RENASANT CORP
Form 10-Q
November 09, 2016
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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 September 30, 2016
Or

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

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 ý	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company 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 October 31, 2016, 42,102,536 shares of the registrant's common stock, $5.00 par value per share, were outstanding.

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Renasant Corporation and Subsidiaries
Form 10-Q
For the Quarterly Period Ended September 30, 2016
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PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

Renasant Corporation and Subsidiaries
Consolidated Balance Sheets

(In Thousands, Except Share Data)

	(Unaudited) September 30, 2016	December 31, 2015
Assets		
Cash and due from banks	$ 143,478	$ 177,007
Interest-bearing balances with banks	73,913	34,564
Cash and cash equivalents	217,391	211,571
Securities held to maturity (fair value of $381,950 and $473,753, respectively)	362,319	458,400
Securities available for sale, at fair value	677,638	646,805
Mortgage loans held for sale, at fair value	189,965	225,254
Loans, net of unearned income:		
Acquired and covered by FDIC loss-share agreements ("acquired covered loans")	30,533	93,142
Acquired and not covered by FDIC loss-share agreements ("acquired not covered loans")	1,548,674	1,489,886
Not acquired	4,526,026	3,830,434
Total loans, net of unearned income	6,105,233	5,413,462
Allowance for loan losses	(45,924)	(42,437)
Loans, net	6,059,309	5,371,025
Premises and equipment, net	177,779	169,128
Other real estate owned:		
Acquired and covered by FDIC loss-share agreements ("acquired covered OREO")	926	2,818
Acquired and not covered by FDIC loss-share agreements ("acquired not covered OREO")	16,973	19,597
Not acquired	8,429	12,987
Total other real estate owned, net	26,328	35,402
Goodwill	470,534	445,871
Other intangible assets, net	25,699	28,811
FDIC loss-share indemnification asset	4,053	7,149
Other assets	331,456	327,080
Total assets	$ 8,542,471	$ 7,926,496
Liabilities and shareholders’ equity		
Liabilities		
Deposits		
Noninterest-bearing	$ 1,514,820	$ 1,278,337
Interest-bearing	5,302,978	4,940,265
Total deposits	6,817,798	6,218,602
Short-term borrowings	266,943	422,279
Long-term debt	202,637	148,217
Other liabilities	112,846	100,580
Total liabilities	7,400,224	6,889,678
Shareholders’ equity		
Preferred stock, $.01 par value – 5,000,000 shares authorized; no shares issued and outstanding	—	—

Common stock, $5.00 par value – 150,000,000 shares authorized, 42,972,066 and 41,292,045 shares issued, respectively; 42,102,224 and 40,293,291 shares outstanding, respectively	214,860	206,460
Treasury stock, at cost	(21,222)	(22,385)
Additional paid-in capital	633,340	585,938
Retained earnings	321,527	276,340
Accumulated other comprehensive loss, net of taxes	(6,258)	(9,535)
Total shareholders’ equity	1,142,247	1,036,818
Total liabilities and shareholders’ equity	$ 8,542,471	$ 7,926,496

See Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest income				
Loans	$ 76,759	$ 67,527	$222,781	$165,418
Securities				
Taxable	3,717	4,193	12,832	12,634
Tax-exempt	2,425	2,529	7,378	7,029
Other	131	51	308	154
Total interest income	83,032	74,300	243,299	185,235
Interest expense				
Deposits	4,638	3,615	13,018	10,340
Borrowings	2,663	2,073	7,339	5,888
Total interest expense	7,301	5,688	20,357	16,228
Net interest income	75,731	68,612	222,942	169,007
Provision for loan losses	2,650	750	5,880	3,000
Net interest income after provision for loan losses	73,081	67,862	217,062	166,007
Noninterest income				
Service charges on deposit accounts	8,200	8,151	23,712	21,008
Fees and commissions	4,921	4,271	14,042	11,408
Insurance commissions	2,420	2,381	6,557	6,467
Wealth management revenue	3,040	2,833	8,803	7,199
Mortgage banking income	15,846	11,893	41,181	24,113
Net gain on sales of securities	—	—	1,186	96
BOLI income	979	1,110	2,929	2,668
Other	2,866	1,440	8,750	3,869
Total noninterest income	38,272	32,079	107,160	76,828
Noninterest expense				
Salaries and employee benefits	44,702	43,048	132,482	101,702
Data processing	4,560	3,819	13,220	10,248
Net occupancy and equipment	8,830	7,733	25,585	18,816
Other real estate owned	1,540	861	4,111	2,347
Professional fees	1,313	1,242	3,789	3,238
Advertising and public relations	1,661	1,567	5,040	4,351
Intangible amortization	1,684	1,803	5,123	4,317
Communications	2,097	2,339	6,308	5,263
Extinguishment of debt	2,210	—	2,539	—
Merger and conversion related expenses	268	7,746	4,023	9,691
Other	7,603	5,821	21,321	14,407
Total noninterest expense	76,468	75,979	223,541	174,380
Income before income taxes	34,885	23,962	100,681	68,455
Income taxes	11,706	7,742	33,386	21,601
Net income	$ 23,179	$ 16,220	$67,295	$46,854
Basic earnings per share	$ 0.55	$ 0.40	$1.62	$1.36
Diluted earnings per share	$ 0.55	$ 0.40	$1.61	$1.35

Cash dividends per common share	$ 0.18	$ 0.17	$0.53	$0.51

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		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net income	$23,179	$16,220	$67,295	$46,854
Other comprehensive income, net of tax:				
Securities available for sale:				
Unrealized holding gains on securities	1,385	3,717	5,260	2,505
Reclassification adjustment for gains realized in net income	—	—	(728)	(60)
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(11)	(26)	(49)	(86)
Total securities	1,374	3,691	4,483	2,359
Derivative instruments:				
Unrealized holding gains (losses) on derivative instruments	495	(1,075)	(1,199)	(881)
Totals derivative instruments	495	(1,075)	(1,199)	(881)
Defined benefit pension and post-retirement benefit plans:				
Reclassification adjustment for net settlement gain realized in net income	(235)	—	(235)	—
Amortization of net actuarial loss recognized in net periodic pension cost	76	55	228	180
Total defined benefit pension and post-retirement benefit plans	(159)	55	(7)	180
Other comprehensive income, net of tax	1,710	2,671	3,277	1,658
Comprehensive income	$24,889	$18,891	$70,572	$48,512

See Notes to Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2016	2015
Operating activities		
Net income	$67,295	$46,854
Adjustments to reconcile net income to net cash used in operating activities, net of effects from acquisitions:		
Provision for loan losses	5,880	3,000
Depreciation, amortization and accretion	839	5,053
Deferred income tax expense	5,663	3,794
Funding of mortgage loans held for sale	(1,516,650)	(992,555)
Proceeds from sales of mortgage loans held for sale	1,579,476	1,069,625
Gains on sales of mortgage loans held for sale	(26,687)	(20,618)
Gains on sales of securities	(1,186)	(96)
Penalty on extinguishment of debt	2,539	—
Losses on sales of premises and equipment	105	37
Stock-based compensation	2,563	2,739
Decrease in FDIC loss-share indemnification asset, net of accretion	2,442	5,202
Decrease in other assets	7,556	17,182
Decrease in other liabilities	(5,097)	(11,047)
Net cash provided by operating activities	124,738	129,170
Investing activities		
Purchases of securities available for sale	(82,243)	(54,256)
Proceeds from sales of securities available for sale	4,028	8,444
Proceeds from call/maturities of securities available for sale	117,232	83,488
Purchases of securities held to maturity	(10,644)	(137,776)
Proceeds from call/maturities of securities held to maturity	109,305	121,438
Net increase in loans	(407,570)	(177,740)
Purchases of premises and equipment	(8,958)	(19,364)
Proceeds from sales of premises and equipment	2,462	448
Proceeds from sales of other assets	11,040	—
Net cash received in acquisition of businesses	25,263	35,787
Net cash used in investing activities	(240,085)	(139,531)
Financing activities		
Net increase in noninterest-bearing deposits	163,406	107,728
Net increase (decrease) in interest-bearing deposits	85,005	(85,693)
Net (decrease) increase in short-term borrowings	(157,685)	355,063
Proceeds from long-term borrowings	98,434	42
Repayment of long-term debt	(46,964)	(307,230)
Cash paid for dividends	(22,108)	(17,681)
Cash received on exercise of stock options	415	102
Excess tax benefit from stock-based compensation	664	296
Net cash provided by financing activities	121,167	52,627
Net increase in cash and cash equivalents	5,820	42,266
Cash and cash equivalents at beginning of period	211,571	161,583
Cash and cash equivalents at end of period	$217,391	$203,849

Supplemental disclosures		
Cash paid for interest	$19,658	$15,936
Cash paid for income taxes	$22,731	$10,768
Noncash transactions:		
Transfers of loans to other real estate owned	$5,147	$12,268
Financed sales of other real estate owned	$538	$1,017
Transfers of loans held for sale to loan portfolio	$15,455	$—
Common stock issued in acquisition of businesses	$55,290	$281,530

See Notes to Consolidated Financial Statements.

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

Note A – Summary of Significant Accounting Policies
Nature of Operations: Renasant Corporation (referred to herein as the “Company”) owns and operates Renasant Bank (“Renasant Bank” or the “Bank”) and Renasant Insurance, Inc. The Company offers a diversified range of financial, fiduciary and insurance services to its retail and commercial customers through its subsidiaries and full service offices located throughout north and central Mississippi, Tennessee, Georgia, north and central Alabama and north Florida.
Basis of Presentation: The accompanying unaudited consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain prior year amounts have been reclassified to conform to the current year presentation. For further information regarding the Company’s significant accounting policies, refer to the audited consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission on February 29, 2016.
Business Combinations: The Company completed its acquisitions of Heritage Financial Group, Inc. (“Heritage”) and KeyWorth Bank ("KeyWorth") on July 1, 2015 and April 1, 2016, respectively. The acquired institutions' financial condition and results of operations are included in the Company's financial condition and results of operations as of the respective acquisition dates.
Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.
Subsequent Events: The Company has evaluated, for consideration of recognition or disclosure, subsequent events that have occurred through the date of issuance of its financial statements. The Company has determined that no significant events occurred after September 30, 2016 but prior to the issuance of these financial statements that would have a material impact on its Consolidated Financial Statements.

Impact of Recently-Issued Accounting Standards and Pronouncements:

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

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). The update will significantly change the way entities recognize impairment on many financial assets by requiring immediate recognition of estimated credit losses expected to occur over the asset's remaining life. The FASB describes this impairment recognition model as the current expected credit loss (“CECL”) model and believes the CECL model will result in more timely recognition of credit losses since the CECL model incorporates expected credit losses versus incurred credit losses. The scope of FASB’s CECL model would include loans, held-to-maturity debt instruments, lease receivables, loan commitments and financial guarantees that are not accounted for at fair value. For public companies, this update becomes effective for interim and annual periods beginning after December 15, 2019. Management is currently evaluating the impact this ASU will have on the Company’s consolidated financial statements and will continue to monitor FASB’s progress on this topic.

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”). ASU 2016-09 is intended to reduce complexity in accounting standards by

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simplifying several aspects of the accounting for share-based payment transactions, including (1) accounting for income taxes; (2) classification of excess tax benefits on the statement of cash flows; (3) forfeitures; (4) minimum statutory tax withholding requirements; and (5) classification of employee taxes paid on the statement of cash flows when an employer withholds shares for tax withholding purposes. The amendments of ASU 2016-09 are effective for interim and annual periods beginning after December 15, 2016. Management is currently evaluating the impact this ASU will have on the Company’s consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-07, Investments - Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting (“ASU 2016-07”). ASU 2016-07 requires an investor to initially apply the equity method of accounting from the date it qualifies for that method, i.e., the date the investor obtains significant influence over the operating and financial policies of an investee. The ASU eliminates the previous requirement to retroactively adjust the investment and record a cumulative catch up for the periods that the investment had been held but did not qualify for the equity method of accounting. For public companies, the amendments in ASU 2016-07 are effective for interim and annual periods beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. Management is currently evaluating the provisions of ASU 2016-07 to determine the potential impact the new standard will have on the Company’s consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (“ASU 2016-02”). ASU 2016-02 amends the accounting model and disclosure requirements for leases. The current accounting model for leases distinguishes between capital leases, which are recognized on-balance sheet, and operating leases, which are not. Under the new standard, the lease classifications are defined 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. Management is currently evaluating the impact ASU 2016-02 will have on the Company's financial position and results of operations.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10); Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”). ASU 2016-01 revises the accounting for the classification and measurement of investments in equity securities and revises the presentation of certain fair value changes for financial liabilities measured at fair value. For equity securities, the guidance in ASU 2016-01 requires equity investments to be measured at fair value with changes in fair value recognized in net income. For financial liabilities that are measured at fair value in accordance with the fair value option, the guidance requires presenting, in other comprehensive income, the change in fair value that relates to a change in instrument-specific credit risk. ASU 2016-01 also eliminates the disclosure assumptions used to estimate fair value for financial instruments measured at amortized cost and requires disclosure of an exit price notion in determining the fair value of financial instruments measured at amortized cost. ASU 2016-01 is effective for interim and annual periods beginning after December 15, 2017. Management is currently evaluating the impact ASU 2016-01 will have on the Company's financial position and results of operations.

Note B – Securities
(In Thousands, Except Number of Securities)
The amortized cost and fair value of securities held to maturity were as follows as of the dates presented:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value

September 30, 2016				
Obligations of other U.S. Government agencies and corporations	$ 14,100	$ 58	$ —	$ 14,158
Obligations of states and political subdivisions	348,219	19,591	(18)	367,792
	$ 362,319	$ 19,649	$ (18)	$ 381,950
December 31, 2015				
Obligations of other U.S. Government agencies and corporations	$ 101,155	$ 26	$ (1,214)	$ 99,967
Obligations of states and political subdivisions	357,245	16,636	(95)	373,786
	$ 458,400	$ 16,662	$ (1,309)	$ 473,753

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

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2016				
Obligations of other U.S. Government agencies and corporations	$ 2,073	$ 136	$ —	$ 2,209
Residential mortgage backed securities:				
Government agency mortgage backed securities	403,847	8,497	(144)	412,200
Government agency collateralized mortgage obligations	168,479	2,370	(559)	170,290
Commercial mortgage backed securities:				
Government agency mortgage backed securities	52,828	2,093	(15)	54,906
Government agency collateralized mortgage obligations	2,541	127	—	2,668
Trust preferred securities	24,628	—	(6,536)	18,092
Other debt securities	16,708	574	(9)	17,273
Other equity securities	—	—	—	—
	$ 671,104	$ 13,797	$ (7,263)	$ 677,638

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2015				
Obligations of other U.S. Government agencies and corporations	$ 6,093	$ 126	$ (19)	$ 6,200
Residential mortgage backed securities:				
Government agency mortgage backed securities	362,669	3,649	(1,778)	364,540
Government agency collateralized mortgage obligations	168,916	1,449	(2,305)	168,060
Commercial mortgage backed securities:				
Government agency mortgage backed securities	58,864	1,002	(107)	59,759
Government agency collateralized mortgage obligations	4,947	158	(1)	5,104
Trust preferred securities	24,770	—	(5,301)	19,469
Other debt securities	18,899	468	(34)	19,333
Other equity securities	2,500	1,840	—	4,340
	$ 647,658	$ 8,692	$ (9,545)	$ 646,805

During the second quarter of 2016, the Company sold an "other equity security" with a carrying value of $2,767 at the time of sale for net proceeds of $4,024 resulting in a gain of $1,257. Additionally, during the first quarter of 2016 the Company sold an "other equity security" with a carrying value of $75 at the time of sale for net proceeds of $4 resulting in a loss of $71. During the second quarter of 2015, the Company sold its pooled trust preferred security XIII with net proceeds of $1,213 and a carrying value of $1,117 at the time of sale for a gain of $96.

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

Gross realized gains on sales of securities available for sale for the three and nine months ended September 30, 2016 and 2015 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Gross gains on sales of securities available for sale	$ —	$ —	$ 1,257	$ 96
Gross losses on sales of securities available for sale	—	—	(71)	—
Gains on sales of securities available for sale, net	$ —	$ —	$ 1,186	$ 96

At September 30, 2016 and December 31, 2015, securities with a carrying value of $654,409 and $679,492, respectively, were pledged to secure government, public and trust deposits. Securities with a carrying value of $27,090 and $39,275 were pledged as collateral for short-term borrowings and derivative instruments at September 30, 2016 and December 31, 2015, respectively.
The amortized cost and fair value of securities at September 30, 2016 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because issuers may call or prepay obligations with or without call or prepayment penalties.

	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$ 14,414	$ 14,515	$ —	$ —
Due after one year through five years	102,712	107,110	2,073	2,209
Due after five years through ten years	132,755	140,556	—	—
Due after ten years	112,438	119,769	24,628	18,092
Residential mortgage backed securities:				
Government agency mortgage backed securities	—	—	403,847	412,200
Government agency collateralized mortgage obligations	—	—	168,479	170,290
Commercial mortgage backed securities:				
Government agency mortgage backed securities	—	—	52,828	54,906
Government agency collateralized mortgage obligations	—	—	2,541	2,668
Other debt securities	—	—	16,708	17,273
Other equity securities	—	—	—	—
	$ 362,319	$ 381,950	$ 671,104	$ 677,638

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

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

	Less than 12 Months			12 Months or More			Total		
	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses
Held to Maturity:									
September 30, 2016									
Obligations of other U.S. Government agencies and corporations	0	$—	$—	0	$—	$—	0	$—	$—
Obligations of states and political subdivisions	4	2,356	(18)	0	—	—	4	2,356	(18)
Total	4	$2,356	$(18)	0	$—	$—	4	2,356	$(18)
December 31, 2015									
Obligations of other U.S. Government agencies and corporations	10	$31,567	$(414)	8	$38,688	$(800)	18	$70,255	$(1,214)
Obligations of states and political subdivisions	6	4,815	(53)	7	4,921	(42)	13	9,736	(95)
Total	16	$36,382	$(467)	15	$43,609	$(842)	31	$79,991	$(1,309)
Available for Sale:									
September 30, 2016									
Obligations of other U.S. Government agencies and corporations	0	$—	$—	0	$—	$—	0	$—	$—
Residential mortgage backed securities:									
Government agency mortgage backed securities	8	26,199	(64)	5	12,716	(80)	13	38,915	(144)
Government agency collateralized mortgage obligations	9	21,994	(104)	13	36,317	(455)	22	58,311	(559)
Commercial mortgage backed securities:									
Government agency mortgage backed securities	1	5,078	(6)	2	1,110	(9)	3	6,188	(15)
Government agency collateralized mortgage obligations	0	—	—	0	—	—	0	—	—
Trust preferred securities	0	—	—	3	18,092	(6,536)	3	18,092	(6,536)
Other debt securities	1	1,214	(3)	1	1,337	(6)	2	2,551	(9)
Total	19	$54,485	$(177)	24	$69,572	$(7,086)	43	$124,057	$(7,263)
December 31, 2015									
Obligations of other U.S. Government agencies and corporations	1	$3,981	$(19)	0	$—	$—	1	$3,981	$(19)
Residential mortgage backed securities:									
Government agency mortgage backed securities	34	130,306	(937)	9	27,431	(841)	43	157,737	(1,778)
	25	52,128	(347)	16	51,574	(1,958)	41	103,702	(2,305)

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

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

The Company does not intend to sell any of the securities in an unrealized loss position, and it is not more likely than not that the Company will be required to sell any such security prior to the recovery of its amortized cost basis, which may be at maturity. Furthermore, even though a number of these securities have been in a continuous unrealized loss position for a period greater than twelve months, the Company has experienced an overall improvement in the fair value of its investment portfolio and, with the exception of one of its pooled trust preferred securities (discussed below), is collecting principal and interest payments from the respective issuers as scheduled. As such, the Company did not record any OTTI for the three or nine months ended September 30, 2016 or 2015.

The Company holds investments in pooled trust preferred securities that had an amortized 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 investments in pooled trust preferred securities consisted of three securities representing interests in various tranches of trusts collateralized by debt issued by over 250 financial institutions. Management’s determination of the fair value of each of its holdings in pooled trust preferred securities is based on the current credit ratings, the known deferrals and defaults by the underlying issuing financial institutions and the degree to which future deferrals and defaults would be required to occur before the cash flow for the Company’s tranches is negatively impacted. In addition, management continually monitors key credit quality and capital ratios of the issuing institutions. This determination is further supported by quarterly valuations, which are performed by third parties, of each security obtained by the Company. The Company does not intend to sell the investments before recovery of the investments' amortized cost, and it is not more likely than not that the Company will be required to sell the investments before recovery of the investments’ amortized cost, which may be at maturity. At September 30, 2016, management did not, and does not currently, believe such securities will be settled at a price less than the amortized cost of the investment, but the Company previously concluded that it was probable that there had been an adverse change in estimated cash flows for all three trust preferred securities and recognized credit related impairment losses on these securities in 2010 and 2011. No additional impairment was recognized during the nine months ended September 30, 2016.

The Company's analysis of the pooled trust preferred securities during the second quarter of 2015 supported a return to accrual status for one of the three securities (XXVI). During the second quarter of 2014, the Company's analysis supported a return to accrual status for one of the other securities (XXIII). An observed history of principal and interest payments combined with improved qualitative and quantitative factors described above justified the accrual of interest on these securities. However, the remaining security (XXIV) is still in "payment in kind" status where interest payments are not expected until a future date and, therefore, the qualitative and quantitative factors described above do not justify a return to accrual status at this time. As a result, pooled trust preferred security XXIV remains classified as a nonaccruing asset at September 30, 2016, and investment interest is recorded on the cash-basis method until qualifying for return to accrual status.

The following table provides information regarding the Company’s investments in pooled trust preferred securities at September 30, 2016:

Name	Single/	Class/	Amortized	Fair	Unrealized	Lowest	Issuers

	Pooled	Tranche	Cost	Value	Loss	Credit Rating	Currently in Deferral or Default
XXIII	Pooled	B-2	$ 8,337	$ 5,495	$ (2,842)	Baa3	17 %
XXIV	Pooled	B-2	12,070	9,647	(2,423)	Caa2	27 %
XXVI	Pooled	B-2	4,221	2,950	(1,271)	Ba3	22 %
			$ 24,628	$ 18,092	$ (6,536)		

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

	2016	2015
Balance at January 1	$(3,337)	$(3,337)
Additions related to credit losses for which OTTI was not previously recognized	—	—
Increases in credit loss for which OTTI was previously recognized	—	—
Balance at September 30	$(3,337)	$(3,337)

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

	September 30, 2016	December 31, 2015
Commercial, financial, agricultural	$ 694,126	$ 636,837
Lease financing	47,695	35,978
Real estate – construction	487,638	357,665
Real estate – 1-4 family mortgage	1,870,644	1,735,323
Real estate – commercial mortgage	2,895,631	2,533,729
Installment loans to individuals	111,684	115,093
Gross loans	6,107,418	5,414,625
Unearned income	(2,185)	(1,163)
Loans, net of unearned income	6,105,233	5,413,462
Allowance for loan losses	(45,924)	(42,437)
Net loans	$ 6,059,309	$ 5,371,025

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

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

	Accruing Loans				Nonaccruing Loans				
	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans	Total Loans
September 30, 2016									
Commercial, financial, agricultural	$1,657	$1,486	$689,042	$692,185	$87	$1,123	$731	$1,941	$694,126
Lease financing	—	342	47,353	47,695	—	—	—	—	47,695
Real estate – construction	1,835	559	485,096	487,490	—	148	—	148	487,638
Real estate – 1-4 family mortgage	8,124	5,059	1,847,459	1,860,642	860	3,687	5,455	10,002	1,870,644
Real estate – commercial mortgage	10,345	8,183	2,863,205	2,881,733	53	7,059	6,786	13,898	2,895,631
Installment loans to individuals	419	92	110,975	111,486		64	134	198	111,684
Unearned income			(2,185)	(2,185)				—	(2,185)
Total	$22,380	$15,721	$6,040,945	$6,079,046	$1,000	$12,081	$13,106	$26,187	$6,105,233
December 31, 2015									
Commercial, financial, agricultural	$1,296	$1,077	$634,037	$636,410	$30	$133	$264	$427	$636,837
Lease financing	—	—	35,978	35,978	—	—	—	—	35,978
Real estate – construction	69	176	357,420	357,665	—	—	—	—	357,665
Real estate – 1-4 family mortgage	9,196	6,457	1,707,230	1,722,883	528	3,663	8,249	12,440	1,735,323
Real estate – commercial mortgage	4,849	8,581	2,504,192	2,517,622	568	2,263	13,276	16,107	2,533,729
Installment loans to individuals	260	102	114,671	115,033	—	53	7	60	115,093
Unearned income	—	—	(1,163)	(1,163)	—	—	—	—	(1,163)
Total	$15,670	$16,393	$5,352,365	$5,384,428	$1,126	$6,112	$21,796	$29,034	$5,413,462

Impaired Loans

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

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

	Unpaid Contractual Principal Balance	Recorded Investment With Allowance	Recorded Investment With No Allowance	Total Recorded Investment	Related Allowance
September 30, 2016					
Commercial, financial, agricultural	$ 2,431	$ 2,245	$ 135	$ 2,380	$ 1,004
Lease financing	—	—	—	—	—
Real estate – construction	1,042	820	222	1,042	2
Real estate – 1-4 family mortgage	20,208	18,501	—	18,501	5,144
Real estate – commercial mortgage	16,126	12,669	—	12,669	2,635
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