilities	8,985,807	8,314,998
Shareholders’ equity		
Preferred stock, $.01 par value – 5,000,000 shares authorized; no shares issued and outstanding	—	—
	249,951	249,951

Common stock, $5.00 par value – 150,000,000 shares authorized; 49,990,248 shares issued; 49,424,339 and 49,321,231 shares outstanding, respectively		
Treasury stock, at cost	(17,523)	(19,906)
Additional paid-in capital	897,817	898,095
Retained earnings	448,475	397,354
Accumulated other comprehensive loss, net of taxes	(20,052)	(10,511)
Total shareholders' equity	1,558,668	1,514,983
Total liabilities and shareholders' equity	$ 10,544,475	$ 9,829,981

See Notes to Consolidated Financial Statements.

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Renasant Corporation and Subsidiaries
Consolidated Statements of Income (Unaudited)
(In Thousands, Except Share Data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest income				
Loans	$ 98,656	$ 80,133	$ 192,774	$ 154,540
Securities				
Taxable	5,700	4,627	9,694	8,979
Tax-exempt	1,649	2,310	3,334	4,884
Other	569	509	1,152	1,065
Total interest income	106,574	87,579	206,954	169,468
Interest expense				
Deposits	10,919	5,314	18,978	10,463
Borrowings	3,266	2,662	6,347	5,387
Total interest expense	14,185	7,976	25,325	15,850
Net interest income	92,389	79,603	181,629	153,618
Provision for loan losses	1,810	1,750	3,560	3,250
Net interest income after provision for loan losses	90,579	77,853	178,069	150,368
Noninterest income				
Service charges on deposit accounts	8,271	7,958	16,744	15,889
Fees and commissions	5,917	5,470	11,602	10,669
Insurance commissions	2,110	2,181	4,115	4,041
Wealth management revenue	3,446	3,037	6,708	5,921
Mortgage banking income	12,839	12,424	23,799	22,928
BOLI income	1,195	985	2,140	2,098
Other	1,803	2,210	4,426	4,740
Total noninterest income	35,581	34,265	69,534	66,286
Noninterest expense				
Salaries and employee benefits	52,010	45,014	100,794	87,223
Data processing	4,600	3,835	8,844	8,069
Net occupancy and equipment	9,805	8,814	19,627	18,133
Other real estate owned	232	781	889	1,313
Professional fees	2,176	1,882	4,314	3,949
Advertising and public relations	2,647	2,430	4,850	4,022
Intangible amortization	1,594	1,493	3,245	3,056
Communications	1,877	1,908	3,846	3,771
Extinguishment of debt	—	—	—	205
Merger and conversion related expenses	500	3,044	1,400	3,389
Other	3,585	5,640	9,161	11,020
Total noninterest expense	79,026	74,841	156,970	144,150
Income before income taxes	47,134	37,277	90,633	72,504
Income taxes	10,424	11,993	20,097	23,248
Net income	$ 36,710	$ 25,284	$ 70,536	$ 49,256
Basic earnings per share	$ 0.74	$ 0.57	$ 1.43	$ 1.11
Diluted earnings per share	$ 0.74	$ 0.57	$ 1.42	$ 1.11
Cash dividends per common share	$ 0.20	$ 0.18	$ 0.39	$ 0.36

See Notes to Consolidated Financial Statements.

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Renasant Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income (Unaudited)
(In Thousands, Except Share Data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	$36,710	$25,284	$70,536	$49,256
Other comprehensive (loss) income, net of tax:				
Securities available for sale:				
Unrealized holding (losses) gains on securities	(3,000)	2,569	(10,909)	5,476
Amortization of unrealized holding gains on securities transferred to the held to maturity category	—	(18)	—	(169)
Total securities	(3,000)	2,551	(10,909)	5,307
Derivative instruments:				
Unrealized holding gains (losses) on derivative instruments	387	(165)	1,245	4
Total derivative instruments	387	(165)	1,245	4
Defined benefit pension and post-retirement benefit plans:				
Amortization of net actuarial loss recognized in net periodic pension cost	57	56	123	125
Total defined benefit pension and post-retirement benefit plans	57	56	123	125
Other comprehensive (loss) income, net of tax	(2,556)	2,442	(9,541)	5,436
Comprehensive income	$34,154	$27,726	$60,995	$54,692

See Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2018	2017
Operating activities		
Net income	$70,536	$49,256
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Provision for loan losses	3,560	3,250
Depreciation, amortization and accretion	1,854	2,625
Deferred income tax expense	3,476	2,219
Funding of mortgage loans held for sale	(838,564)	(772,456)
Proceeds from sales of mortgage loans held for sale	721,351	729,532
Gains on sales of mortgage loans held for sale	(19,517)	(11,608)
Penalty on prepayment of debt	—	205
(Gains) losses on sales of premises and equipment	(225)	546
Stock-based compensation expense	3,712	2,411
(Increase) decrease in other assets	(6,649)	10,428
Decrease in other liabilities	(12,657)	(8,715)
Net cash (used in) provided by operating activities	(73,123)	7,693
Investing activities		
Purchases of securities available for sale	(497,845)	(119,766)
Proceeds from sales of securities available for sale	—	2,946
Proceeds from call/maturities of securities available for sale	63,655	60,928
Proceeds from call/maturities of securities held to maturity	—	15,507
Net increase in loans	(140,205)	(163,349)
Purchases of premises and equipment	(10,313)	(7,668)
Proceeds from sales of premises and equipment	233	1,255
Proceeds from sales of other assets	4,026	7,385
Net cash used in investing activities	(580,449)	(202,762)
Financing activities		
Net increase in noninterest-bearing deposits	48,137	81,506
Net increase in interest-bearing deposits	413,003	62,405
Net increase in short-term borrowings	223,579	10,445
Repayment of long-term debt	(436)	(11,063)
Cash paid for dividends	(19,413)	(16,068)
Net stock-based compensation transactions	201	(2,319)
Net cash provided by financing activities	665,071	124,906
Net increase (decrease) in cash and cash equivalents	11,499	(70,163)
Cash and cash equivalents at beginning of period	281,453	306,224
Cash and cash equivalents at end of period	$292,952	$236,061
Supplemental disclosures		
Cash paid for interest	$24,652	$16,155
Cash paid for income taxes	$12,044	$12,701
Noncash transactions:		
Transfers of loans to other real estate owned	$2,291	$4,227
Financed sales of other real estate owned	$418	$257
Transfers of loans held for sale to loans held for investment	$663	$—

See Notes to Consolidated Financial Statements.

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

Note 1 – Summary of Significant Accounting Policies

(In Thousands)
Nature of Operations: Renasant Corporation (referred to herein as the "Company") owns and operates Renasant Bank ("Renasant Bank" or the "Bank") and Renasant Insurance, Inc. ("Renasant Insurance"). The Company offers a diversified range of financial, wealth management and insurance services to its retail and commercial customers through its subsidiaries and full service offices located throughout north and central Mississippi, Tennessee, Georgia, Alabama and north Florida.
Basis of Presentation: The accompanying unaudited consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain prior year amounts have been reclassified to conform to the current year presentation. For further information regarding the Company's significant accounting policies, refer to the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission on February 28, 2018.
Business Combinations: The Company completed its acquisition of Metropolitan BancGroup, Inc. ("Metropolitan") on July 1, 2017. Metropolitan's financial condition and results of operations are included in the Company's financial condition and results of operations as of the acquisition date.
Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates, and such differences may be material.
Subsequent Events: The Company has evaluated, for consideration of recognition or disclosure, subsequent events that have occurred through the date of issuance of its financial statements. The Company has determined that no significant events occurred after June 30, 2018 but prior to the issuance of these financial statements that would have a material impact on its Consolidated Financial Statements.

Impact of Recently-Issued Accounting Standards and Pronouncements:
In February 2016, FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). ASU 2016-02 amends the accounting model and disclosure requirements for leases. The current accounting model for leases distinguishes between capital leases, which are recognized on the balance sheet, and operating leases, which are not. Under the new standard, the lease classifications are defined as finance leases, which are similar to capital leases under current GAAP, and operating leases. Further, a lessee will recognize a lease liability and a right-of-use asset for all leases with a term greater than 12 months on its balance sheet regardless of the lease's classification, which may significantly increase reported assets and liabilities. The accounting model and disclosure requirements for lessors remains substantially unchanged from current GAAP. ASU 2016-02 is effective for annual and interim periods in fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact ASU 2016-02 will have on its financial position and results of operations, and its financial statement disclosures, and the expected results include the recognition of leased assets and related lease liabilities on the balance sheet, along with leasehold amortization and interest expense recognized in the statements of income.
In June 2016, FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). This update will significantly change the way entities recognize impairment on many financial assets by requiring immediate recognition of estimated credit losses expected to occur over the asset's remaining life. FASB describes this impairment recognition model as the current expected credit loss

("CECL") model and believes the CECL model will result in more timely recognition of credit losses since it incorporates expected credit losses versus incurred credit losses. The scope of FASB's CECL model includes loans, held-to-maturity debt instruments, lease receivables, loan commitments and financial guarantees that are not accounted for at fair value. For public companies, this update is effective for interim and annual periods beginning after December 15, 2019. The Company has formed an implementation committee comprised of both accounting and credit employees to guide Renasant Bank through the implementation of ASU 2016-13. Currently, this committee is working with a consulting firm to develop the Company's CECL model, which includes reviewing the different model requirements and ensuring historical data integrity across all reporting systems.

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In January 2017, FASB issued ASU No. 2017-04, "Intangibles - Goodwill and Other (Topic 350)" ("ASU 2017-04"). ASU 2017-04 will amend and simplify current goodwill impairment testing by eliminating certain testing under the current provisions. Under the new guidance, an entity should perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying value and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. An entity still has the option to perform the quantitative assessment for a reporting unit to determine if a quantitative impairment test is necessary. ASU 2017-04 will be effective for interim and annual periods beginning after December 15, 2019 and is not expected to have a material impact on the Company's financial statements.

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

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

Note 2 – Mergers and Acquisitions

(In Thousands, Except Share Data)

Merger with Brand Group Holdings, Inc.

On March 28, 2018, the Company and Brand Group Holdings, Inc. ("Brand"), the parent company of The Brand Banking Company ("Brand Bank"), jointly announced the signing of a definitive merger agreement pursuant to which the Company will acquire Brand. Under the terms of the agreement, Brand will merge with and into Renasant, with Renasant continuing as the surviving corporation. Immediately after the merger of Brand with and into Renasant, Brand Bank will merge with and into Renasant Bank, with Renasant Bank continuing as the surviving banking corporation in the merger.

Under the terms of the merger agreement, the merger consideration to be received by Brand shareholders and the amount to be paid to cash out in-the-money Brand stock options is contingent (and subject to reduction only) upon Brand's divestiture of certain assets, as outlined in the definitive merger agreement filed with the Securities and Exchange Commission on March 30, 2018. Although the deadline for fixing the merger consideration and the option cash-out amount has not yet occurred, as of July 20, 2018 Brand had already divested all of the assets impacting the merger consideration and the option cash-out amount. Accordingly, the Company does not anticipate any further adjustments to the merger consideration and the option cash-out amount. After adjusting the merger consideration and the option cash-out amount to reflect Brand's divestiture of these assets, each Brand shareholder will have the right to receive 31.72 shares of Renasant common stock and $74.57 in cash for each share of Brand common stock. Additionally, all in-the-money Brand stock options will be cashed out at an amount equal to the excess of $1,519 per share over the exercise price of such option (underwater options will be cancelled).

As of June 30, 2018, Brand, which has 13 locations throughout the greater Atlanta market, had approximately $2,240,000 in total assets, which included approximately $1,730,000 in total loans (excluding mortgage loans held for sale), and approximately $1,800,000 in total deposits.

The acquisition is expected to close in the third quarter of 2018 and is subject customary conditions set forth in the merger agreement. Brand shareholders approved the merger on July 26, 2018 and all required regulatory approvals have been received.

Acquisition of Metropolitan BancGroup, Inc.

Effective July 1, 2017, the Company completed its acquisition of Metropolitan, the parent company of Metropolitan Bank, in a transaction valued at approximately $219,461. The Company issued 4,883,182 shares of common stock and paid approximately $4,764 to Metropolitan stock option holders for 100% of the voting equity interest in Metropolitan. At closing, Metropolitan merged with and into the Company, with the Company the surviving corporation in the merger; immediately thereafter, Metropolitan Bank merged with and into Renasant Bank, with Renasant Bank the surviving banking corporation in the merger. On July 1, 2017, Metropolitan operated eight banking locations in Nashville and Memphis, Tennessee and the Jackson, Mississippi Metropolitan Statistical Area.

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The Company recorded approximately $147,478 in intangible assets which consist of goodwill of $140,512 and a core deposit intangible of $6,966. Goodwill resulted from a combination of revenue enhancements from expansion in existing markets and efficiencies resulting from operational synergies. The fair value of the core deposit intangible is being amortized on an accelerated basis over the estimated useful life, currently expected to be approximately 10 years. The goodwill is not deductible for income tax purposes.

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

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

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

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The following table summarizes the fair value on July 1, 2017 of assets acquired and liabilities assumed on that date in connection with the merger with Metropolitan.

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

The following unaudited pro forma combined condensed consolidated financial information presents the results of operations for the six months ended June 30, 2018 and 2017 of the Company as though the Metropolitan merger had been completed as of January 1, 2016. The unaudited pro forma information combines the historical results of Metropolitan with the Company's historical consolidated results and includes certain adjustments reflecting the estimated impact of certain fair value adjustments for the periods presented. The pro forma information is not necessarily indicative of what would have occurred had the acquisition taken place on January 1, 2016. The pro forma information does not include the effect of any cost-saving or revenue-enhancing strategies. Merger expenses are reflected in the period in which they were incurred.

	(Unaudited) Six Months Ended June 30,	
	2018	2017
Net interest income - pro forma	$181,629	$173,508
Net income - pro forma	$70,536	$46,912
Earnings per share - pro forma:		
Basic	$1.43	$1.00
Diluted	$1.42	$1.00

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

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

The amortized cost and fair value of securities available for sale were as follows as of the dates presented:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2018				
Obligations of other U.S. Government agencies and corporations	$3,545	$ 19	$(49)	$3,515
Obligations of states and political subdivisions	217,847	3,787	(758)	220,876
Residential mortgage backed securities:				
Government agency mortgage backed securities	493,001	336	(10,212)	483,125
Government agency collateralized mortgage obligations	303,625	59	(7,679)	296,005
Commercial mortgage backed securities:				
Government agency mortgage backed securities	27,468	251	(530)	27,189
Government agency collateralized mortgage obligations	24,585	—	(264)	24,321
Trust preferred securities	12,402	—	(2,001)	10,401
Other debt securities	23,555	94	(302)	23,347
	$1,106,028	$ 4,546	$(21,795)	$1,088,779

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

There were no sales of securities during the six months ended June 30, 2018. During the first quarter of 2017, the Company sold residential mortgage backed securities with a carrying value of $2,946 at the time of the sale for net proceeds of $2,946 resulting in no gain or loss on the sale. There were no securities sold during the second quarter of 2017.

At June 30, 2018 and December 31, 2017, securities with a carrying value of $443,011 and $217,867, respectively, were pledged to secure government, public and trust deposits. Securities with a carrying value of $18,278 and $25,888 were pledged as collateral for short-term borrowings and derivative instruments at June 30, 2018 and December 31, 2017, respectively.

The amortized cost and fair value of securities at June 30, 2018 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because issuers may call or prepay obligations with or without call or prepayment penalties.

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

	Available for Sale	
	Amortized Cost	Fair Value
Due within one year	$41,602	$42,138
Due after one year through five years	54,549	55,472
Due after five years through ten years	80,531	81,272
Due after ten years	65,931	64,758
Residential mortgage backed securities:		
Government agency mortgage backed securities	493,001	483,125
Government agency collateralized mortgage obligations	303,625	296,005
Commercial mortgage backed securities:		
Government agency mortgage backed securities	27,468	27,189
Government agency collateralized mortgage obligations	24,585	24,321
Other debt securities	14,736	14,499
	$1,106,028	$1,088,779

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

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

	Less than 12 Months			12 Months or More			Total		
	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses
Available for Sale:									
June 30, 2018									
Obligations of other U.S. Government agencies and corporations	1	$492	$(8)	2	$1,980	$(41)	3	$2,472	$(49)
Obligations of states and political subdivisions	51	32,251	(386)	13	7,800	(372)	64	40,051	(758)
Residential mortgage backed securities:									
Government agency mortgage backed securities	105	361,859	(5,623)	47	88,914	(4,589)	152	450,773	(10,212)
Government agency collateralized mortgage obligations	52	178,776	(3,538)	34	74,271	(4,141)	86	253,047	(7,679)
Commercial mortgage backed securities:									
Government agency mortgage backed securities	8	14,530	(178)	3	5,659	(352)	11	20,189	(530)
Government agency collateralized mortgage obligations	4	24,321	(264)	0	—	—	4	24,321	(264)
Trust preferred securities	0	—	—	2	10,401	(2,001)	2	10,401	(2,001)
Other debt securities	10	10,011	(110)	2	5,815	(192)	12	15,826	(302)
Total	231	$622,240	$(10,107)	103	$194,840	$(11,688)	334	$817,080	$(21,795)
December 31, 2017									
Obligations of other U.S. Government agencies and corporations	1	$497	$(3)	2	$1,999	$(27)	3	$2,496	$(30)
Obligations of states and political subdivisions	23	11,860	(59)	12	7,728	(210)	35	19,588	(269)
Residential mortgage backed securities:									
Government agency mortgage backed securities	29	64,595	(659)	44	89,414	(2,400)	73	154,009	(3,059)
Government agency collateralized mortgage obligations	33	102,509	(1,470)	29	62,406	(2,282)	62	164,915	(3,752)
Commercial mortgage backed securities:									
	2	5,629	(17)	3	5,872	(217)	5	11,501	(234)

Government agency mortgage backed securities									
Government agency collateralized mortgage obligations	1	4,986	(14)	0	—	—	1	4,986	(14)
Trust preferred securities	0	—	—	2	9,388	(3,054)	2	9,388	(3,054)
Other debt securities	2	756	(12)	2	6,308	(64)	4	7,064	(76)
Total	91	$190,832	$(2,234)	94	$183,115	$(8,254)	185	$373,947	$(10,488)

The Company evaluates its investment portfolio for other-than-temporary-impairment ("OTTI") on a quarterly basis. Impairment is assessed at the individual security level. The Company considers an investment security impaired if the fair value of the security is less than its cost or amortized cost basis. Impairment is considered to be other-than-temporary if the Company intends to sell the investment security or if the Company does not expect to recover the entire amortized cost basis of the security before the Company is required to sell the security or before the security's maturity.

The Company does not intend to sell any securities in an unrealized loss position that it holds, and it is not more likely than not that the Company will be required to sell any such security prior to the recovery of its amortized cost basis, which may be at maturity. Furthermore, even though a number of these securities have been in a continuous unrealized loss position for a period

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greater than twelve months, the Company is collecting principal and interest payments from the respective issuers as scheduled. As such, the Company did not record any OTTI for the six months ended June 30, 2018 or 2017.

The Company holds investments in pooled trust preferred securities that had an amortized cost basis of $12,402 and $12,442 and a fair value of $10,401 and $9,388 at June 30, 2018 and December 31, 2017, respectively. At June 30, 2018, the investments in pooled trust preferred securities consisted of two securities representing interests in various tranches of trusts collateralized by debt issued by over 160 financial institutions. Management's determination of the fair value of each of its holdings in pooled trust preferred securities is based on the current credit ratings, the known deferrals and defaults by the underlying issuing financial institutions and the degree to which future deferrals and defaults would be required to occur before the cash flow for the Company's tranches is negatively impacted. In addition, management continually monitors key credit quality and capital ratios of the issuing institutions. This determination is further supported by quarterly valuations, which are performed by third parties, of each security obtained by the Company. The Company does not intend to sell the investments before recovery of the investments' amortized cost, and it is not more likely than not that the Company will be required to sell the investments before recovery of the investments' amortized cost, which may be at maturity. At June 30, 2018, management did not, and does not currently, believe such securities will be settled at a price less than the amortized cost of the investment, but the Company previously concluded that it was probable that there had been an adverse change in estimated cash flows for both trust preferred securities and recognized credit related impairment losses on these securities in 2011. No additional impairment was recognized during the six months ended June 30, 2018.

The following table provides information regarding the Company's investments in pooled trust preferred securities at June 30, 2018:

Name	Single/ Pooled	Class/ Tranche	Amortized Cost	Fair Value	Unrealized Loss	Lowest Credit Rating	Issuers Currently in Deferral or Default
XXIII	Pooled	B-2	$ 8,313	$6,751	$ (1,562)	BB	16 %
XXVI	Pooled	B-2	4,089	3,650	(439)	B	19 %
			$ 12,402	$10,401	$ (2,001)		

The following table provides a summary of the cumulative credit related losses recognized in earnings for which a portion of OTTI has been recognized in other comprehensive income:

	2018	2017
Balance at January 1	$(261)	$(3,337)
Additions related to credit losses for which OTTI was not previously recognized	—	—
Increases in credit loss for which OTTI was previously recognized	—	—
Reductions for securities sold during the period	—	3,076
Balance at June 30	$(261)	$(261)

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

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

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

	June 30, 2018	December 31, 2017
Commercial, financial, agricultural	$790,363	$763,823
Lease financing	55,749	57,354
Real estate – construction	642,380	547,658
Real estate – 1-4 family mortgage	1,912,450	1,729,534
Real estate – commercial mortgage	2,554,955	2,390,076
Installment loans to individuals	105,195	103,452
Gross loans	6,061,092	5,591,897
Unearned income	(3,326)	(3,341)
Loans, net of unearned income	$6,057,766	$5,588,556

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

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

	Accruing Loans				Nonaccruing Loans				
	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans	Total Loans
June 30, 2018									
Commercial, financial, agricultural	$1,575	$ 150	$786,645	$788,370	$—	$1,900	$93	$1,993	$790,363
Lease financing	288	44	55,082	55,414	—	335	—	335	55,749
Real estate – construction	273	49	642,058	642,380	—	—	—	—	642,380
Real estate – 1-4 family mortgage	6,921	1,663	1,901,680	1,910,264	286	1,158	742	2,186	1,912,450
Real estate – commercial mortgage	2,069	254	2,548,264	2,550,587	14	2,427	1,927	4,368	2,554,955
Installment loans to individuals	487	30	104,639	105,156	6	23	10	39	105,195
Unearned income	—	—	(3,326)	(3,326)	—	—	—	—	(3,326)
Total	$11,613	$ 2,190	$6,035,042	$6,048,845	$306	$5,843	$2,772	$8,921	$6,057,766
December 31, 2017									
Commercial, financial, agricultural	$2,722	$ 22	$759,143	$761,887	$205	$1,033	$698	$1,936	$763,823
Lease financing	47	—	57,148	57,195	—	159	—	159	57,354
Real estate – construction	50	—	547,608	547,658	—	—	—	—	547,658
Real estate – 1-4 family mortgage	11,810	2,194	1,712,982	1,726,986	—	1,818	730	2,548	1,729,534
Real estate – commercial mortgage	1,921	727	2,381,871	2,384,519	—	2,877	2,680	5,557	2,390,076
Installment loans to individuals	429	72	102,901	103,402	1	28	21	50	103,452
Unearned income	—	—	(3,341)	(3,341)	—	—	—	—	(3,341)
Total	$16,979	$ 3,015	$5,558,312	$5,578,306	$206	$5,915	$4,129	$10,250	$5,588,556

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Impairment is measured on a loan-by-loan basis for commercial, consumer and construction loans of $500 or more by, as applicable, the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent. Large groups of smaller balance homogeneous loans are evaluated collectively for impairment. When the ultimate collectability of an impaired loan's principal is in doubt, wholly or partially, the loan is placed on nonaccrual status and all cash receipts are applied to principal. Once the recorded balance has been reduced to zero, future cash receipts are applied to interest income, to the extent any interest has been foregone, and then they are recorded as recoveries of any amounts previously charged-off. For impaired loans, a specific reserve is established to adjust the carrying value of the loan to its estimated net realizable value.

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Loans accounted for under FASB ASC 310-20, "Nonrefundable Fees and Other Cost" ("ASC 310-20"), and which are impaired loans recognized in conformity with ASC 310, "Receivables" ("ASC 310"), segregated by class, were as follows as of the dates presented:

	Unpaid Contractual Principal Balance	Recorded Investment With Allowance	Recorded Investment With No Allowance	Total Recorded Investment	Related Allowance
June 30, 2018					
Commercial, financial, agricultural	$ 2,634	$ 2,319	$ —	$ 2,319	$ 376
Lease financing	335	335	—	335	4
Real estate – construction	—	—	—	—	—
Real estate – 1-4 family mortgage	8,065	6,935	—	6,935	64
Real estate – commercial mortgage	8,901	4,454	1,316	5,770	948
Installment loans to individuals	109	104	—	104	1
Total	$ 20,044	$ 14,147	$ 1,316	$ 15,463	$ 1,393
December 31, 2017					
Commercial, financial, agricultural	$ 3,043	$ 2,365	$ —	$ 2,365	$ 138
Lease financing	159	159	—	159	2
Real estate – construction	578	578	—	578	4
Real estate – 1-4 family mortgage	10,018	8,169	703	8,872	561
Real estate – commercial mortgage	12,463	9,652	—	9,652	1,861
Installment loans to individuals	121	117	—	117	1
Totals	$ 26,382	$ 21,040	$ 703	$ 21,743	$ 2,567

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

	Three Months Ended June 30, 2018		Three Months Ended June 30, 2017	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial, financial, agricultural	$2,663	$ 8	$1,873	$ —
Lease financing	335	—	—	—
Real estate – construction	—	—	295	6
Real estate – 1-4 family mortgage	7,442	57	8,911	89
Real estate – commercial mortgage	5,807	38	14,487	176
Installment loans to individuals	106	1	160	2
Total	$16,353	$ 104	$25,726	$ 273

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	Six Months Ended June 30, 2018		Six Months Ended June 30, 2017	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial, financial, agricultural	$2,653	$ 19	$2,187	$ —
Lease financing	335	—	—	—
Real estate – construction	—	—	268	6
Real estate – 1-4 family mortgage	7,507	123	8,892	110
Real estate – commercial mortgage	6,041	130	14,635	279
Installment loans to individuals	108	2	166	2
Total	$16,644	$ 274	$26,148	$ 397

Restructured Loans
Restructured loans are those for which concessions have been granted to the borrower due to a deterioration of the borrower’s financial condition and which are performing in accordance with the new terms. Such concessions may include reduction in interest rates or deferral of interest or principal payments. In evaluating whether to restructure a loan, management analyzes the long-term financial condition of the borrower, including guarantor and collateral support, to determine whether the proposed concessions will increase the likelihood of repayment of principal and interest.
The following tables illustrate the impact of modifications classified as restructured loans which were made during the periods presented and held on the Consolidated Balance Sheets at the respective period end:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Three months ended June 30, 2018			
Real estate – 1-4 family mortgage	1	$ 49	$ 49
Total	1	$ 49	$ 49
Three months ended June 30, 2017			
Real estate – 1-4 family mortgage	3	$ 127	$ 126
Real estate – commercial mortgage	1	366	62
Installment loans to individuals	1	4	4
Total	5	$ 497	$ 192

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Six months ended June 30, 2018			
Real estate – 1-4 family mortgage	4	$ 625	$ 625
Real estate – commercial mortgage	1	83	78

Total	5	$ 708	$ 703
Six months ended June 30, 2017			
Real estate – 1-4 family mortgage	5	$ 304	$ 297
Real estate – commercial mortgage	2	453	147
Installment loans to individuals	1	4	4
Total	8	$ 761	$ 448

With respect to loans that were restructured during the six months ended June 30, 2018, none have subsequently defaulted as of the date of this report. With respect to loans that were restructured during the six months ended June 30, 2017, $156 subsequently defaulted within twelve months of the restructuring.

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 two restructured loans in the amount of $468 contractually 90 days past due or more and still accruing at June 30, 2018 and one restructured loan in the amount of $71 contractually 90 days past due or more and still accruing at June 30, 2017. The outstanding balance of restructured loans on nonaccrual status was $2,417 and $4,409 at June 30, 2018 and June 30, 2017, respectively.

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

	Number of Loans	Recorded Investment
Totals at January 1, 2018	54	$ 5,588
Additional loans with concessions	5	707
Reclassified as performing	2	154
Reductions due to:		
Reclassified as nonperforming	(5)	(370)
Paid in full	(5)	(1,268)
Principal paydowns	—	(126)
Totals at June 30, 2018	51	$ 4,685

The allocated allowance for loan losses attributable to restructured loans was $37 and $238 at June 30, 2018 and June 30, 2017, respectively. The Company had $22 in remaining availability under commitments to lend additional funds on these restructured loans at June 30, 2018. There was no remaining availability under commitments to lend additional funds on these restructured loans at June 30, 2017.

Credit Quality

For commercial and commercial real estate loans, internal risk-rating grades are assigned by lending, credit administration or loan review personnel, based on an analysis of the financial and collateral strength and other credit attributes underlying each loan. Management analyzes the resulting ratings, as well as other external statistics and factors such as delinquency, to track the migration performance of the portfolio balances of these loans. Loan grades range between 1 and 9, with 1 being loans with the least credit risk. Loans within the "Pass" grade (historically, those with a risk rating between 1 and 4) generally have a lower risk of loss and therefore a lower risk factor applied to the loan balances. Management has established more granular risk rating categories to better identify heightened credit risk as loans migrate downward in the risk rating system. The "Pass" grade is now reserved for loans with a risk rating between 1 and 4A, and the "Watch" grade (those with a risk rating of 4B and 4E) is utilized on a temporary basis for "Pass" grade loans where a significant adverse risk-modifying action is anticipated in the near term. Loans that migrate toward the "Substandard" grade (those with a risk rating between 5 and 9) generally have a higher risk of loss and therefore a higher risk factor applied to the related loan balances. The following table presents the Company's loan portfolio by risk-rating grades as of the dates presented:

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	Pass	Watch	Substandard	Total
June 30, 2018				
Commercial, financial, agricultural	$576,063	$13,105	$ 5,015	$594,183
Real estate – construction	575,005	8,258	125	583,388
Real estate – 1-4 family mortgage	281,968	1,159	6,983	290,110
Real estate – commercial mortgage	2,150,721	51,372	18,826	2,220,919
Installment loans to individuals	548	—	—	548
Total	$3,584,305	$73,894	$ 30,949	$3,689,148
December 31, 2017				
Commercial, financial, agricultural	$554,943	$11,496	$ 4,402	$570,841
Real estate – construction	483,498	662	81	484,241
Real estate – 1-4 family mortgage	254,643	505	8,697	263,845
Real estate – commercial mortgage	1,983,750	50,428	24,241	2,058,419
Installment loans to individuals	921	—	—	921
Total	$3,277,755	$63,091	$ 37,421	$3,378,267

For portfolio balances of consumer, small balance consumer mortgage loans, such as 1-4 family mortgage loans, and certain other loans originated for other than commercial purposes, allowance factors are determined based on historical loss ratios by portfolio for the preceding eight quarters and may be adjusted by other qualitative criteria. The following table presents the performing status of the Company’s loan portfolio not subject to risk rating as of the dates presented:

	Performing	Non-Performing	Total
June 30, 2018			
Commercial, financial, agricultural	$194,765	$ 1,415	$196,180
Lease financing	52,044	379	52,423
Real estate – construction	58,943	49	58,992
Real estate – 1-4 family mortgage	1,618,669	3,671	1,622,340
Real estate – commercial mortgage	333,351	685	334,036
Installment loans to individuals	104,577	70	104,647
Total	$2,362,349	$ 6,269	$2,368,618
December 31, 2017			
Commercial, financial, agricultural	$191,473	$ 1,509	$192,982
Lease financing	53,854	159	54,013
Real estate – construction	63,417	—	63,417
Real estate – 1-4 family mortgage	1,462,347	3,342	1,465,689
Real estate – commercial mortgage	330,441	1,216	331,657
Installment loans to individuals	102,409	122	102,531
Total	$2,203,941	$ 6,348	$2,210,289

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

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

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

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	June 30, 2018	December 31, 2017
Commercial, financial, agricultural	$197,455	$ 275,570
Real estate – construction	70,438	85,731
Real estate – 1-4 family mortgage	520,649	614,187
Real estate – commercial mortgage	906,219	1,037,454
Installment loans to individuals	15,130	18,824
Gross loans	1,709,891	2,031,766
Unearned income	—	—
Loans, net of unearned income	$1,709,891	$ 2,031,766

Past Due and Nonaccrual Loans
The Company's policies with respect to placing loans on nonaccrual status or charging off loans, and its accounting for interest on any such loans, are described above in Note 4, "Non Purchased Loans."
The following table provides an aging of past due and nonaccrual loans, segregated by class, as of the dates presented:

	Accruing Loans				Nonaccruing Loans				
	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans	Total Loans
June 30, 2018									
Commercial, financial, agricultural	$894	$ 514	$195,614	$197,022	$—	$349	$ 84	$433	$197,455
Real estate – construction	919	—	69,519	70,438	—	—	—	—	70,438
Real estate – 1-4 family mortgage	3,127	2,177	512,235	517,539	260	1,236	1,614	3,110	520,649
Real estate – commercial mortgage	1,150	2,770	901,527	905,447	430	132	210	772	906,219
Installment loans to individuals	73	30	14,781	14,884	2	93	151	246	15,130
Total	$6,163	$ 5,491	$1,693,676	$1,705,330	$692	$1,810	$2,059	$4,561	$1,709,891
December 31, 2017									
Commercial, financial, agricultural	$1,119	$ 532	$273,488	$275,139	$—	$199	$232	$431	$275,570
Real estate – construction	415	—	85,316	85,731	—	—	—	—	85,731
Real estate – 1-4 family mortgage	6,070	2,280	602,464	610,814	385	879	2,109	3,373	614,187
Real estate – commercial mortgage	2,947	2,910	1,031,141	1,036,998	191	99	166	456	1,037,454
Installment loans to individuals	208	9	18,443	18,660	59	—	105	164	18,824
Total	$10,759	$ 5,731	$2,010,852	$2,027,342	$635	$1,177	$2,612	$4,424	$2,031,766

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Impaired Loans
The Company’s policies with respect to the determination of whether a loan is impaired and the treatment of such loans are described above in Note 4, “Non Purchased Loans.”
Loans accounted for under ASC 310-20, and which are impaired loans recognized in conformity with ASC 310, segregated by class, were as follows as of the dates presented:

	Unpaid Contractual Principal Balance	Recorded Investment With Allowance	Recorded Investment With No Allowance	Total Recorded Investment	Related Allowance
June 30, 2018					
Commercial, financial, agricultural	$ 439	$ 329	$ 49	$ 378	$ 41
Real estate – 1-4 family mortgage	5,225	700	3,926	4,626	12
Real estate – commercial mortgage	1,466	1,287	156	1,443	66
Installment loans to individuals	248	247	—	247	3
Total	$ 7,378	$ 2,563	$ 4,131	$ 6,694	$ 122
December 31, 2017					
Commercial, financial, agricultural	$ 757	$ 625	$ 74	$ 699	$ 52
Real estate – construction	1,207	—	1,199	1,199	—
Real estate – 1-4 family mortgage	6,173	1,385	4,225	5,610	45
Real estate – commercial mortgage	901	728	165	893	6
Installment loans to individuals	165	154	9	163	4
Totals	$ 9,203	$ 2,892	$ 5,672	$ 8,564	$ 107

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

	Three Months Ended June 30, 2018		Three Months Ended June 30, 2017	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial, financial, agricultural	$380	$ 3	$342	$ 1
Real estate – 1-4 family mortgage	5,135	34	4,960	47
Real estate – commercial mortgage	1,462	12	2,515	30
Installment loans to individuals	247	—	19	—
Total	$7,224	$ 49	$7,836	$ 78

	Six Months Ended June 30, 2018		Six Months Ended June 30, 2017	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial, financial, agricultural	$383	$ 6	$347	$ 3
Real estate – 1-4 family mortgage	5,252	74	5,032	62
Real estate – commercial mortgage	1,479	30	2,284	51

Installment loans to individuals	247	—	21	—
Total	$7,361	$ 110	$7,684	$ 116

Loans accounted for under ASC 310-30, “Loans and Debt Securities Acquired with Deteriorated Credit Quality” (“ASC 310-30”), and which are impaired loans recognized in conformity with ASC 310, segregated by class, were as follows as of the dates presented:

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	Unpaid Contractual Principal Balance	Recorded Investment With Allowance	Recorded Investment With No Allowance	Total Recorded Investment	Related Allowance
June 30, 2018					
Commercial, financial, agricultural	$ 18,239	$ 3,845	$ 6,570	$ 10,415	$ 325
Real estate – 1-4 family mortgage	56,339	14,254	32,122	46,376	528
Real estate – commercial mortgage	170,327	63,365	79,328	142,693	1,400
Installment loans to individuals	1,645	715	842	1,557	3
Total	$ 246,550	$ 82,179	$ 118,862	$ 201,041	$ 2,256
December 31, 2017					
Commercial, financial, agricultural	$ 24,179	$ 5,768	$ 9,547	$ 15,315	$ 312
Real estate – 1-4 family mortgage	65,049	15,910	38,059	53,969	572
Real estate – commercial mortgage	186,720	65,108	91,230	156,338	892
Installment loans to individuals	1,761	698	940	1,638	1
Totals	$ 277,709	$ 87,484	$ 139,776	$ 227,260	$ 1,777

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

	Three Months Ended June 30, 2018		Three Months Ended June 30, 2017	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial, financial, agricultural	$ 12,815	$ 192	$ 14,894	$ 252
Real estate – 1-4 family mortgage	54,634	647	72,933	759
Real estate – commercial mortgage	162,712	1,933	181,007	2,169
Installment loans to individuals	1,651	18	1,935	19
Total	$ 231,812	$ 2,790	$ 270,769	$ 3,199

	Six Months Ended June 30, 2018		Six Months Ended June 30, 2017	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial, financial, agricultural	$ 13,051	$ 417	$ 14,048	$ 487
Real estate – 1-4 family mortgage	55,293	1,320	73,656	1,582
Real estate – commercial mortgage	163,959	3,905	182,894	4,394
Installment loans to individuals	1,640	36	1,966	38
Total	$ 233,943	$ 5,678	$ 272,564	$ 6,501

Restructured Loans
An explanation of what constitutes a "restructured loan," and management's analysis in determining whether to restructure a loan, are described above in Note 4, "Non Purchased Loans."

The following tables illustrate the impact of modifications classified as restructured loans which were made during the periods presented and held on the Consolidated Balance Sheets at the respective period end:

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	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Three months ended June 30, 2018			
Real estate – 1-4 family mortgage	1	$ 18	$ 17
Total	1	$ 18	$ 17
Three months ended June 30, 2017			
Real estate – 1-4 family mortgage	4	$ 463	$ 367
Total	4	$ 463	$ 367

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Six months ended June 30, 2018			
Commercial, financial, agricultural	1	$ 48	$ 44
Real estate – 1-4 family mortgage	1	$ 18	$ 17
Real estate – commercial mortgage	1	8	7
Total	3	$ 74	$ 68
Six months ended June 30, 2017			
Real estate – 1-4 family mortgage	14	$ 2,684	$ 2,178
Real estate – commercial mortgage	4	2,721	1,999
Total	18	$ 5,405	$ 4,177

With respect to loans that were restructured during the first six months ended June 30, 2018, none have subsequently defaulted as of the date of this report. With respect to loans that were restructured during the first six months ended June 30, 2017, $368 subsequently defaulted within twelve months of the restructuring.

There were four restructured loans in the amount of $425 contractually 90 days past due or more and still accruing at June 30, 2018 and seven restructured loans in the amount of $534 contractually 90 days past due or more and still accruing at June 30, 2017. The outstanding balance of restructured loans on nonaccrual status was $684 and $446 at June 30, 2018 and June 30, 2017, respectively.

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

	Number of Loans	Recorded Investment
Totals at January 1, 2018	68	$ 8,965
Additional loans with concessions	3	132
Reclassified as performing restructured loan	2	23
Reductions due to:		
Reclassified to nonperforming loans	(4)	(425)

Paid in full	(1)	(76)
Principal paydowns	—	(486)
Totals at June 30, 2018	68	$ 8,133

The allocated allowance for loan losses attributable to restructured loans was $69 and $27 at June 30, 2018 and June 30, 2017, respectively. The Company had $2 and $5 in remaining availability under commitments to lend additional funds on these restructured loans at June 30, 2018 and June 30, 2017, respectively.

Credit Quality

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A discussion of the Company's policies regarding internal risk-rating of loans is discussed above in Note 4, "Non Purchased Loans." The following table presents the Company's loan portfolio by risk-rating grades as of the dates presented:

	Pass	Watch	Substandard	Total
June 30, 2018				
Commercial, financial, agricultural	$168,753	$4,562	$ 3,262	$176,577
Real estate – construction	67,609	1,538	263	69,410
Real estate – 1-4 family mortgage	75,205	1,798	4,820	81,823
Real estate – commercial mortgage	708,999	14,634	9,541	733,174
Installment loans to individuals	627	—	2	629
Total	$1,021,193	$22,532	$ 17,888	$1,061,613
December 31, 2017				
Commercial, financial, agricultural	$241,195	$4,974	$ 2,824	$248,993
Real estate – construction	81,220	—	—	81,220
Real estate – 1-4 family mortgage	91,369	2,498	6,172	100,039
Real estate – commercial mortgage	827,372	17,123	9,003	853,498
Installment loans to individuals	678	—	3	681
Total	$1,241,834	$24,595	$ 18,002	$1,284,431

The following table presents the performing status of the Company's loan portfolio not subject to risk rating as of the dates presented:

	Performing	Non-Performing	Total
June 30, 2018			
Commercial, financial, agricultural	$ 10,424	$ 39	$10,463
Real estate – construction	1,028	—	1,028
Real estate – 1-4 family mortgage	390,746	1,704	392,450
Real estate – commercial mortgage	30,234	118	30,352
Installment loans to individuals	12,670	274	12,944
Total	$ 445,102	$ 2,135	$447,237
December 31, 2017			
Commercial, financial, agricultural	$ 11,216	$ 46	$11,262
Real estate – construction	4,511	—	4,511
Real estate – 1-4 family mortgage	459,038	1,141	460,179
Real estate – commercial mortgage	27,495	123	27,618
Installment loans to individuals	16,344	161	16,505
Total	$ 518,604	$ 1,471	$520,075

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

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	Total Purchased Credit Deteriorated Loans
June 30, 2018	
Commercial, financial, agricultural	$ 10,415
Real estate – 1-4 family mortgage	46,376
Real estate – commercial mortgage	142,693
Installment loans to individuals	1,557
Total	$ 201,041
December 31, 2017	
Commercial, financial, agricultural	$ 15,315
Real estate – 1-4 family mortgage	53,969
Real estate – commercial mortgage	156,338
Installment loans to individuals	1,638
Total	$ 227,260

The following table presents the fair value of loans that exhibited evidence of deteriorated credit quality at the time of acquisition at June 30, 2018:

	Total Purchased Credit Deteriorated Loans
Contractually-required principal and interest	$ 282,632
Nonaccretable difference[(1)]	(52,424)
Cash flows expected to be collected	230,208
Accretable yield[(2)]	(29,167)
Fair value	$ 201,041

(1) Represents contractual principal and interest cash flows of $43,499 and $8,925, respectively, not expected to be collected.

(2) Represents contractual principal and interest cash flows of $1,579 and $27,588, respectively, expected to be collected.

Changes in the accretable yield of loans purchased with deteriorated credit quality were as follows as of June 30, 2018:

	Total Purchased Credit Deteriorated Loans
Balance at January 1, 2018	$ (32,207)
Reclassification from nonaccretable difference	(3,678)
Accretion	6,660

Charge-offs	58
Balance at June 30, 2018	$ (29,167)

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

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

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

	June 30, 2018	December 31, 2017
Commercial, financial, agricultural	$987,818	$ 1,039,393
Lease financing	55,749	57,354
Real estate – construction	712,818	633,389
Real estate – 1-4 family mortgage	2,433,099	2,343,721
Real estate – commercial mortgage	3,461,174	3,427,530
Installment loans to individuals	120,325	122,276
Gross loans	7,770,983	7,623,663
Unearned income	(3,326)	(3,341)
Loans, net of unearned income	7,767,657	7,620,322
Allowance for loan losses	(47,355)	(46,211)
Net loans	$7,720,302	$ 7,574,111

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

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

	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other[1]	Total
Three Months Ended June 30, 2018						
Allowance for loan losses:						
Beginning balance	$ 7,071	$ 4,198	$ 11,404	$ 21,914	$ 1,814	$46,401
Charge-offs	(457)	—	(979)	(46)	(99)	(1,581)
Recoveries	114	3	83	496	29	725
Net (charge-offs) recoveries	(343)	3	(896)	450	(70)	(856)
Provision for loan losses charged to operations	418	501	1,149	86	(344)	1,810
Ending balance	$ 7,146	$ 4,702	$ 11,657	$ 22,450	$ 1,400	$47,355

	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other[1]	Total
Six Months Ended June 30, 2018						
Allowance for loan losses:						
Beginning balance	$ 5,542	$ 3,428	$ 12,009	$ 23,384	$ 1,848	$46,211
Charge-offs	(1,116)	—	(1,650)	(659)	(221)	(3,646)
Recoveries	349	7	216	604	54	1,230
Net (charge-offs) recoveries	(767)	7	(1,434)	(55)	(167)	(2,416)
Provision for loan losses charged to operations	2,371	1,267	1,082	(879)	(281)	3,560
Ending balance	$ 7,146	$ 4,702	$ 11,657	$ 22,450	$ 1,400	$47,355
Period-End Amount Allocated to:						
Individually evaluated for impairment	$ 417	$ —	$ 76	$ 1,014	$ 8	$1,515
Collectively evaluated for impairment	6,404	4,702	11,053	20,036	1,389	43,584
Purchased with deteriorated credit quality	325	—	528	1,400	3	2,256
Ending balance	$ 7,146	$ 4,702	$ 11,657	$ 22,450	$ 1,400	$47,355

	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other[1]	Total
Three Months Ended June 30, 2017						
Allowance for loan losses:						
Beginning balance	$ 5,112	$ 2,119	$ 12,162	$ 22,073	$ 1,457	$42,923
Charge-offs	(304)	—	(551)	(434)	(125)	(1,414)
Recoveries	64	3	64	717	42	890
Net (charge-offs) recoveries	(240)	3	(487)	283	(83)	(524)
Provision for loan losses charged to operations	220	458	429	244	399	1,750

Ending balance	$ 5,092	$ 2,580	$ 12,104	$ 22,600	$ 1,773	$44,149

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	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other[(1)]	Total
Six Months Ended June 30, 2017						
Allowance for loan losses:						
Beginning balance	$ 5,486	$ 2,380	$ 14,294	$ 19,059	$ 1,518	$42,737
Charge-offs	(1,136)	—	(826)	(661)	(389)	(3,012)
Recoveries	121	34	146	812	61	1,174
Net (charge-offs) recoveries	(1,015)	34	(680)	151	(328)	(1,838)
Provision for loan losses charged to operations	621	166	(1,510)	3,390	583	3,250
Ending balance	$ 5,092	$ 2,580	$ 12,104	$ 22,600	$ 1,773	$44,149
Period-End Amount Allocated to:						
Individually evaluated for impairment	$ 166	$ 2	$ 878	$ 2,159	$ 3	$3,208
Collectively evaluated for impairment	4,587	2,578	10,534	19,313	1,769	38,781
Purchased with deteriorated credit quality	339	—	692	1,128	1	2,160
Ending balance	$ 5,092	$ 2,580	$ 12,104	$ 22,600	$ 1,773	$44,149

(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
June 30, 2018						
Individually evaluated for impairment	$2,697	$ —	$11,561	$7,213	$686	$22,157
Collectively evaluated for impairment	974,706	712,818	2,375,162	3,311,268	170,505	7,544,459
Purchased with deteriorated credit quality	10,415	—	46,376	142,693	1,557	201,041
Ending balance	$987,818	$ 712,818	$2,433,099	$3,461,174	$ 172,748	$7,767,657
December 31, 2017						
Individually evaluated for impairment	$3,064	$ 1,777	$14,482	$10,545	$439	$30,307
Collectively evaluated for impairment	1,021,014	631,612	2,275,270	3,260,648	174,211	7,362,755
Purchased with deteriorated credit quality	15,315	—	53,969	156,337	1,639	227,260
Ending balance	$1,039,393	$ 633,389	$2,343,721	$3,427,530	$ 176,289	$7,620,322

(1) Includes lease financing receivables.

Note 7 – Other Real Estate Owned
(In Thousands)

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

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Renasant Corporation and Subsidiaries
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	Purchased OREO	Non Purchased OREO	Total OREO
June 30, 2018			
Residential real estate	$ 543	$ 1,540	$2,083
Commercial real estate	3,257	1,484	4,741
Residential land development	724	605	1,329
Commercial land development	4,482	1,069	5,551
Total	$ 9,006	$ 4,698	$13,704
December 31, 2017			
Residential real estate	$ 1,683	$ 758	$2,441
Commercial real estate	4,314	1,624	5,938
Residential land development	1,100	781	1,881
Commercial land development	4,427	1,247	5,674
Total	$ 11,524	$ 4,410	$15,934

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

	Purchased OREO	Non Purchased OREO	Total OREO
Balance at January 1, 2018	$11,524	$ 4,410	$15,934
Transfers of loans	515	1,776	2,291
Impairments	(455)	(294)	(749)
Dispositions	(2,576)	(1,193)	(3,769)
Other	(2)	(1)	(3)
Balance at June 30, 2018	$9,006	$ 4,698	$13,704

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		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Repairs and maintenance	$55	$199	$168	$396
Property taxes and insurance	37	76	149	408
Impairments	397	379	749	757
Net losses (gains) on OREO sales	(239)	189	(143)	(138)
Rental income	(18)	(62)	(34)	(110)
Total	$232	$781	$889	$1,313

Note 8 – Goodwill and Other Intangible Assets
(In Thousands)

The carrying amounts of goodwill by operating segments for the six months ended June 30, 2018 were as follows:

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	Community Banks	Insurance	Total
Balance at January 1, 2018	$ 608,279	$ 2,767	$611,046
Addition to goodwill from acquisition	—	—	—
Adjustment to previously recorded goodwill	—	—	—
Balance at June 30, 2018	$ 608,279	$ 2,767	$611,046

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

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
June 30, 2018			
Core deposit intangibles	$ 54,958	$ (34,765)	$ 20,193
Customer relationship intangible	1,970	(898)	1,072
Total finite-lived intangible assets	$ 56,928	$ (35,663)	$ 21,265
December 31, 2017			
Core deposit intangibles	$ 54,958	$ (31,586)	$ 23,372
Customer relationship intangible	1,970	(832)	1,138
Total finite-lived intangible assets	$ 56,928	$ (32,418)	$ 24,510

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Amortization expense for:				
Core deposit intangibles	$1,561	$1,460	$3,179	$2,990
Customer relationship intangible	33	33	66	66
Total intangible amortization	$1,594	$1,493	$3,245	$3,056

The estimated amortization expense of finite-lived intangible assets for the year ending December 31, 2018 and the succeeding four years is summarized as follows:

	Core Deposit Intangibles	Customer Relationship Intangible	Total
2018	$ 6,130	$ 131	$6,261
2019	5,212	131	5,343
2020	4,186	131	4,317
2021	3,107	131	3,238
2022	2,187	131	2,318

Note 9 – Mortgage Servicing Rights
(In Thousands)

The Company retains the right to service certain mortgage loans that it sells to secondary market investors. These mortgage servicing rights (“MSRs”) 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 value. Fair value is determined using an income approach with various assumptions including expected cash flows, prepayment speeds, market discount rates, servicing costs, and other factors. Impairment losses on MSRs are recognized to the extent by which the unamortized cost exceeds fair value. There were no impairment losses recognized during the six months ended June 30, 2018 and 2017.

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Changes in the Company's MSRs were as follows:

Balance at January 1, 2018	$39,339
Capitalization	6,303
Amortization	(2,403)
Balance at June 30, 2018	$43,239

Data and key economic assumptions related to the Company's MSRs are as follows as of the dates presented:

	June 30, 2018		December 31, 2017	
Unpaid principal balance	$4,315,261		$4,012,519	
Weighted-average prepayment speed (CPR)	7.32	%	8.04	%
Estimated impact of a 10% increase	$(1,792	)	$(1,592	)
Estimated impact of a 20% increase	(3,475	)	(3,095	)
Discount rate	9.42	%	9.69	%
Estimated impact of a 10% increase	$(2,573	)	$(2,027	)
Estimated impact of a 20% increase	(4,937	)	(3,896	)
Weighted-average coupon interest rate	3.94	%	3.89	%
Weighted-average servicing fee (basis points)	26.77		26.36	
Weighted-average remaining maturity (in years)	8.35		7.98	

The Company recorded servicing fees of $2,124 and $1,434 for the three months ended June 30, 2018 and 2017, respectively, which are included in "Mortgage banking income" in the Consolidated Statements of Income. The Company recorded servicing fees of $4,494 and $2,667 for the six months ended June 30, 2018 and 2017, respectively.

Note 10 - Employee Benefit and Deferred Compensation Plans
(In Thousands, Except Share Data)

Pension and Post-retirement Medical Plans
The Company sponsors a noncontributory defined benefit pension plan, under which participation and future benefit accruals ceased as of December 31, 1996.

The Company also provides retiree health benefits for certain employees who were employed by the Company and enrolled in the Company's health plan as of December 31, 2004. To receive benefits, an eligible employee must retire from service with the Company and its affiliates between age 55 and 65 and be credited with at least 15 years of service 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”) and post-retirement health and life plans (“Other Benefits”) for the periods presented was as follows:

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	Pension Benefits Renasant Three Months Ended June 30,		Other Benefits Three Months Ended June 30,	
	2018	2017	2018	2017
Service cost	$ —	$ —	$ 2	$ 1
Interest cost	256	291	7	8
Expected return on plan assets	(520)	(487)	—	—
Recognized actuarial loss (gain)	77	100	—	(10)
Net periodic benefit (return) cost	$ (187)	$ (96)	$ 9	$ (1)

	Pension Benefits Renasant Six Months Ended June 30,		Other Benefits Six Months Ended June 30,	
	2018	2017	2018	2017
Service cost	$—	$—	$4	$ 4
Interest cost	522	584	16	21
Expected return on plan assets	(1,038)	(971)	—	—
Recognized actuarial loss	164	200	—	3
Net periodic benefit (return) cost	$(352)	$(187)	$20	$ 28

Incentive Compensation Plans
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 cancelled upon the termination of a participant’s employment. There were no stock options granted during the six months ended June 30, 2018 or 2017.

The following table summarizes the changes in stock options as of and for the six months ended June 30, 2018:

	Shares	Weighted Average Exercise Price
Options outstanding at beginning of period	89,750	$ 15.67
Granted	—	—
Exercised	(38,000)	15.48
Forfeited	(5,000)	15.32
Options outstanding at end of period	46,750	$ 15.87

The Company awards performance-based restricted stock to executives and other officers 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 designated service period or the attainment of specified performance goals. Target performance levels are derived from the Company's budget, with threshold performance set at approximately 5% below target and superior performance set at approximately 5% above target. Performance-based restricted stock is granted at the target level; the number of shares ultimately awarded is determined at the end of the applicable performance period and may be increased or decreased depending upon the Company meeting or exceeding (or failing to meet or exceed) the 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 grant is the closing price of the Company's common stock on the day immediately preceding the grant date. The following table summarizes the changes in restricted stock as of and for the six months ended June 30, 2018:

	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	—	$ —	218,075	$ 39.08
Awarded	95,183	40.89	138,061	41.91
Vested	—	—	(56,646)	38.43
Cancelled	(3,014)	40.89	(14,646)	41.97
Nonvested at end of period	92,169	$ 40.89	284,844	$ 40.43

During the six months ended June 30, 2018, the Company reissued 93,511 shares from treasury in connection with the exercise of stock options and awards of restricted stock. The Company recorded total stock-based compensation expense of $1,920 and $1,237 for the three months ended June 30, 2018 and 2017, respectively, and $3,712 and $2,411 for the six months ended June 30, 2018 and 2017, respectively.

Note 11 – 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 June 30, 2018, the Company had notional amounts of $219,738 on interest rate contracts with corporate customers and $219,738 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 April 2018, the Company entered into an interest rate swap agreement effective June 15, 2018. Under this swap agreement, 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 agreement, which terminates in June 2028, 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 Company's junior subordinated debentures.

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 and adjustable-rate residential mortgage loans. The notional amount of commitments to fund fixed-rate and adjustable-rate mortgage loans was $196,667 and $131,000 at June 30, 2018 and December 31, 2017, 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 $374,000 and $199,000 at June 30, 2018 and December 31, 2017, respectively.

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

	Balance Sheet Location	Fair Value June 30, 2018	December 31, 2017
Derivative assets:			
Designated as hedging instruments			
Interest rate swap	Other Assets	$181	$ —
Totals		$181	$ —
Not designated as hedging instruments:			
Interest rate contracts	Other Assets	$4,142	$ 3,171
Interest rate lock commitments	Other Assets	4,699	2,756
Forward commitments	Other Assets	98	50
Totals		$8,939	$ 5,977
Derivative liabilities:			
Designated as hedging instruments:			
Interest rate swaps	Other Liabilities	$1,047	$ 2,536
Totals		$1,047	$ 2,536
Not designated as hedging instruments:			
Interest rate contracts	Other Liabilities	$4,142	$ 3,171
Interest rate lock commitments	Other Liabilities	1	4
Forward commitments	Other Liabilities	1,301	328
Totals		$5,444	$ 3,503

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 June 30, 2018	2017	Six Months Ended June 30, 2018	2017
Derivatives not designated as hedging instruments:				
Interest rate contracts:				
Included in interest income on loans	$ 1,038	$ 690	$2,024	$1,369
Interest rate lock commitments:				
Included in mortgage banking income	(238)	(1,538)	1,946	1,315
Forward commitments				
Included in mortgage banking income	(1,012)	2,256	(924)	(3,613)
Total	$ (212)	$ 1,408	$3,046	$(929)

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 six months ended June 30, 2018 or 2017. The impact on other comprehensive income for the six months ended June 30, 2018 and 2017, respectively, can be seen at Note 15, "Other Comprehensive Income

(Loss).”

Offsetting

Certain financial instruments, including derivatives, may be eligible for offset in the consolidated balance sheet when the “right of offset” 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	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Gross amounts recognized	$3,659	$ 717	$3,111	$ 5,303
Gross amounts offset in the Consolidated Balance Sheets	—	—	—	—
Net amounts presented in the Consolidated Balance Sheets	3,659	717	3,111	5,303
Gross amounts not offset in the Consolidated Balance Sheets				
Financial instruments	884	717	884	717
Financial collateral pledged	—	—	175	4,357
Net amounts	$2,775	$ —	$2,052	$ 229

Note 12 – 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 presented.

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	June 30,		December 31,
	2018	2017	2017
Deferred tax assets			
Allowance for loan losses	$15,800	$20,566	$ 13,966
Loans	11,789	19,575	15,062
Deferred compensation	7,098	9,845	7,093
Securities	—	2,440	3,659
Net unrealized losses on securities - OCI	6,916	6,670	—
Impairment of assets	1,791	1,986	1,748
Federal and State net operating loss carryforwards	1,297	3,081	2,419
Intangibles	—	1,758	—
Other	4,310	3,577	4,722
Total deferred tax assets	49,001	69,498	48,669
Deferred tax liabilities			
Investment in partnerships	548	1,272	757
Fixed assets	3,073	1,875	3,163
Mortgage servicing rights	11,224	3,360	10,139
Junior subordinated debt	2,352	4,004	2,394
Other	1,665	2,000	1,859
Total deferred tax liabilities	18,862	12,511	18,312
Net deferred tax assets	$30,139	$56,987	$ 30,357

The Tax Cuts and Jobs Act (the “Tax Act”), enacted on December 22, 2017, among other things, permanently lowered the statutory federal corporate tax rate from 35% to 21%, effective for tax years including or beginning January 1, 2018. As a result, the Company calculated taxes in the current quarter based on a 21% federal corporate tax rate, whereas taxes were calculated in previous periods based on a 35% federal corporate tax rate. Under the guidance of ASC 740, “Income Taxes” (“ASC 740”), the Company revalued its net deferred tax assets on the date of enactment based on the reduction in the overall future tax benefit expected to be realized at the lower tax rate implemented by the new legislation. After reviewing the Company’s inventory of deferred tax assets and liabilities on the date of enactment and giving consideration to the future impact of the lower corporate tax rates and other provisions of the new legislation, the Company’s revaluation of its net deferred tax assets was $14,486, which was included as a reduction in “Income taxes” in the Consolidated Statements of Income for the year ended December 31, 2017. Although in the normal course of business the Company is required to make estimates and assumptions for certain tax items which cannot be fully determined at period end, the Company did not identify items for which the income tax effects of the Tax Act had not been completed as of December 31, 2017 and, therefore, considered its accounting for the tax effects of the Tax Act on its deferred tax assets and liabilities to have been completed as of December 31, 2017.
The Company expects to utilize its 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 six months ended June 30, 2018 or 2017 or the year ended December 31, 2017.

Note 13 – 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 June 30, 2018 and December 31, 2017, the Company’s carrying value of QAHPs was $6,855 and $7,637, 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:

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Three Months Ended	Six Months Ended