

RENASANT CORP
Form 10-Q
August 07, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2015
Or

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

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

Mississippi (State or other jurisdiction of incorporation or organization)	64-0676974 (I.R.S. Employer Identification No.)
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209 Troy Street, Tupelo, Mississippi (Address of principal executive offices) (662) 680-1001 (Registrant’s telephone number, including area code)	38804-4827 (Zip Code)
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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer Accelerated filer

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

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

As of July 31, 2015, 40,264,555 shares of the registrant’s common stock, \$5.00 par value per share, were outstanding. The registrant has no other classes of securities outstanding.

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 Form 10-Q
 For the Quarterly Period Ended June 30, 2015
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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, 2015	December 31, 2014
Assets		
Cash and due from banks	\$79,060	\$ 95,793
Interest-bearing balances with banks	75,902	65,790
Cash and cash equivalents	154,962	161,583
Securities held to maturity (fair value of \$447,660 and \$442,488, respectively)	439,070	430,163
Securities available for sale, at fair value	526,220	553,584
Mortgage loans held for sale, at fair value	108,023	25,628
Loans, net of unearned income:		
Acquired and covered by FDIC loss-share agreements ("covered loans")	121,626	143,041
Acquired and not covered by FDIC loss-share agreements ("acquired non-covered loans")	507,653	577,347
Not acquired	3,407,925	3,267,486
Total loans, net of unearned income	4,037,204	3,987,874
Allowance for loan losses	(41,888)	(42,289)
Loans, net	3,995,316	3,945,585
Premises and equipment, net	121,072	113,735
Other real estate owned:		
Covered under FDIC loss-share agreements	3,853	6,368
Not covered under FDIC loss-share agreements	23,211	28,104
Total other real estate owned, net	27,064	34,472
Goodwill	274,698	274,706
Other intangible assets, net	20,110	22,624
FDIC loss-share indemnification asset	6,659	12,516
Other assets	225,996	230,533
Total assets	\$5,899,190	\$ 5,805,129
Liabilities and shareholders' equity		
Liabilities		
Deposits		
Noninterest-bearing	\$972,672	\$ 919,872
Interest-bearing	3,917,772	3,918,546
Total deposits	4,890,444	4,838,418
Short-term borrowings	64,229	32,403
Long-term debt	154,860	156,422
Other liabilities	58,681	66,235
Total liabilities	5,168,214	5,093,478
Shareholders' equity		
Preferred stock, \$.01 par value – 5,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$.01 par value – 75,000,000 shares authorized, 32,656,166 shares issued; 31,644,706 and 31,545,145 shares outstanding, respectively	163,281	163,281
Treasury stock, at cost	(21,381)	(22,128)

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Additional paid-in capital	344,969	345,213
Retained earnings	252,718	232,883
Accumulated other comprehensive loss, net of taxes	(8,611)	(7,598)
Total shareholders' equity	730,976	711,651
Total liabilities and shareholders' equity	\$5,899,190	\$5,805,129

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		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Interest income				
Loans	\$50,454	\$51,279	\$97,891	\$100,825
Securities				
Taxable	4,026	6,665	8,441	8,854
Tax-exempt	2,246	270	4,500	4,513
Other	43	63	103	262
Total interest income	56,769	58,277	110,935	114,454
Interest expense				
Deposits	3,170	4,136	6,608	8,509
Borrowings	1,929	1,972	3,815	3,805
Total interest expense	5,099	6,108	10,423	12,314
Net interest income	51,670	52,169	100,512	102,140
Provision for loan losses	1,175	1,450	2,250	2,900
Net interest income after provision for loan losses	50,495	50,719	98,262	99,240
Noninterest income				
Service charges on deposit accounts	6,092	6,193	12,025	12,109
Fees and commissions	5,384	5,515	10,278	10,487
Insurance commissions	2,119	2,088	4,086	3,951
Wealth management revenue	2,248	2,170	4,438	4,314
Gains on sales of securities	96	—	96	—
BOLI income	710	746	1,558	1,477
Gains on sales of mortgage loans held for sale	5,407	2,006	10,040	3,591
Other	861	753	2,300	2,158
Total noninterest income	22,917	19,471	44,821	38,087
Noninterest expense				
Salaries and employee benefits	30,394	29,810	58,654	58,238
Data processing	3,152	2,850	6,333	5,545
Net occupancy and equipment	5,524	4,906	11,083	9,753
Other real estate owned	954	1,068	1,486	2,769
Professional fees	1,172	1,389	1,996	2,589
Advertising and public relations	1,481	1,888	2,784	3,416
Intangible amortization	1,239	1,427	2,514	2,898
Communications	1,491	1,701	2,924	3,383
Merger-related expenses	1,467	—	1,945	195
Other	4,302	4,357	8,871	8,255
Total noninterest expense	51,176	49,396	98,590	97,041
Income before income taxes	22,236	20,794	44,493	40,286
Income taxes	6,842	5,941	13,859	11,836
Net income	\$15,394	\$14,853	\$30,634	\$28,450
Basic earnings per share	\$0.49	\$0.47	\$0.97	\$0.90
Diluted earnings per share	\$0.48	\$0.47	\$0.96	\$0.90
Cash dividends per common share	\$0.17	\$0.17	\$0.34	\$0.34

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		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net income	\$ 15,394	\$ 14,853	\$ 30,634	\$ 28,450
Other comprehensive income, net of tax:				
Securities:				
Net change in unrealized holding (losses) gains on securities	(3,836	) 1,206	(1,212	) 3,990
Reclassification adjustment for gains realized in net income	(60	) —	(60) —
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(28	) (39	) (60	) (83
Total securities	(3,924	) 1,167	(1,332	) 3,907
Derivative instruments:				
Net change in unrealized holding gains (losses) on derivative instruments	863	(396	) 194	(815
Totals derivative instruments	863	(396	) 194	(815
Defined benefit pension and post-retirement benefit plans:				
Amortization of net actuarial loss recognized in net periodic pension cost	68	45	125	90
Total defined benefit pension and post-retirement benefit plans	68	45	125	90
Other comprehensive (loss) income, net of tax	(2,993	) 816	(1,013	) 3,182
Comprehensive income	\$ 12,401	\$ 15,669	\$ 29,621	\$ 31,632

See Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2015	2014
Operating activities		
Net income	\$30,634	\$28,450
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	2,250	2,900
Depreciation, amortization and accretion	2,687	8,895
Deferred income tax expense	5,918	5,775
Funding of mortgage loans held for sale	(407,893	) (254,578
Proceeds from sales of mortgage loans held for sale	335,538	263,791
Gains on sales of mortgage loans held for sale	(10,040	) (3,591
Gains on sales of securities	(96) —
Losses (gains) on sales of premises and equipment	19	(14
Stock-based compensation	1,720	1,818
Decrease in FDIC loss-share indemnification asset, net of accretion	3,623	5,390
Decrease (increase) in other assets	12,084	(6,534
(Decrease) increase in other liabilities	(8,887	) 7,106
Net cash (used in) provided by operating activities	\$(32,443	) \$59,408
Investing activities		
Purchases of securities available for sale	(29,066	) (100,129
Proceeds from sales of securities available for sale	1,213	—
Proceeds from call/maturities of securities available for sale	51,461	37,319
Purchases of securities held to maturity	(119,766	) (151,836
Proceeds from call/maturities of securities held to maturity	109,817	124,798
Net increase in loans	(48,164	) (82,399
Purchases of premises and equipment	(11,194	) (5,675
Net cash used in investing activities	(45,699	) (177,922
Financing activities		
Net increase in noninterest-bearing deposits	52,800	46,746
Net decrease in interest-bearing deposits	(774	) (1,927
Net increase in short-term borrowings	31,826	23,222
Repayment of long-term debt	(1,836	) (5,460
Cash paid for dividends	(10,800	) (10,753
Cash received on exercise of stock-based compensation	73	281
Excess tax benefit from stock-based compensation	232	977
Net cash provided by financing activities	71,521	53,086
Net decrease in cash and cash equivalents	(6,621	) (65,428
Cash and cash equivalents at beginning of period	161,583	246,648
Cash and cash equivalents at end of period	\$154,962	\$181,220
Supplemental disclosures		
Cash paid for interest	\$10,586	\$12,481
Cash paid for income taxes	\$5,994	\$9,300
Noncash transactions:		
Transfers of loans to other real estate owned	\$6,930	\$6,029
Financed sales of other real estate owned	\$637	\$634
See Notes to Consolidated Financial Statements.		

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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, north and central Alabama and north Georgia.

Basis of Presentation: The accompanying unaudited consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information regarding the Company’s significant accounting policies, refer to the audited consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 filed with the Securities and Exchange Commission on March 2, 2015.

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

Subsequent Events: The Company has evaluated, for consideration of recognition or disclosure, subsequent events that have occurred through the date of issuance of its financial statements. Effective July 1, 2015 the Company completed its previously-announced merger with Heritage Financial Group, Inc. (“Heritage”), the terms of which are disclosed in Note M, “Mergers and Acquisitions”. The Company has determined that no significant events occurred after June 30, 2015 but prior to the issuance of these financial statements that would have a material impact on its Consolidated Financial Statements.

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
June 30, 2015				
Obligations of other U.S. Government agencies and corporations	\$ 125,596	\$ 19	\$(2,603)	) \$ 123,012
Obligations of states and political subdivisions	313,474	12,143	(969)	) 324,648
	\$ 439,070	\$ 12,162	\$(3,572)	) \$ 447,660
December 31, 2014				
Obligations of other U.S. Government agencies and corporations	\$ 125,081	\$ 10	\$(2,915)	) \$ 122,176
Obligations of states and political subdivisions	305,082	15,428	(198)) 320,312
	\$ 430,163	\$ 15,438	\$(3,113)) \$ 442,488

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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
June 30, 2015				
Obligations of other U.S. Government agencies and corporations	\$6,107	\$ 142	\$(46	) \$6,203
Residential mortgage backed securities:				
Government agency mortgage backed securities	282,024	3,408	(2,021	) 283,411
Government agency collateralized mortgage obligations	151,403	1,606	(2,498	) 150,511
Commercial mortgage backed securities:				
Government agency mortgage backed securities	41,692	1,103	(102	) 42,693
Government agency collateralized mortgage obligations	3,496	169	—	3,665
Trust preferred securities	24,844	—	(5,717	) 19,127
Other debt securities	16,388	445	(52	) 16,781
Other equity securities	2,500	1,329	—	3,829
	\$528,454	\$8,202	\$(10,436	) \$526,220
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2014				
Obligations of other U.S. Government agencies and corporations	\$6,119	\$ 147	\$(119	) \$6,147
Residential mortgage backed securities:				
Government agency mortgage backed securities	292,283	4,908	(832	) 296,359
Government agency collateralized mortgage obligations	158,436	1,523	(2,523	) 157,436
Commercial mortgage backed securities:				
Government agency mortgage backed securities	45,714	1,608	(137	) 47,185
Government agency collateralized mortgage obligations	4,970	202	—	5,172
Trust preferred securities	26,400	137	(6,781	) 19,756
Other debt securities	17,517	487	(74	) 17,930
Other equity securities	2,331	1,268	—	3,599
	\$553,770	\$10,280	\$(10,466	) \$553,584

Over the past several quarters, pricing on the Company's pooled trust preferred securities has improved such that the amortized cost on one of its securities (XIII) had been fully recovered as of March 31, 2015. As such, 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. There were no other sales of securities for the three or six months ended June 30, 2015 or 2014.

At June 30, 2015 and December 31, 2014, securities with a carrying value of \$634,947 and \$617,189, respectively, were pledged to secure government, public and trust deposits. Securities with a carrying value of \$18,292 and \$16,410 were pledged as collateral for short-term borrowings and derivative instruments at June 30, 2015 and December 31, 2014, respectively.

The amortized cost and fair value of securities at June 30, 2015 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)

	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	\$12,445	\$12,575	\$—	\$—
Due after one year through five years	84,927	87,020	5,055	5,067
Due after five years through ten years	224,633	226,165	1,052	1,136
Due after ten years	117,065	121,900	24,844	19,127
Residential mortgage backed securities:				
Government agency mortgage backed securities	—	—	282,024	283,411
Government agency collateralized mortgage obligations	—	—	151,403	150,511
Commercial mortgage backed securities:				
Government agency mortgage backed securities	—	—	41,692	42,693
Government agency collateralized mortgage obligations	—	—	3,496	3,665
Other debt securities	—	—	16,388	16,781
Other equity securities	—	—	2,500	3,829
	\$439,070	\$447,660	\$528,454	\$526,220

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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:									
June 30, 2015									
Obligations of other U.S. Government agencies and corporations	7	\$25,399	\$(586)	20	\$91,100	\$(2,017)	27	\$116,499	\$(2,603)
Obligations of states and political subdivisions	46	39,717	(781)	6	3,782	(188)	52	43,499	(969)
Total	53	\$65,116	\$(1,367)	26	\$94,882	\$(2,205)	79	159,998	\$(3,572)
December 31, 2014									
Obligations of other U.S. Government agencies and corporations	2	\$1,000	\$(1)	26	\$119,174	\$(2,914)	28	\$120,174	\$(2,915)
Obligations of states and political subdivisions	3	3,353	(29)	16	10,052	(169)	19	13,405	(198)
Total	5	\$4,353	\$(30)	42	\$129,226	\$(3,083)	47	\$133,579	\$(3,113)
Available for Sale:									
June 30, 2015									
Obligations of other U.S. Government agencies and corporations	0	\$—	\$—	1	\$3,954	\$(46)	1	\$3,954	\$(46)
Residential mortgage backed securities:									
Government agency mortgage backed securities	25	102,829	(885)	9	29,712	(1,136)	34	132,541	(2,021)
Government agency collateralized mortgage obligations	5	26,834	(154)	16	56,483	(2,344)	21	83,317	(2,498)
Commercial mortgage backed securities:									
Government agency mortgage backed securities	1	4,804	(28)	2	5,812	(74)	3	10,616	(102)
Government agency collateralized	0	—	—	0	—	—	0	—	—

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mortgage obligations											
Trust preferred securities	0	—	—	3	19,127	(5,717)	3	19,127	(5,717)	
Other debt securities	0	—	—	2	4,040	(52	)	2	4,040	(52)
Total	31	\$134,467	\$(1,067)	33	\$119,128	\$(9,369)	64	\$253,595	\$(10,436)
December 31, 2014											
Obligations of other											
U.S. Government agencies and corporations	0	\$—	\$—	1	\$3,881	\$(119	)	1	\$3,881	\$(119)
Residential mortgage backed securities:											
Government agency mortgage backed securities	3	18,924	(39)	13	49,612	(793)	16	68,536	(832)
Government agency collateralized mortgage obligations	6	32,169	(138)	18	65,552	(2,385)	24	97,721	(2,523)
Commercial mortgage backed securities:											
Government agency mortgage backed securities	0	—	—	3	10,651	(137	)	3	10,651	(137)
Government agency collateralized mortgage obligations	0	—	—	0	—	—		0	—	—	
Trust preferred securities	0	—	—	3	18,503	(6,781	)	3	18,503	(6,781)
Other debt securities	0	—	—	2	4,175	(74	)	2	4,175	(74)
Other equity securities	0	—	—	0	—	—		0	—	—	
Total	9	\$51,093	\$(177)	40	\$152,374	\$(10,289)	49	\$203,467	\$(10,466)

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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 on account of the decrease in interest rates from the prior year 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 six month period ending June 30, 2015 or 2014.

The Company holds investments in pooled trust preferred securities that had an amortized cost basis of \$24,844 and \$26,400 and a fair value of \$19,127 and \$19,756 at June 30, 2015 and December 31, 2014, respectively. At June 30, 2015, the investments in pooled trust preferred securities consist of three securities representing interests in various tranches of trusts collateralized by debt issued by over 260 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, 2015, 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 six months ended June 30, 2015.

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 nonaccruing asset at June 30, 2015, 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 June 30, 2015:

Name	Single/ Pooled	Class/ Tranche	Amortized Cost	Fair Value	Unrealized Loss	Lowest Credit Rating	Issuers Currently in Deferral or
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								Default	
XXIII	Pooled	B-2	\$8,547	\$6,139	\$(2,408)) Baa3		17	%
XXIV	Pooled	B-2	12,076	9,963	(2,113)) Caa2		29	%
XXVI	Pooled	B-2	4,221	3,025	(1,196)	) Ba3		24	%
			\$24,844	\$19,127	\$(5,717))			

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:

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

	2015		2014	
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 June 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:

	June 30, 2015		December 31, 2014	
Commercial, financial, agricultural	\$480,559		\$483,283	
Lease financing	17,956		10,427	
Real estate – construction	212,576		212,061	
Real estate – 1-4 family mortgage	1,275,914		1,236,360	
Real estate – commercial mortgage	1,962,989		1,956,914	
Installment loans to individuals	87,533		89,142	
Gross loans	4,037,527		3,988,187	
Unearned income	(323	)	(313)
Loans, net of unearned income	4,037,204		3,987,874	
Allowance for loan losses	(41,888	)	(42,289)
Net loans	\$3,995,316		\$3,945,585	

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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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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, 2015									
Commercial, financial, agricultural	\$417	\$602	\$478,768	\$479,787	\$17	\$436	\$319	\$772	\$480,559
Lease financing	—	—	17,541	17,541	—	415	—	415	17,956
Real estate – construction	112	37	212,427	212,576	—	—	—	—	212,576
Real estate – 1-4 family mortgage	4,782	1,832	1,256,170	1,262,784	667	5,903	6,560	13,130	1,275,914
Real estate – commercial mortgage	9,205	5,651	1,926,430	1,941,286	817	11,224	9,662	21,703	1,962,989
Installment loans to individuals	389	48	87,030	87,467	8	58	—	66	87,533
Unearned income	—	—	(323)	(323)	—	—	—	—	(323)
Total	\$14,905	\$8,170	\$3,978,043	\$4,001,118	\$1,509	\$18,036	\$16,541	\$36,086	\$4,037,204
December 31, 2014									
Commercial, financial, agricultural	\$1,113	\$636	\$480,332	\$482,081	\$16	\$820	\$366	\$1,202	\$483,283
Lease financing	462	—	9,965	10,427	—	—	—	—	10,427
Real estate – construction	—	37	211,860	211,897	—	164	—	164	212,061
Real estate – 1-4 family mortgage	8,398	2,382	1,212,214	1,222,994	355	4,604	8,407	13,366	1,236,360
Real estate – commercial mortgage	6,924	7,637	1,912,758	1,927,319	1,826	16,928	10,841	29,595	1,956,914
Installment loans to individuals	269	21	88,782	89,072	—	59	11	70	89,142
Unearned income	—	—	(313)	(313)	—	—	—	—	(313)
Total	\$17,166	\$10,713	\$3,915,598	\$3,943,477	\$2,197	\$22,575	\$19,625	\$44,397	\$3,987,874

Restructured loans that are not performing in accordance with their restructured terms that are either contractually 90 days or more past due or placed on nonaccrual status are reported as nonperforming loans. There was one restructured loan in the amount of \$21 contractually 90 days past due or more and still accruing at June 30, 2015. There were no restructured loans 90 days or more past due and accruing at December 31, 2014. The outstanding balance of restructured loans on nonaccrual status was \$8,512 and \$11,392 at June 30, 2015 and December 31, 2014, respectively.

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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Impaired loans recognized in conformity with Financial Accounting Standards Board Accounting Standards Codification Topic ("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, 2015					
Commercial, financial, agricultural	\$3,662	\$1,746	\$72	\$1,818	\$342
Real estate – construction	—	—	—	—	—
Real estate – 1-4 family mortgage	31,118	18,231	7,607	25,838	4,454
Real estate – commercial mortgage	62,015	32,352	11,431	43,783	3,898
Installment loans to individuals	799	470	11	481	211
Total	\$97,594	\$52,799	\$19,121	\$71,920	\$8,905
December 31, 2014					
Commercial, financial, agricultural	\$4,871	\$984	\$1,375	\$2,359	\$171
Real estate – construction	164	164	—	164	—
Real estate – 1-4 family mortgage	31,906	18,401	7,295	25,696	4,824
Real estate – commercial mortgage	90,196	29,079	28,784	57,863	5,767
Installment loans to individuals	397	21	51	72	—
Totals	\$127,534	\$48,649	\$37,505	\$86,154	\$10,762

The following table presents the average recorded investment and interest income recognized on impaired loans for the periods presented:

	Three Months Ended June 30, 2015		Three Months Ended June 30, 2014	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial, financial, agricultural	\$1,970	\$7	\$5,279	\$—
Lease financing	—	—	—	—
Real estate – construction	—	—	2,034	—
Real estate – 1-4 family mortgage	27,571	172	21,747	170
Real estate – commercial mortgage	45,758	262	93,402	752
Installment loans to individuals	506	—	—	—
Total	\$75,805	\$441	\$122,462	\$922
	Six Months Ended June 30, 2015		Six Months Ended June 30, 2014	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial, financial, agricultural	\$2,009	\$15	\$5,382	\$—
Real estate – construction	—	—	2,036	2

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Real estate – 1-4 family mortgage	27,776	244	22,122	204
Real estate – commercial mortgage	46,563	536	94,641	816
Installment loans to individuals	513	—	—	—
Total	\$76,861	\$795	\$124,181	\$1,022

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Notes to Consolidated Financial Statements (Unaudited)

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 table presents restructured loans segregated by class as of the dates presented:

	Number of Loans	Pre- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment
June 30, 2015			
Commercial, financial, agricultural	2	\$507	\$479
Real estate – construction	—	—	—
Real estate – 1-4 family mortgage	58	7,163	6,581
Real estate – commercial mortgage	22	16,126	14,958
Installment loans to individuals	—	—	—
Total	82	\$23,796	\$22,018
December 31, 2014			
Commercial, financial, agricultural	2	\$507	\$507
Real estate – construction	—	—	—
Real estate – 1-4 family mortgage	35	5,212	4,567
Real estate – commercial mortgage	16	10,590	9,263
Installment loans to individuals	—	—	—
Total	53	\$16,309	\$14,337

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

	Number of Loans	Recorded Investment	
Totals at January 1, 2015	53	\$14,337	
Additional loans with concessions	38	9,490	
Reductions due to:			
Reclassified as nonperforming	(1) (21)
Paid in full	(8) (1,494)
Principal paydowns	—	(294)
Totals at June 30, 2015	82	\$22,018	

The allocated allowance for loan losses attributable to restructured loans was \$1,622 and \$1,547 at June 30, 2015 and December 31, 2014, respectively. The Company had no remaining availability under commitments to lend additional funds on these restructured loans at June 30, 2015 or December 31, 2014.

Credit Quality

For loans originated for commercial purposes, internal risk-rating grades are assigned by lending, credit administration or loan review personnel, based on an analysis of the financial and collateral strength and other credit attributes underlying each loan. Management analyzes the resulting ratings, as well as other external statistics and factors such as delinquency, to track the migration performance of the portfolio balances of these loans. Loan grades range between 1 and 9, with 1 being loans with the least credit risk. Loans that migrate toward the “Pass” grade (those with a risk rating between 1 and 4) or within the “Pass” grade generally have a lower risk of loss and therefore a lower risk factor applied to the loan balances. The “Watch” grade (those with a risk rating

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Notes to Consolidated Financial Statements (Unaudited)

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

	Pass	Watch	Substandard	Total
June 30, 2015				
Commercial, financial, agricultural	\$325,883	\$3,686	\$1,122	\$330,691
Lease financing	—	—	415	415
Real estate – construction	148,161	635	—	148,796
Real estate – 1-4 family mortgage	126,332	4,079	12,110	142,521
Real estate – commercial mortgage	1,430,488	25,347	23,434	1,479,269
Installment loans to individuals	9	—	—	9
Total	\$2,030,873	\$33,747	\$37,081	\$2,101,701
December 31, 2014				
Commercial, financial, agricultural	\$337,998	\$5,255	\$1,451	\$344,704
Lease financing	—	—	—	—
Real estate – construction	150,683	855	—	151,538
Real estate – 1-4 family mortgage	122,608	6,079	11,479	140,166
Real estate – commercial mortgage	1,389,787	31,109	33,554	1,454,450
Installment loans to individuals	1,402	—	—	1,402
Total	\$2,002,478	\$43,298	\$46,484	\$2,092,260

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

	Performing	Non-Performing	Total
June 30, 2015			
Commercial, financial, agricultural	\$137,693	\$255	\$137,948
Lease financing	17,218	—	17,218
Real estate – construction	63,743	37	63,780
Real estate – 1-4 family mortgage	1,055,294	2,750	1,058,044
Real estate – commercial mortgage	280,507	1,514	282,021
Installment loans to individuals	84,322	70	84,392
Total	\$1,638,777	\$4,626	\$1,643,403
December 31, 2014			
Commercial, financial, agricultural	\$114,996	\$179	\$115,175
Lease financing	10,114	—	10,114
Real estate – construction	60,323	200	60,523
Real estate – 1-4 family mortgage	1,010,645	2,730	1,013,375
Real estate – commercial mortgage	266,867	1,352	268,219
Installment loans to individuals	83,744	39	83,783
Total	\$1,546,689	\$4,500	\$1,551,189

Loans Acquired with Deteriorated Credit Quality

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Notes to Consolidated Financial Statements (Unaudited)

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

	Impaired Covered Loans	Other Covered Loans	Not Covered Loans	Total
June 30, 2015				
Commercial, financial, agricultural	\$15	\$3,711	\$8,194	\$11,920
Lease financing	—	—	—	—
Real estate – construction	—	—	—	—
Real estate – 1-4 family mortgage	3,233	37,100	35,016	75,349
Real estate – commercial mortgage	12,110	65,426	124,163	201,699
Installment loans to individuals	—	31	3,101	3,132
Total	\$15,358	\$106,268	\$170,474	\$292,100
December 31, 2014				
Commercial, financial, agricultural	\$—	\$6,684	\$16,720	\$23,404
Lease financing	—	—	—	—
Real estate – construction	—	—	—	—
Real estate – 1-4 family mortgage	420	43,597	38,802	82,819
Real estate – commercial mortgage	7,584	84,720	141,941	234,245
Installment loans to individuals	—	36	3,921	3,957
Total	\$8,004	\$135,037	\$201,384	\$344,425

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

The following table presents the fair value of loans determined to be impaired at the time of acquisition and determined not to be impaired at the time of acquisition at June 30, 2015:

	Impaired Covered Loans	Other Covered Loans	Not Covered Loans	Total
Contractually-required principal and interest	\$35,544	\$122,104	\$245,223	\$402,871
Nonaccretable difference ⁽¹⁾	(20,180)	) (15,139	) (52,142	) (87,461)
Cash flows expected to be collected	15,364	106,965	193,081	315,410
Accretable yield ⁽²⁾	(6	) (697	) (22,607	) (23,310)
Fair value	\$15,358	\$106,268	\$170,474	\$292,100

(1) Represents contractual principal and interest cash flows of \$82,546 and \$4,915, respectively, not expected to be collected.

(2) Represents contractual interest payments of \$788 expected to be collected and purchase discount of \$22,522. Changes in the accretable yield of loans acquired with deteriorated credit quality were as follows:

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Notes to Consolidated Financial Statements (Unaudited)

	Impaired Covered Loans	Other Covered Loans	Not Covered Loans	Total
Balance at January 1, 2015	\$(1	) \$(2,623	) \$(29,809	) \$(32,433
Reclasses from nonaccretable difference	(45	) (1,144	) 175	(1,014
Accretion	40	3,070	5,558	8,668
Chargeoff	—	—	1,469	1,469
Balance at June 30, 2015	\$(6	) \$(697	) \$(22,607	) \$(23,310

The following table presents the fair value of loans acquired from First M&F Corporation ("First M&F") as of the September 1, 2013 acquisition date.

At acquisition date:	September 1, 2013
Contractually-required principal and interest	\$1,112,979
Nonaccretable difference	70,334
Cash flows expected to be collected	1,042,645
Accretable yield	143,409
Fair value	\$899,236

Allowance for Loan Losses

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

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

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Notes to Consolidated Financial Statements (Unaudited)

	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other ⁽¹⁾	Total
Three Months Ended June 30, 2015						
Allowance for loan losses:						
Beginning balance	\$ 4,109	\$ 1,359	\$ 14,045	\$ 21,508	\$ 1,281	\$ 42,302
Charge-offs	(123)	(26)	(869)	(1,224)	(56)	(2,298)
Recoveries	104	7	215	357	26	709
Net charge-offs	(19)	(19)	(654)	(867)	(30)	(1,589)
Provision for loan losses	(96)	(43)	(130)	1,078	30	839
Benefit attributable to FDIC loss-share agreements	(30)	—	(43)	(385)	—	(458)
Recoveries payable to FDIC	7	—	574	213	—	794
Provision for loan losses charged to operations	(119)	(43)	401	906	30	1,175
Ending balance	\$ 3,971	\$ 1,297	\$ 13,792	\$ 21,547	\$ 1,281	\$ 41,888
Six Months Ended June 30, 2015						
Allowance for loan losses:						
Beginning balance	\$ 3,305	\$ 1,415	\$ 13,549	\$ 22,759	\$ 1,261	\$ 42,289
Charge-offs	(358)	(26)	(1,354)	(1,857)	(106)	(3,701)
Recoveries	139	13	370	469	59	1,050
Net charge-offs	(219)	(13)	(984)	(1,388)	(47)	(2,651)
Provision for loan losses	931	(106)	488	191	67	1,571
Benefit attributable to FDIC loss-share agreements	(55)	—	(43)	(486)	—	(584)
Recoveries payable to FDIC	9	1	782	471	—	1,263
Provision for loan losses charged to operations	885	(105)	1,227	176	67	2,250
Ending balance	\$ 3,971	\$ 1,297	\$ 13,792	\$ 21,547	\$ 1,281	\$ 41,888
Period-End Amount Allocated to:						
Individually evaluated for impairment	\$ —	\$ —	\$ 4,125	\$ 1,566	\$ 211	\$ 5,902
Collectively evaluated for impairment	3,609	1,297	9,478	19,121	1,069	34,574
Acquired with deteriorated credit quality	362	—	189	860	1	1,412
Ending balance	\$ 3,971	\$ 1,297	\$ 13,792	\$ 21,547	\$ 1,281	\$ 41,888

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other ⁽¹⁾	Total
Three Months Ended June 30, 2014						
Allowance for loan losses:						
Beginning balance	\$ 3,128	\$ 1,109	\$ 18,478	\$ 24,147	\$ 1,186	\$ 48,048
Charge-offs	—	—	(1,985)	(483)	(61)	(2,529)
Recoveries	75	3	206	28	23	335
Net (charge-offs) recoveries	75	3	(1,779)	(455)	(38)	(2,194)
Provision for loan losses	(95)	154	(5,187)	7,522	57	2,451
Benefit attributable to FDIC loss-share agreements	—	—	(66)	(1,476)	—	(1,542)
Recoveries payable to FDIC	156	1	351	33	—	541
Provision for loan losses charged to operations	61	155	(4,902)	6,079	57	1,450
Ending balance	\$ 3,264	\$ 1,267	\$ 11,797	\$ 29,771	\$ 1,205	\$ 47,304
Six Months Ended June 30, 2014						
Allowance for loan losses:						
Beginning balance	\$ 3,090	\$ 1,091	\$ 18,629	\$ 23,688	\$ 1,167	\$ 47,665
Charge-offs	(119)	—	(2,872)	(543)	(292)	(3,826)
Recoveries	112	8	357	58	30	565
Net (charge-offs) recoveries	(7)	8	(2,515)	(485)	(262)	(3,261)
Provision for loan losses	88	167	(4,691)	8,002	300	3,866
Benefit attributable to FDIC loss-share agreements	(68)	—	(135)	(1,471)	—	(1,674)
Recoveries payable to FDIC	161	1	509	37	—	708
Provision for loan losses charged to operations	181	168	(4,317)	6,568	300	2,900
Ending balance	\$ 3,264	\$ 1,267	\$ 11,797	\$ 29,771	\$ 1,205	\$ 47,304
Period-End Amount Allocated to:						
Individually evaluated for impairment	\$ 245	\$ —	\$ 2,062	\$ 8,584	\$ —	\$ 10,891
Collectively evaluated for impairment	3,019	1,267	9,735	21,187	1,205	36,413
Acquired with deteriorated credit quality	—	—	—	—	—	—
Ending balance	\$ 3,264	\$ 1,267	\$ 11,797	\$ 29,771	\$ 1,205	\$ 47,304

(1)Includes lease financing receivables.

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Notes to Consolidated Financial Statements (Unaudited)

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

	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other ⁽¹⁾	Total
June 30, 2015						
Individually evaluated for impairment	\$765	\$—	\$17,476	\$23,911	\$438	\$42,590
Collectively evaluated for impairment	467,874	212,576	1,183,089	1,737,379	101,596	3,702,514
Acquired with deteriorated credit quality	11,920	—	75,349	201,699	3,132	292,100
Ending balance	\$480,559	\$212,576	\$1,275,914	\$1,962,989	\$105,166	\$4,037,204
December 31, 2014						
Individually evaluated for impairment	\$984	\$164	\$18,401	\$29,079	\$21	\$48,649
Collectively evaluated for impairment	458,895	211,897	1,135,140	1,693,590	95,278	3,594,800
Acquired with deteriorated credit quality	23,404	—	82,819	234,245	3,957	344,425
Ending balance	\$483,283	\$212,061	\$1,236,360	\$1,956,914	\$99,256	\$3,987,874

(1) Includes lease financing receivables.

Note D – Other Real Estate Owned

(In Thousands)

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

	Covered OREO	Not Covered OREO	Total OREO
June 30, 2015			
Residential real estate	\$534	\$3,174	\$3,708
Commercial real estate	1,688	8,737	10,425
Residential land development	343	3,926	4,269
Commercial land development	1,288	7,374	8,662
Total	\$3,853	\$23,211	\$27,064
December 31, 2014			
Residential real estate	\$657	\$4,549	\$5,206
Commercial real estate	470	9,179	9,649
Residential land development	2,445	4,990	7,435
Commercial land development	2,796	9,386	12,182
Total	\$6,368	\$28,104	\$34,472

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

	Covered OREO	Not Covered OREO	Total OREO
Balance at January 1, 2015	\$6,368	\$28,104	\$34,472
Transfers of loans	2,697	4,233	6,930
Impairments ⁽¹⁾	(264	) (1,342	) (1,606
Dispositions	(4,895	) (7,761	) (12,656
Other	(53	) (23	) (76
Balance at June 30, 2015	\$3,853	\$23,211	\$27,064

Of the total impairment charges of \$264 recorded for covered OREO, \$53 was included in the Consolidated (1) Statements of Income for the six months ended June 30, 2015, while the remaining \$211 increased the FDIC loss-share indemnification asset.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Repairs and maintenance	\$105	\$756	\$298	\$1,537
Property taxes and insurance	148	56	384	297
Impairments	953	207	1,395	1,045
Net (gains) losses on OREO sales	(195	) 102	(483	) (12
Rental income	(57	) (53	) (108	) (98
Total	\$954	\$1,068	\$1,486	\$2,769

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

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

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

Balance at January 1, 2015	\$12,516
Changes in expected cash flows from initial estimates on:	

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Covered Loans	(2,434)
Covered OREO	(71)
Reimbursable expenses	186	
Accretion	—	
Reimbursements received from the FDIC	(3,538)
Balance at June 30, 2015	\$6,659	

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Notes to Consolidated Financial Statements (Unaudited)

Note F – Mortgage Servicing Rights

(In Thousands)

The Company retains the right to service certain mortgage loans that it sells to secondary market investors. These mortgage servicing rights, included in “Other assets” on the Consolidated Balance Sheets, are recognized as a separate asset on the date the corresponding mortgage loan is sold. Mortgage servicing rights are amortized in proportion to and over the period of estimated net servicing income. These servicing rights are carried at the lower of amortized cost or fair market value. Fair market value is determined using an income approach with various assumptions including expected cash flows, prepayment speeds, market discount rates, servicing costs, and other factors. Impairment losses on mortgage servicing rights are recognized to the extent by which the unamortized cost exceeds fair value. No impairment losses on mortgage servicing rights were recognized in earnings for the six months ended June 30, 2015 or 2014.

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

Balance at January 1, 2015	\$ 11,662	
Capitalization	2,360	
Amortization	(1,102)
Balance at June 30, 2015	\$ 12,920	

Data and key economic assumptions related to the Company’s mortgage servicing rights as of June 30, 2015 are as follows:

Unpaid principal balance	\$ 1,321,200	
Weighted-average prepayment speed (CPR)	5.28	%
Estimated impact of a 10% increase	\$(1,046)
Estimated impact of a 20% increase	(1,454)
Discount rate	10.76	%
Estimated impact of a 10% increase	\$(1,088)
Estimated impact of a 20% increase	(15,529)
Weighted-average coupon interest rate	3.83	%
Weighted-average servicing fee (basis points)	25.03	
Weighted-average remaining maturity (in years)	24.3	

Note G - Employee Benefit and Deferred Compensation Plans

(In Thousands, Except Share Data)

The Company sponsors a noncontributory defined benefit pension plan, under which participation and future benefit accruals ceased as of December 31, 1996. The Company also provides retiree health benefits for certain employees who were employed by the Company and enrolled in the Company's health plan as of December 31, 2004. To receive benefits, an eligible employee 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 Company-sponsored noncontributory defined benefit pension plan (“Pension Benefits”) and post-retirement health and life plans (“Other Benefits”) for the periods presented was as follows:

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	Pension Benefits		Other Benefits	
	Three Months Ended		Three Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Service cost	\$—	\$—	\$4	\$6
Interest cost	274	318	15	23
Expected return on plan assets	(510	) (539) —	—
Prior service cost recognized	—	—	—	—
Recognized actuarial loss	83	46	26	27
Net periodic benefit cost (return)	\$(153	) \$(175	) \$45	\$56

	Pension Benefits		Other Benefits	
	Six Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Service cost	\$—	\$—	\$8	\$12
Interest cost	545	636	30	46
Expected return on plan assets	(1,021	) (1,078) —	—
Prior service cost recognized	—	—	—	—
Recognized actuarial loss	156	91	46	54
Net periodic benefit (return) cost	\$(320	) \$(351	) \$84	\$112

In March 2011, the Company adopted a long-term equity incentive plan, which provides for the grant of stock options and the award of restricted stock. The plan replaced the long-term incentive plan adopted in 2001, which expired in October 2011. The Company issues shares of treasury stock to satisfy stock options exercised or restricted stock granted under the plan. Options granted under the plan allow participants to acquire shares of the Company's common stock at a fixed exercise price and expire ten years after the grant date. Options vest and become exercisable in installments over a three-year period measured from the grant date. Options that have not vested are forfeited and canceled upon the termination of a participant's employment. There were no stock options granted during the three and six months ended June 30, 2015 and 2014.

The following table summarizes the changes in stock options as of and for the six months ended June 30, 2015:

	Shares	Weighted Average Exercise Price
Options outstanding at beginning of period	830,950	\$18.70
Granted	—	—
Exercised	(109,137	) 19.57
Forfeited	(7,500	) 30.63
Options outstanding at end of period	714,313	\$18.45

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

Performance-based restricted stock is issued at the target level; the number of shares ultimately awarded is determined at the end of each year and may be increased or decreased depending on the Company falling short of, meeting or

exceeding financial performance measures defined by the Board of Directors. Time-based restricted stock vests at the end of the service period defined in the respective grant. The fair value of each restricted stock award is the closing price of the Company's common stock on the day immediately preceding the award date. The following table summarizes the changes in restricted stock as of and for the six months ended June 30, 2015:

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	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	—	\$—	38,336	\$27.26
Awarded	81,750	28.93	33,588	29.40
Vested	—	—	(11,486	) 27.86
Cancelled	—	—	—	—
Nonvested at end of period	81,750	\$28.93	60,438	\$28.65

During the six months ended June 30, 2015, the Company reissued 99,561 shares from treasury in connection with the exercise of stock options and award of restricted stock. The Company recorded total stock-based compensation expense of \$857 and \$951 for the three months ended June 30, 2015 and 2014, respectively, and \$1,720 and \$1,822 for the six months ended June 30, 2015 and 2014, respectively.

Note H – Segment Reporting

(In Thousands)

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

The Community Banks segment delivers a complete range of banking and financial services to individuals and small to medium-sized businesses including checking and savings accounts, business and personal loans, asset-based lending and equipment leasing, as well as safe deposit and night depository facilities.

The Insurance segment includes a full service insurance agency offering all major lines of commercial and personal insurance through major carriers.

The Wealth Management segment offers a broad range of fiduciary services which includes the administration and management of trust accounts including personal and corporate benefit accounts, self-directed IRAs, and custodial accounts. In addition, the Wealth Management segment offers annuities, mutual funds and other investment services through a third party broker-dealer.

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

The following table provides financial information for the Company's operating segments for the periods presented:

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Notes to Consolidated Financial Statements (Unaudited)

	Community Banks	Insurance	Wealth Management	Other	Consolidated
Three months ended June 30, 2015					
Net interest income	\$52,277	\$78	\$395	\$(1,080)	) \$51,670
Provision for loan losses	1,175	—	—	—	1,175
Noninterest income	18,325	2,183	2,385	24	22,917
Noninterest expense	47,377	1,727	1,904	168	51,176
Income (loss) before income taxes	22,050	534	876	(1,224)	) 22,236
Income taxes	7,102	218	—	(478)	) 6,842
Net income (loss)	\$14,948	\$316	\$876	\$(746)	) \$15,394
Total assets	\$5,819,329	\$20,438	\$43,719	\$15,704	\$5,899,190
Goodwill	271,931	2,767	—	—	274,698
Three months ended June 30, 2014					
Net interest income	\$52,744	\$49	\$320	\$(944)	) \$52,169
Provision for loan losses	1,501	—	(51)	) —	1,450
Noninterest income	15,129	2,138	2,181	23	19,471
Noninterest expense	45,530	1,684	1,999	183	49,396
Income (loss) before income taxes	20,842	503	553	(1,104)	) 20,794
Income taxes	6,168	202	—	(429)	) 5,941
Net income (loss)	\$14,674	\$301	\$553	\$(675)	) \$14,853
Total assets	\$5,744,942	\$17,864	\$46,259	\$16,955	\$5,826,020
Goodwill	273,379	2,767	—	—	276,146

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Notes to Consolidated Financial Statements (Unaudited)

	Community Banks	Insurance	Wealth Management	Other	Consolidated
Six months ended June 30, 2015					
Net interest income	\$ 101,870	\$ 147	\$ 810	\$(2,315)	) \$ 100,512
Provision for loan losses	2,250	—	—	—	2,250
Noninterest income	35,461	4,578	4,749	33	44,821
Noninterest expense	91,068	3,348	3,798	376	98,590
Income (loss) before income taxes	44,013	1,377	1,761	(2,658)	) 44,493
Income taxes	14,358	538	—	(1,037)	) 13,859
Net income (loss)	\$ 29,655	\$ 839	\$ 1,761	\$(1,621)	) \$ 30,634
Total assets	\$ 5,819,329	\$ 20,438	\$ 43,719	\$ 15,704	\$ 5,899,190
Goodwill	271,931	2,767	—	—	274,698
Six months ended June 30, 2014					
Net interest income	\$ 103,380	\$ 112	\$ 631	\$(1,983)	) \$ 102,140
Provision for loan losses	2,890	—	10	—	2,900
Noninterest income	29,212	4,531	4,297	47	38,087
Noninterest expense	89,655	3,158	3,867	361	97,041
Income (loss) before income taxes	40,047	1,485	1,051	(2,297)	) 40,286
Income taxes	12,146	582	—	(892)	) 11,836
Net income (loss)	\$ 27,901	\$ 903	\$ 1,051	\$(1,405)	) \$ 28,450
Total assets	\$ 5,744,942	\$ 17,864	\$ 46,259	\$ 16,955	\$ 5,826,020
Goodwill	273,379	2,767	—	—	276,146

Note I – Fair Value Measurements

(In Thousands)

Fair Value Measurements and the Fair Level Hierarchy

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

Recurring Fair Value Measurements

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

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

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

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Notes to Consolidated Financial Statements (Unaudited)

fair value hierarchy. When assumptions used in model-based valuation techniques are not observable in the market, the assumptions used by management reflect estimates of assumptions used by other market participants in determining fair value. When there is limited transparency around the inputs to the valuation, the instruments are classified within Level 3 of the fair value hierarchy.

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

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

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Notes to Consolidated Financial Statements (Unaudited)

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

	Level 1	Level 2	Level 3	Totals
June 30, 2015				
Financial assets:				
Securities available for sale:				
Obligations of other U.S. Government agencies and corporations	\$—	\$6,203	\$—	\$6,203
Residential mortgage-backed securities:				
Government agency mortgage backed securities	—	283,411	—	283,411
Government agency collateralized mortgage obligations	—	150,511	—	150,511
Commercial mortgage-backed securities:				
Government agency mortgage backed securities	—	42,693	—	42,693
Government agency collateralized mortgage obligations	—	3,665	—	3,665
Trust preferred securities	—	—	19,127	19,127
Other debt securities	—	16,781	—	16,781
Other equity securities	—	3,829	—	3,829
Total securities available for sale	—	507,093	19,127	526,220
Derivative instruments:				
Interest rate swaps	—	—	—	—
Interest rate contracts	—	2,002	—	2,002
Interest rate lock commitments	—	3,191	—	3,191
Forward commitments	—	1,543	—	1,543
Total derivative instruments	—	6,736	—	6,736
Mortgage loans held for sale	—	108,023	—	108,023
Total financial assets	\$—	\$621,852	\$19,127	\$640,979
Financial liabilities:				
Derivative instruments:				
Interest rate swaps	\$—	\$3,532	\$—	\$3,532
Interest rate contracts	—	2,002	—	2,002
Interest rate lock commitments	—	150	—	150
Forward commitments	—	130	—	130
Total derivative instruments	—	5,814	—	5,814
Total financial liabilities	\$—	\$5,814	\$—	\$5,814

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Notes to Consolidated Financial Statements (Unaudited)

	Level 1	Level 2	Level 3	Totals
December 31, 2014				
Financial assets:				
Securities available for sale:				
Obligations of other U.S. Government agencies and corporations	\$—	\$6,147	\$—	\$6,147
Residential mortgage-backed securities:				
Government agency mortgage backed securities	—	296,359	—	296,359
Government agency collateralized mortgage obligations	—	157,436	—	157,436
Commercial mortgage-backed securities:				
Government agency mortgage backed securities	—	47,185	—	47,185
Government agency collateralized mortgage obligations	—	5,172	—	5,172
Trust preferred securities	—	—	19,756	19,756
Other debt securities	—	17,930	—	17,930
Other equity securities	—	3,599	—	3,599
Total securities available for sale	—	533,828	19,756	553,584
Derivative instruments:				
Interest rate swap	—	—	—	—
Interest rate contracts	—	2,142	—	2,142
Interest rate lock commitments	—	1,584	—	1,584
Forward commitments	—	5	—	5
Total derivative instruments	—	3,731	—	3,731
Mortgage loans held for sale	—	25,628	—	25,628
Total financial assets	\$—	\$563,187	\$19,756	\$582,943
Financial liabilities:				
Derivative instruments:				
Interest rate swaps	\$—	\$3,847	\$—	\$3,847
Interest rate contracts	—	2,143	—	2,143
Interest rate lock commitments	—	—	—	—
Forward commitments	—	303	—	303
Total derivative instruments	—	6,293	—	6,293
Total financial liabilities	\$—	\$6,293	\$—	\$6,293

The Company reviews fair value hierarchy classifications on a quarterly basis. Changes in the Company's ability to observe inputs to the valuation may cause reclassification of certain assets or liabilities within the fair value hierarchy. Transfers between levels of the hierarchy are deemed to have occurred at the end of period. There were no such transfers between levels of the fair value hierarchy during the six months ended June 30, 2015.

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Notes to Consolidated Financial Statements (Unaudited)

The following tables provide a reconciliation for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs, or Level 3 inputs, during the three and six months ended June 30, 2015 and 2014, respectively:

Three Months Ended June 30, 2015	Securities available for sale	
	Trust preferred securities	Total
Balance at April 1, 2015	\$20,126	\$20,126
Accretion included in net income	(86	) (86
Unrealized gains included in other comprehensive income	308	308
Purchases	—	—
Sales	(1,117	) (1,117
Issues	—	—
Settlements	(104	) (104
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Balance at June 30, 2015	\$19,127	\$19,127

Three Months Ended June 30, 2014	Securities available for sale	
	Trust preferred securities	Total
Balance at April 1, 2014	\$19,378	\$19,378
Accretion included in net income	16	16
Unrealized gains included in other comprehensive income	(926	) (926
Reclassification adjustment	—	—
Purchases	—	—
Sales	—	—
Issues	—	—
Settlements	(159	) (159
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Balance at June 30, 2014	\$18,309	\$18,309

Six Months Ended June 30, 2015	Securities available for sale	
	Trust preferred securities	Total
Balance at January 1, 2015	\$19,756	\$19,756
Realized gains included in net income	(78	) (78
Unrealized gains included in other comprehensive income	1,022	1,022
Purchases	—	—
Sales	(1,117	) (1,117
Issues	—	—
Settlements	(456	) (456
Transfers into Level 3	—	—
Transfers out of Level 3	—	—

Balance at June 30, 2015	\$19,127	\$19,127
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Notes to Consolidated Financial Statements (Unaudited)

Six Months Ended June 30, 2014	Securities available for sale	
	Trust preferred securities	Total
Balance at January 1, 2014	\$17,671	\$17,671
Realized gains included in net income	16	16
Unrealized gains included in other comprehensive income	798	798
Reclassification adjustment	—	—
Purchases	—	—
Sales	—	—
Issues	—	—
Settlements	(176	) (176
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Balance at June 30, 2014	\$18,309	\$18,309

For the three or six months ended June 30, 2015 and 2014, there were no gains or losses included in earnings that were attributable to the change in unrealized gains or losses related to assets or liabilities held at the end of each respective period that were measured on a recurring basis using significant unobservable inputs.

The following table presents information as of June 30, 2015 about significant unobservable inputs (Level 3) used in the valuation of assets and liabilities measured at fair value on a recurring basis:

Financial instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs
Trust preferred securities	\$19,127	Discounted cash flows	Default rate	0-100%

Nonrecurring Fair Value Measurements

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

June 30, 2015	Level 1	Level 2	Level 3	Totals
Impaired loans	\$—	\$—	\$6,485	\$6,485
OREO	—	—	6,402	6,402
Total	\$—	\$—	\$12,887	\$12,887
December 31, 2014	Level 1	Level 2	Level 3	Totals
Impaired loans	\$—	\$—	\$12,360	\$12,360
OREO	—	—	4,460	4,460
Total	\$—	\$—	\$16,820	\$16,820

As of June 30, 2015 and December 31, 2015, there were no liabilities measured at fair value on a nonrecurring basis that were still held on the Consolidated Balance Sheet.

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

Impaired loans: Loans considered impaired are reserved for at the time the loan is identified as impaired taking into account the fair value of the collateral less estimated selling costs. Collateral may be real estate and/or business assets including but not limited

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

to equipment, inventory and accounts receivable. The fair value of real estate is determined based on appraisals by qualified licensed appraisers. The fair value of the business assets is generally based on amounts reported on the business's financial statements. Appraised and reported values may be adjusted based on changes in market conditions from the time of valuation and management's knowledge of the client and the client's business. Since not all valuation inputs are observable, these nonrecurring fair value determinations are classified as Level 3. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors previously identified. Impaired loans covered under loss-share agreements were recorded at their fair value upon the acquisition date, and no fair value adjustments were necessary for the six months ended June 30, 2015 and 2014, respectively. Impaired loans not covered under loss-share agreements that were measured or re-measured at fair value had a carrying value of \$7,221 and \$13,349 at June 30, 2015 and December 31, 2014, respectively, and a specific reserve for these loans of \$736 and \$989 was included in the allowance for loan losses as of such respective dates.

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

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

	June 30, 2015	December 31, 2014
OREO covered under loss-share agreements:		
Carrying amount prior to remeasurement	\$589	\$3,162
Impairment recognized in results of operations	(50)	(185)
Increase in FDIC loss-share indemnification asset	(198)	(742)
Receivable from other guarantor	—	(422)
Fair value	\$341	\$1,813
OREO not covered under loss-share agreements:		
Carrying amount prior to remeasurement	\$7,403	\$3,513
Impairment recognized in results of operations	(1,342)	(866)
Fair value	\$6,061	\$2,647

The following table presents information as of June 30, 2015 about significant unobservable inputs (Level 3) used in the valuation of assets and liabilities measured at fair value on a nonrecurring basis:

Financial instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs
Impaired loans	\$6,485	Appraised value of collateral less estimated costs to sell	Estimated costs to sell	4-10%
OREO	6,402	Appraised value of property less estimated costs to sell	Estimated costs to sell	4-10%

Fair Value Option

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

Net losses of \$178 and net gains of \$75 resulting from fair value changes of these mortgage loans were recorded in income during the six months ended June 30, 2015 and six months ended June 30, 2014, respectively. The amount does not reflect changes in fair values of related derivative instruments used to hedge exposure to market-related risks associated with these mortgage loans.

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The change in fair value of both mortgage loans held for sale and the related derivative instruments are recorded in “Gains on sales of mortgage loans held for sale” in the Consolidated Statements of Income.

The Company’s valuation of mortgage loans held for sale incorporates an assumption for credit risk; however, given the short-term period that the Company holds these loans, valuation adjustments attributable to instrument-specific credit risk is nominal. Interest income on mortgage loans held for sale measured at fair value is accrued as it is earned based on contractual rates and is reflected in loan interest income on the Consolidated Statements of Income.

The following table summarizes the differences between the fair value and the principal balance for mortgage loans held for sale measured at fair value as of:

June 30, 2015	Aggregate Fair Value	Aggregate Unpaid Principal Balance	Difference
Mortgage loans held for sale measured at fair value	\$108,023	\$107,831	\$192
Past due loans of 90 days or more	—	—	—
Nonaccrual loans	—	—	—

Fair Value of Financial Instruments

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

As of June 30, 2015	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Cash and cash equivalents	\$154,962	\$154,962	\$—	\$—	\$154,962
Securities held to maturity	439,070	—	447,660	—	447,660
Securities available for sale	526,220	—	507,093	19,127	526,220
Mortgage loans held for sale	108,023	—	108,023	—	108,023
Loans covered under loss-share agreements	121,626	—	—	122,120	122,120
Loans not covered under loss-share agreements, net	3,873,690	—	—	3,828,476	3,828,476
FDIC loss-share indemnification asset	6,659	—	—	6,659	6,659
Mortgage servicing rights	12,920	—	—	14,457	14,457
Derivative instruments	6,736	—	6,736	—	6,736
Financial liabilities					
Deposits	\$4,890,444	\$3,339,035	\$1,177,938	\$—	\$4,516,973
Short-term borrowings	64,229	64,229	—	—	64,229
Federal Home Loan Bank advances	59,824	—	63,821	—	63,821
Junior subordinated debentures	94,821	—	80,971	—	80,971
Derivative instruments	5,814	—	5,814	—	5,814

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Notes to Consolidated Financial Statements (Unaudited)

As of December 31, 2014	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Cash and cash equivalents	\$ 161,583	\$ 161,583	\$—	\$—	\$ 161,583
Securities held to maturity	430,163	—	442,488	—	442,488
Securities available for sale	553,584	—	533,828	19,756	553,584
Mortgage loans held for sale	25,628	—	25,628	—	25,628
Loans covered under loss-share agreements	143,041	—	—	143,487	143,487
Loans not covered under loss-share agreements, net	3,844,833	—	—	3,751,727	3,751,727
FDIC loss-share indemnification asset	12,516	—	—	12,516	12,516
Mortgage servicing rights	11,662	—	—	12,378	12,378
Derivative instruments	3,731	—	3,731	—	3,731
Financial liabilities					
Deposits	\$4,838,418	\$ 3,532,266	\$ 1,309,421	\$—	\$4,841,687
Short-term borrowings	32,403	32,403	—	—	32,403
Federal Home Loan Bank advances	61,611	—	92,532	—	92,532
Junior subordinated debentures	94,574	—	80,971	—	80,971
Derivative instruments	6,293	—	6,293	—	6,293

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value. The methodologies for estimating the fair value of financial assets and liabilities that are measured at fair value on a recurring or nonrecurring basis were discussed previously.

Cash and cash equivalents: Cash and cash equivalents consist of cash and due from banks and interest-bearing balances with banks. The carrying amount reported in the Consolidated Balance Sheets for cash and cash equivalents approximates fair value based on the short-term nature of these assets.

Securities held to maturity: Securities held to maturity consist of debt securities such as obligations of U.S.

Government agencies, states, and other political subdivisions. Where quoted market prices in active markets are available, securities are classified within Level 1 of the fair value hierarchy. If quoted prices from active markets are not available, fair values are based on quoted market prices for similar instruments traded in active markets, quoted market prices for identical or similar instruments traded in markets that are not active, or model-based valuation techniques where all significant assumptions are observable in the market. Such instruments are classified within Level 2 of the fair value hierarchy. When assumptions used in model-based valuation techniques are not observable in the market, the assumptions used by management reflect estimates of assumptions used by other market participants in determining fair value. When there is limited transparency around the inputs to the valuation, the instruments are classified within Level 3 of the fair value hierarchy.

Loans covered under loss-share agreements: The fair value of loans covered under loss-share agreements is based on the net present value of future cash proceeds expected to be received using discount rates that are derived from current market rates and reflect the level of interest risk in the covered loans.

Loans not covered under loss-share agreements: For variable-rate loans not covered under loss-share agreements that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values of fixed-rate loans not covered under loss-share agreements, including mortgages and commercial, agricultural and consumer loans, are estimated using a discounted cash flow analysis based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

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

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Mortgage servicing rights: The Company retains the right to service certain mortgage loans that it sells to secondary market investors. 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, market discount rates, prepayment speeds, servicing costs, and other factors. Because these factors are not all observable and include management's assumptions, mortgage servicing rights are classified within Level 3 of the fair value hierarchy. Mortgage servicing rights were carried at amortized cost at June 30, 2015 and December 31, 2014, and no impairment charges were recognized in earnings for the three or six months ended June 30, 2015 and 2014, respectively.

Deposits: The fair values disclosed for demand deposits, both interest-bearing and noninterest-bearing, are, by definition, equal to the amount payable on demand at the reporting date. Such deposits are classified within Level 1 of the fair value hierarchy. The fair values of certificates of deposit and individual retirement accounts are estimated using a discounted cash flow based on currently effective interest rates for similar types of deposits. These deposits are classified within Level 2 of the fair value hierarchy.

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

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

Junior subordinated debentures: The fair value for the Company's junior subordinated debentures is determined by discounting the future cash flows using the current market rate.

Note J – Derivative Instruments

(In Thousands)

The Company utilizes derivative financial instruments, including interest rate contracts such as swaps, caps and/or floors, as part of its ongoing efforts to mitigate its interest rate risk exposure and to facilitate the needs of its customers. The Company also from time to time enters into derivative instruments that are not designated as hedging instruments to help its commercial customers manage their exposure to interest rate fluctuations. To mitigate the interest rate risk associated with these customer contracts, the Company enters into an offsetting derivative contract position. The Company manages its credit risk, or potential risk of default by its commercial customers, through credit limit approval and monitoring procedures. At June 30, 2015, the Company had notional amounts of \$71,331 on interest rate contracts with corporate customers and \$71,331 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 of interest, 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. The Company receives a variable rate of interest based on the three-month LIBOR plus a pre-determined spread and pays a fixed rate of interest. The agreements, which both terminate in March 2022, are accounted for as cash flow hedges to reduce the variability in cash flows resulting from changes in interest rates on \$32,000 of the Company's junior subordinated debentures.

In connection with its merger with First M&F, the Company assumed an interest rate swap designed to convert floating rate interest payments into fixed rate payments. Based on the terms of the agreement, which terminates in

March 2018, the Company receives a variable rate of interest based on the three-month LIBOR plus a pre-determined spread and pays a fixed rate of interest. The interest rate swap is accounted for as a cash flow hedge to reduce the variability in cash flows resulting from changes in interest rates on \$30,000 of the junior subordinated debentures assumed in the merger with First M&F.

The Company enters into interest rate lock commitments with its customers to mitigate the interest rate risk associated with the commitments to fund fixed-rate residential mortgage loans. The notional amount of commitments to fund fixed-rate mortgage loans was \$192,213 and \$62,288 at June 30, 2015 and December 31, 2014, respectively. The Company also enters into forward commitments to sell residential mortgage loans to secondary market investors. The notional amount of commitments to sell

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Notes to Consolidated Financial Statements (Unaudited)

residential mortgage loans to secondary market investors was \$186,000 and \$52,000 at June 30, 2015 and December 31, 2014, respectively.

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

	Balance Sheet Location	Fair Value June 30, 2015	December 31, 2014
Derivative assets:			
Not designated as hedging instruments:			
Interest rate contracts	Other Assets	\$2,002	\$2,142
Interest rate lock commitments	Other Assets	3,191	1,584
Forward commitments	Other Assets	1,543	5
Totals		\$6,736	\$3,731
Derivative liabilities:			
Designated as hedging instruments:			
Interest rate swap	Other Liabilities	\$3,532	\$3,847
Totals		\$3,532	\$3,847
Not designated as hedging instruments:			
Interest rate contracts	Other Liabilities	\$2,002	\$2,143
Interest rate lock commitments	Other Liabilities	150	—
Forward commitments	Other Liabilities	130	303
Totals		\$2,282	\$2,446

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,		Six Months Ended June 30,	
	2015	2014	2015	2014
Derivatives not designated as hedging instruments:				
Interest rate contracts:				
Included in interest income on loans	\$544	\$767	\$1,101	\$1,546
Interest rate lock commitments:				
Included in gains on sales of mortgage loans held for sale	(1,248	) 927	1,457	1,493
Forward commitments				
Included in gains on sales of mortgage loans held for sale	2,286	(634	) 1,711	(445
Total	\$1,582	\$1,060	\$4,269	\$2,594

For the Company's derivatives designated as cash flow hedges, changes in fair value of the cash flow hedges are, to the extent that the hedging relationship is effective, recorded as other comprehensive income and are subsequently recognized in earnings at the same time that the hedged item is recognized in earnings. The ineffective portions of the changes in fair value of the hedging instruments are immediately recognized in earnings. The assessment of the effectiveness of the hedging relationship is evaluated under the hypothetical derivative method. There were no ineffective portions for the three and six months ended June 30, 2015 and 2014. The impact on other comprehensive income for the three and six months ended June 30, 2015 and 2014, can be seen at Note K, "Other Comprehensive Income."

Offsetting

Certain financial instruments, including derivatives, may be eligible for offset in the consolidated balance sheet when the "right of setoff" exists or when the instruments are subject to an enforceable master netting agreement, which includes the right of the

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Gross amounts recognized	\$1,543	\$5	\$4,548	\$5,182
Gross amounts offset in the consolidated balance sheets	—	—	—	—
Net amounts presented in the consolidated balance sheets	1,543	5	4,548	5,182
Gross amounts not offset in the consolidated balance sheets				
Financial instruments	130	5	130	5
Financial collateral pledged	—	—	4,418	4,879
Net amounts	\$1,413	\$—	\$—	\$298

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note K – Other Comprehensive Income

(In Thousands)

Changes in the components of other comprehensive income were as follows for the periods presented:

	Pre-Tax	Tax Expense (Benefit)	Net of Tax
Three months ended June 30, 2015			
Securities available for sale:			
Unrealized holding losses on securities	\$(6,212	) \$(2,376	) \$(3,836
Reclassification adjustment for gains realized in net income	(96	) (36	) (60
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(46	) (18	) (28
Total securities available for sale	(6,354	) (2,430	) (3,924
Derivative instruments:			
Unrealized holding gains on derivative instruments	1,399	536	863
Total derivative instruments	1,399	536	863
Defined benefit pension and post-retirement benefit plans:			
Amortization of net actuarial loss recognized in net periodic pension cost	109	41	68
Total defined benefit pension and post-retirement benefit plans	109	41	68
Total other comprehensive loss	\$(4,846	) \$(1,853	) \$(2,993
Three months ended June 30, 2014			
Securities available for sale:			
Unrealized holding gains on securities	\$1,953	\$747	\$1,206
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(64	) (25	) (39
Total securities available for sale	1,889	722	1,167
Derivative instruments:			
Unrealized holding losses on derivative instruments	(641	) (245	) (396
Total derivative instruments	(641	) (245	) (396
Defined benefit pension and post-retirement benefit plans:			
Amortization of net actuarial loss recognized in net periodic pension cost	73	28	45
Total defined benefit pension and post-retirement benefit plans	73	28	45
Total other comprehensive income	\$1,321	\$505	\$816

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

	Pre-Tax	Tax Expense (Benefit)	Net of Tax
Six months ended June 30, 2015			
Securities available for sale:			
Unrealized holding losses on securities	\$(1,963	) \$(751	) \$(1,212)
Reclassification adjustment for gains realized in net income	(96	) (36	) (60)
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(97	) (37	) (60)
Total securities available for sale	(2,156	) (824	) (1,332)
Derivative instruments:			
Unrealized holding gains on derivative instruments	315	121	194
Total derivative instruments	315	121	194
Defined benefit pension and post-retirement benefit plans:			
Amortization of net actuarial loss recognized in net periodic pension cost	202	77	125
Total defined benefit pension and post-retirement benefit plans	202	77	125
Total other comprehensive loss	\$(1,639	) \$(626	) \$(1,013)
Six months ended June 30, 2014			
Securities available for sale:			
Unrealized holding gains on securities	\$6,462	\$2,472	\$3,990
Reclassification adjustment for gains realized in net income	—	—	—
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(135	) (52	) (83)
Total securities available for sale	6,327	2,420	3,907
Derivative instruments:			
Unrealized holding losses on derivative instruments	(1,320	) (505	) (815)
Total derivative instruments	(1,320	) (505	) (815)
Defined benefit pension and post-retirement benefit plans:			
Amortization of net actuarial loss recognized in net periodic pension cost	146	56	90
Total defined benefit pension and post-retirement benefit plans	146	56	90
Total other comprehensive income	\$5,153	\$1,971	\$3,182

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

	June 30, 2015	December 31, 2014
Unrealized gains on securities	\$15,783	\$17,759
Non-credit related portion of other-than-temporary impairment on securities	(16,830	) (17,474)
Unrealized losses on derivative instruments	(1,439	) (1,633)
Unrecognized defined benefit pension and post-retirement benefit plans obligations	(6,125	) (6,250)
Total accumulated other comprehensive loss	\$(8,611) \$(7,598)

Note L – Net Income Per Common Share
(In Thousands, Except Share Data)

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

	Three Months Ended June 30,	
	2015	2014
Basic		
Net income applicable to common stock	\$ 15,394	\$ 14,853
Average common shares outstanding	31,626,059	31,496,737
Net income per common share - basic	\$0.49	\$0.47
Diluted		
Net income applicable to common stock	\$ 15,394	\$ 14,853
Average common shares outstanding	31,626,059	31,496,737
Effect of dilutive stock-based compensation	239,113	201,461
Average common shares outstanding - diluted	31,865,172	31,698,198
Net income per common share - diluted	\$0.48	\$0.47

	Six Months Ended June 30,	
	2015	2014
Basic		
Net income applicable to common stock	\$ 30,634	\$ 28,450
Average common shares outstanding	31,601,304	31,466,610
Net income per common share - basic	\$0.97	\$0.90
Diluted		
Net income applicable to common stock	\$ 30,634	\$ 28,450
Average common shares outstanding	31,601,304	31,466,610
Effect of dilutive stock-based compensation	232,953	215,886
Average common shares outstanding - diluted	31,834,257	31,682,496
Net income per common share - diluted	\$0.96	\$0.90

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

	Three Months Ended June 30,	
	2015	2014
Number of shares	108,138	109,068
Range of exercise prices	\$30.63	\$29.57 - \$30.63

Six Months Ended

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	June 30,	
	2015	2014
Number of shares	111,672	109,068
Range of exercise prices	\$29.57 - \$30.63	\$29.57 - \$30.63

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Note M – Mergers and Acquisitions

Definitive merger agreement with Heritage Financial Group, Inc.

Effective July 1, 2015, the Company completed its previously-announced merger (the “Merger”) with Heritage Financial Group, Inc. (“Heritage”), pursuant to the Agreement and Plan of Merger by and among Renasant, Renasant Bank, Heritage and HeritageBank of the South dated as of December 10, 2014 (referred to as the “Merger Agreement”), in a transaction valued at approximately \$287,471. The Company issued 8,636,677 shares of common stock and paid \$5,915 to Heritage stock option holders for 100% of the voting equity interest in Heritage. At closing, Heritage merged with and into the Company, with the Company surviving the Merger.

Pursuant to the Merger Agreement, holders of Heritage common stock had the right to receive 0.9266 of a share of Company common stock for each share of Heritage common stock held immediately prior to the effective time of the Merger, plus cash in lieu of fractional shares. All unvested shares of Heritage restricted stock and all unvested options to purchase Heritage common stock vested upon the closing of the Merger. Each share of vested Heritage restricted stock converted into the right to receive 0.9266 of a share of Company common stock merger consideration, reduced by applicable tax withholding, while in-the-money Heritage stock options converted into the right to receive a cash payment equal to (1) the total number of shares subject to such Heritage stock option multiplied by (2) the difference between \$27.00 and the exercise price of the Heritage stock option, less applicable tax withholding. Out-of-the-money Heritage stock options were cancelled. The Company's outstanding common stock was unaffected by the Merger.

Prior to any determination of purchase accounting adjustments, the transaction will add to the Company approximately \$1,870 in assets, \$1,138 in loans and \$1,372 in deposits, and 48 banking, mortgage and investment offices in Alabama, Georgia and Florida.

The Company is finalizing the fair value of certain assets and liabilities assumed as part of the acquisition.

Acquisition of First M&F Corporation

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

The Company recorded approximately \$115,159 in intangible assets which consist of goodwill of \$90,127 and core deposit intangible of \$25,032. The fair value of the core deposit intangible is being amortized on an accelerated basis over the estimated useful life, currently expected to be approximately 10 years. The intangible assets are not deductible for income tax purposes.

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

The following table summarizes the allocation of purchase price to assets and liabilities acquired in connection with the Company's acquisition of First M&F based on their fair values on September 1, 2013. The change in the balance of goodwill from previously reported amounts is due to information obtained by the Company during the measurement period about facts and circumstances that existed at the acquisition date.

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Allocation of Purchase Price for First M&F Corporation.

Purchase Price:

Shares issued to common shareholders	6,175,576	
Purchase price per share	\$25.17	
Value of stock paid		\$155,439
Cash paid for fractional shares		17
Fair value of stock based compensation assumed		68
Deal charges		1,321
Total Purchase Price		\$156,845

Net Assets Acquired:

Stockholders' equity at 9/1/13	\$79,440	
Increase (decrease) to net assets as a result of fair value adjustments to assets acquired and liabilities assumed:		
Securities	253	
Loans, net of First M&F's allowance for loan losses ⁽¹⁾	(45,761)
Fixed assets	(3,254)
Core deposits intangible, net of First M&F's existing core deposit intangible	21,158	
Other real estate owned ⁽¹⁾	(5,797)
Other assets	(443)
Deposits	(3,207)
Junior Subordinated Debt	12,371	
Other liabilities	1,748	
Deferred income taxes	10,210	
Total Net Assets Acquired		66,718
Goodwill resulting from merger ⁽²⁾		\$90,127

(1) The fair value adjustments to acquired loans and other real estate owned reflect management's expectations to more aggressively market and liquidate problem assets quickly.

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

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

Cash and cash equivalents	\$169,995
Securities	227,693
Mortgage loans held for sale	1,659
Loans, net of unearned income	899,236
Premises and equipment	32,075
Other real estate owned	13,527
Intangible assets	115,159
Other assets	57,259
Total assets	1,516,603
Deposits	1,325,872
Borrowings	25,346
Other liabilities	9,861

Acquisition of RBC Bank (USA) Trust Division

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

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wholly-owned subsidiary, and the Bank acquired all of the ownership interests in the subsidiary, which was subsequently merged into the Bank.

FDIC-Assisted Acquisition

On February 4, 2011, the Bank entered into a purchase and assumption agreement with loss-share agreements with the FDIC to acquire specified assets and assume specified liabilities of American Trust Bank, a Georgia-chartered bank headquartered in Roswell, Georgia (“American Trust”). American Trust operated 3 branches in the northwest region of Georgia. In connection with the acquisition, the Bank entered into loss-share agreements with the FDIC that covered \$73,657 of American Trust loans (the “covered ATB loans”). The Bank will share in the losses on the asset pools (including single family residential mortgage loans and commercial loans) covered under the loss-share agreements. Pursuant to the terms of the loss-share agreements, the FDIC is obligated to reimburse the Bank for 80% of all eligible losses with respect to covered ATB loans, beginning with the first dollar of loss incurred. The Bank has a corresponding obligation to reimburse the FDIC for 80% of eligible recoveries with respect to covered ATB loans. The claim periods to submit losses to the FDIC for reimbursement ends February 5, 2016 for nonsingle family ATB loans and February 28, 2021 for single family, ATB loans.

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

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note N – Regulatory Matters

(In Thousands)

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

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

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

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

	2015		2014		
	Amount	Ratio	Amount	Ratio	
Renasant Corporation					
Tier 1 Capital to Average Assets (Leverage)	\$550,106	9.89	% \$495,168	8.91	%
Common Equity Tier 1 Capital to Risk-Weighted Assets	459,108	10.45	% —	—	%
Tier 1 Capital to Risk-Weighted Assets	550,106	12.52	% 495,168	11.82	%
Total Capital to Risk-Weighted Assets	595,089	13.55	% 543,103	12.96	%
Renasant Bank					
Tier 1 Capital to Average Assets (Leverage)	\$534,552	9.63	% \$467,944	8.64	%
Common Equity Tier 1 Capital to Risk-Weighted Assets	534,552	12.20	% —	—	%
Tier 1 Capital to Risk-Weighted Assets	534,552	12.20	% 467,944	11.46	%
Total Capital to Risk-Weighted Assets	578,960	13.21	% 515,993	12.59	%

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

Dodd-Frank Act (the “Basel III Rules”) that call for broad and comprehensive revision of regulatory capital standards for U.S. banking organizations. The Basel III Rules implemented a new common equity Tier 1 minimum capital requirement (“CET1”), a higher minimum Tier 1 capital requirement and other items affecting the calculation of the numerator of a banking organization’s risk-based capital ratios. Additionally, the Basel III Rules apply limits to a banking organization’s capital distributions and certain discretionary bonus payments if the banking organization does not hold a specified amount of CET1 capital in addition to the amount necessary to meet its minimum risk-based capital requirements.

The new CET1 capital ratio includes common equity as defined under GAAP and does not include any other type of non-common equity under GAAP. When the Basel III Rules are fully phased in in 2019, banks will be required to have CET1 capital of 4.5%

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

of average assets, Tier 1 capital of 6% of average assets, as compared to the current 4%, and total capital of 8% of risk-weighted assets to be categorized as adequately capitalized.

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

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

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

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

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

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

Generally, the new Basel III Rules became effective on January 1, 2015, although parts of the Basel III Rules will be phased in through 2019.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

The Company has investments in qualified affordable housing projects (“QAHPs”) that provide low income housing tax credits and operating loss benefits over an extended period. At June 30, 2015 and December 31, 2014, the Company’s carrying value of QAHPs was \$8,345 and \$8,993, respectively. The Company has no remaining funding obligations related to the QAHPs. The investment in QAHPs is being accounted for using the cost method. The investment in QAHP is included in “Other assets” on the Consolidated Balance Sheets.

Components of the Company’s investments in qualified affordable housing projects were included in the line item “Income taxes” in the Consolidated Statements of Income for the periods presented:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Tax credit amortization	\$324	\$289	\$648	\$577
Tax credits and other benefits	(471	) (467	) (941	) (897
Total	\$(147	) \$(178	) \$(293	) \$(320

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(In Thousands, Except Share Data)

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

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

assumptions, the occurrence of unanticipated events or changes to future operating results over time.

Financial Condition

The following discussion provides details regarding the changes in significant balance sheet accounts at June 30, 2015 compared to December 31, 2014.

Acquisition of Heritage Financial Group, Inc.

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On July 1, 2015, the Company completed its acquisition of Heritage Financial Group, Inc. (“Heritage”), a bank holding company headquartered in Albany, Georgia, and the parent of HeritageBank of the South. On the same date, HeritageBank of the South was merged into Renasant Bank. See Note M, “Mergers and Acquisitions,” in the Notes to Consolidated Financial Statements included in Item 1, “Financial Statements,” for details regarding the Company’s merger with Heritage.

Assets

Total assets were \$5,899,190 at June 30, 2015 compared to \$5,805,129 at December 31, 2014.

Investments

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

	June 30, 2015	Percentage of Portfolio	December 31, 2014	Percentage of Portfolio	
Obligations of other U.S. Government agencies and corporations	\$ 131,799	13.65	% \$ 131,228	13.34	%
Obligations of states and political subdivisions	313,474	32.47	305,082	31.01	
Mortgage-backed securities	480,280	49.76	506,152	51.45	
Trust preferred securities	19,127	1.98	19,756	2.01	
Other debt securities	16,781	1.74	17,930	1.82	
Other equity securities	3,829	0.40	3,599	0.37	
	\$965,290	100.00	% \$983,747	100.00	%

The balance of our securities portfolio at June 30, 2015 decreased \$18,457 to \$965,290 from \$983,747 at December 31, 2014. During the six months ended June 30, 2015, we purchased \$148,832 in investment securities. Mortgage-backed securities and collateralized mortgage obligations (“CMOs”), in the aggregate, comprised 19.53% of the purchases. CMOs are included in the “Mortgage-backed securities” line item in the above table. The mortgage-backed securities and CMOs held in our investment portfolio are primarily issued by government sponsored entities. U.S. Government Agency securities and municipal securities accounted for 67.19% and 13.28%, respectively, of total securities purchased in the second quarter of 2015. Proceeds from maturities, calls and principal payments on securities during the first six months of 2015 totaled \$161,278.

Over the past several quarters, pricing on the Company's pooled trust preferred securities has improved such that the amortized cost on one of its securities (XIII) had been fully recovered as of March 31, 2015. As such, during the second quarter of 2015, the Company sold one of its pooled trust preferred securities (XIII) with a carrying value of \$1,117 at the time of sale for net proceeds of \$1,213 resulting in a gain of \$96.

The Company holds investments in pooled trust preferred securities. This portfolio had a cost basis of \$24,844 and \$26,400 and a fair value of \$19,127 and \$19,756 at June 30, 2015 and December 31, 2014, respectively. At June 30, 2015, the investment in pooled trust preferred securities consists of three securities representing interests in various tranches of trusts collateralized by debt issued by over 260 financial institutions. Management’s determination of the fair value of each of its holdings is based on the current credit ratings, the known deferrals and defaults by the underlying issuing financial institutions and the degree to which future deferrals and defaults would be required to occur before the cash flow for our tranches is negatively impacted. The Company’s quarterly evaluation of these investments for other-than-temporary-impairment resulted in no additional write-downs during the three or six months ended June 30, 2015 or 2014. Furthermore, the Company's analysis of the pooled trust preferred securities during the second quarter of 2015 supported a return to accrual status for one of the three securities (XXVI). During the second quarter of 2014, the Company's analysis supported a return to accrual status for one of the other securities (XXIII). An observed history of principal and interest payments combined with improved qualitative and quantitative factors described above justified the accrual of interest on these securities. However, the remaining security (XXIV) is still in

"payment in kind" status where interest payments are not expected until a future date and therefore, the qualitative and quantitative factors described above do not justify a return to accrual status at this time. As a result, pooled trust preferred security XXIV remains classified as nonaccruing asset at June 30, 2015, and investment interest is recorded on the cash-basis method until qualifying for return to accrual status. For more information about the Company's trust preferred securities, see Note B, "Securities," in the Notes to Consolidated Financial Statements of the Company in Item 1, "Financial Statements," in this report.

Loans

The table below sets forth the balance of loans, net of unearned income, outstanding by loan type and the percentage of each loan type to total loans as of the dates presented:

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	June 30, 2015	Percentage of Total Loans	December 31, 2014	Percentage of Total Loans
Commercial, financial, agricultural	\$480,559	11.90	\$483,283	12.12
Lease financing	17,633	0.44	10,114	0.26
Real estate – construction	212,576	5.27	212,061	5.32
Real estate – 1-4 family mortgage	1,275,914	31.60	1,236,360	31.00
Real estate – commercial mortgage	1,962,989	48.62	1,956,914	49.07
Installment loans to individuals	87,533	2.17	89,142	2.23
Total loans, net of unearned income	\$4,037,204	100.00	\$3,987,874	100.00

Loan concentrations are considered to exist when there are amounts loaned to a number of borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. At June 30, 2015, there were no concentrations of loans exceeding 10% of total loans which are not disclosed as a category of loans separate from the categories listed above.

Total loans at June 30, 2015 were \$4,037,204, a increase of \$49,330 from \$3,987,874 at December 31, 2014. Loans covered under loss-share agreements with the FDIC (referred to as “covered loans”) were \$121,626 at June 30, 2015, a decrease of \$21,415, or 14.97%, compared to \$143,041 at December 31, 2014. For covered loans, the FDIC will reimburse Renasant Bank 80% of the losses incurred on these loans. Renasant Bank has a corresponding obligation to reimburse the FDIC for 80% of eligible recoveries with respect to these loans. Management intends to continue the Company’s aggressive efforts to bring those covered loans that are commercial in nature to resolution and thus the balance of covered loans is expected to continue to decline. The loss-share agreements applicable to this portfolio provide reimbursement for qualifying losses on single-family residential loans for ten years, which ends on July 31, 2020 for loans acquired from Crescent Bank & Trust Company (“Crescent”) and February 28, 2021 for loans acquired from American Trust Bank (“American Trust”), and on commercial loans for five years, which ended July 25, 2015 for Crescent loans and ends February 5, 2016 for American Trust loans.

Loans not covered under loss-share agreements with the FDIC at June 30, 2015 were \$3,915,578, compared to \$3,844,833 at December 31, 2014. Loans acquired in connection with the Company's acquisition of First M&F Corporation (“First M&F”) totaled \$507,653 at June 30, 2015 compared to \$577,347 at December 31, 2014.

Excluding the loans acquired from First M&F or in FDIC-assisted transactions (collectively referred to as “acquired loans”), loans increased \$140,439 during the six months ended June 30, 2015. The Company experienced loan growth across all categories of loans with loans from our de novo locations in Columbus and Starkville, Mississippi, Tuscaloosa and Montgomery, Alabama and Maryville, Bristol, Jonesborough and Johnson City, Tennessee contributing \$23,110 of the total increase in loans from December 31, 2014 and loans from our new commercial business lines, which consist of asset-based lending and equipment leasing groups, contributing \$20,847 of the total increase in loans from December 31, 2014.

Looking at the change in loans geographically, non-acquired loans in our Mississippi markets increased by \$88,386 while non-acquired loans in our Alabama, Tennessee, and Georgia markets increased by \$11,088, \$19,428, and \$21,537, respectively, when compared to December 31, 2014.

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

	June 30, 2015			
	Not Acquired	Acquired and Covered Under Loss Share	Acquired and Non-covered	Total Loans
Commercial, financial, agricultural	\$437,181	\$3,726	\$39,652	\$480,559
Lease financing	17,633	—	—	17,633
Real estate – construction:				
Residential	98,130	—	399	98,529
Commercial	113,941	—	106	114,047
Condominiums	—	—	—	—
Total real estate – construction	212,071	—	505	212,576
Real estate – 1-4 family mortgage:				
Primary	593,755	14,588	110,515	718,858
Home equity	277,687	6,852	28,562	313,101
Rental/investment	163,426	14,685	20,500	198,611
Land development	38,948	4,208	2,188	45,344
Total real estate – 1-4 family mortgage	1,073,816	40,333	161,765	1,275,914
Real estate – commercial mortgage:				
Owner-occupied	661,890	38,323	157,235	857,448
Non-owner occupied	813,054	29,332	122,033	964,419
Land development	115,025	9,881	16,216	141,122
Total real estate – commercial mortgage	1,589,969	77,536	295,484	1,962,989
Installment loans to individuals	77,255	31	10,247	87,533
Total loans, net of unearned income	\$3,407,925	\$121,626	\$507,653	\$4,037,204
	December 31, 2014			
	Not Acquired	Acquired and Covered Under Loss Share	Acquired and Non-covered	Total Loans
Commercial, financial, agricultural	\$418,501	\$6,684	\$58,098	\$483,283
Lease financing	10,114	—	—	10,114
Real estate – construction:				
Residential	92,183	—	1,090	93,273
Commercial	116,129	—	134	116,263
Condominiums	2,525	—	—	2,525
Total real estate – construction	210,837	—	1,224	212,061
Real estate – 1-4 family mortgage:				
Primary	563,750	15,827	122,158	701,735
Home equity	256,321	8,875	30,840	296,036
Rental/investment	153,230	15,618	22,031	190,879
Land development	41,111	3,697	2,902	47,710
Total real estate – 1-4 family mortgage	1,014,412	44,017	177,931	1,236,360
Real estate – commercial mortgage:				
Owner-occupied	649,402	47,658	168,301	865,361
Non-owner occupied	775,364	29,737	139,327	944,428
Land development	114,184	14,909	18,032	147,125
Total real estate – commercial mortgage	1,538,950	92,304	325,660	1,956,914

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Installment loans to individuals	74,672	36	14,434	89,142
Total loans, net of unearned income	\$3,267,486	\$143,041	\$577,347	\$3,987,874

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Mortgage loans held for sale were \$108,023 at June 30, 2015 compared to \$25,628 at December 31, 2014. The increase in mortgage loans held for sale is attributable to increased production coupled with the Company's election to carry these loans on the balance sheet for a longer period of time to collect additional interest payments while the market for the sale of these loans did not decline such that our gains from the eventual sales of these loans would be negatively impacted.

Originations of mortgage loans to be sold totaled \$407,893 in the six months ended June 30, 2015 compared to \$254,578 for the same period in 2014. Beginning in the second quarter of 2013 and continuing through the third quarter of 2014, mortgage rates increased from the historically low levels seen through early 2013, resulting in a slowdown in originations during this timeframe. Mortgage rates declined in the fourth quarter of 2014 and remained low during the first half of 2015 prompting mortgage originations to increase. New hires in our mortgage division in the last six months of 2014 and first half of 2015 also contributed to the increase in originations.

Mortgage loans to be sold are sold either on a “best efforts” basis or under a mandatory delivery sales agreement. Under a “best efforts” sales agreement, residential real estate originations are locked in at a contractual rate with third party private investors or directly with government sponsored agencies, and the Company is obligated to sell the mortgages to such investors only if the mortgages are closed and funded. The risk we assume is conditioned upon loan underwriting and market conditions in the national mortgage market. Under a mandatory delivery sales agreement, the Company commits to deliver a certain principal amount of mortgage loans to an investor at a specified price and delivery date. Penalties are paid to the investor if we fail to satisfy the contract. Gains and losses are realized at the time consideration is received and all other criteria for sales treatment have been met. These loans are typically sold within thirty days after the loan is funded; however, in recent quarters, the Company has elected to hold these loans longer than thirty days to collect additional interest payments. Although loan fees and some interest income are derived from mortgage loans held for sale, the main source of income is gains from the sale of these loans in the secondary market.

Deposits

The Company relies on deposits as its major source of funds. Total deposits were \$4,890,444 and \$4,838,418 at June 30, 2015 and December 31, 2014, respectively. Noninterest-bearing deposits were \$972,672 and \$919,872 at June 30, 2015 and December 31, 2014, respectively, while interest-bearing deposits were \$3,917,772 and \$3,918,546 at June 30, 2015 and December 31, 2014, respectively. The increase in noninterest-bearing deposits at June 30, 2015 as compared to December 31, 2014 is primarily attributable to management's focus on growing and maintaining a stable source of funding, specifically core deposits, and allowing more costly deposits, including certain time deposits, to mature. The source of funds that we select depends on the terms and how those terms assist us in mitigating interest rate risk, maintaining our liquidity position and managing our net interest margin. Accordingly, funds are only acquired when needed and at a rate that is prudent under the circumstances.

Public fund deposits are those of counties, municipalities or other political subdivisions and may be readily obtained based on the Company's pricing bid in comparison with competitors. Since public fund deposits are obtained through a bid process, these deposit balances may fluctuate as competitive and market forces change. The Company has focused on growing stable sources of deposits which has resulted in the Company relying less on public fund deposits. However, the Company continues to participate in the bidding process for public fund deposits when it is reasonable under the circumstances. Our public fund transaction accounts are principally obtained from municipalities including school boards and utilities. Public fund deposits were \$723,074 and \$654,423 at June 30, 2015 and December 31, 2014, respectively.

Looking at the change in deposits geographically, deposits in our Tennessee, Alabama and Georgia markets decreased \$199, \$33,262 and \$37,614, respectively, from December 31, 2014, while deposits in our Mississippi markets

increased \$123,101 from December 31, 2014. However, as noted above, the Company has been allowing higher cost time deposits to mature and is also relying less on public fund deposits. Deposits, excluding time deposits and public fund deposits, grew in each state throughout the Company's footprint, with the exception of Georgia, from December 31, 2014 with increases of \$38,190 in Mississippi, \$18,509 in Alabama and \$960 in Tennessee. Deposits in Georgia, excluding time deposits and public fund deposits, decreased \$17,149 from December 31, 2014.

Deposits from our de novo locations in Columbus and Starkville, Mississippi, Tuscaloosa and Montgomery, Alabama and Maryville and Jonesborough, Tennessee totaled \$380,818 at June 30, 2015 representing a decrease of \$4,297 from December 31, 2014. The decrease is attributable to a large public fund deposit at December 31, 2014 that experienced seasonal runoff during the first half of 2015.

Borrowed Funds

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Total borrowings include securities sold under agreements to repurchase, federal funds purchased, advances from the FHLB and junior subordinated debentures and are classified on the Consolidated Balance Sheets as either short-term borrowings or long-term debt. Short-term borrowings have original maturities less than one year and typically include securities sold under agreements to repurchase, federal funds purchased and FHLB advances. There was \$64,229 of short-term borrowings, consisting of security repurchase agreements of \$7,351 and federal funds purchased of \$56,878, at June 30, 2015 compared to security repurchase agreements of \$6,103 and federal funds purchased of \$26,300 at December 31, 2014.

At June 30, 2015, long-term debt totaled \$154,860 compared to \$156,422 at December 31, 2014. Funds are borrowed from the FHLB primarily to match-fund against certain loans, negating interest rate exposure when rates rise. Such match-funded loans are typically large, fixed rate commercial or real estate loans with long-term maturities. FHLB advances were \$59,824 and \$61,611 at June 30, 2015 and December 31, 2014, respectively. At June 30, 2015, \$5,898 of the total FHLB advances outstanding were scheduled to mature within twelve months or less. The Company had \$1,583,549 of availability on unused lines of credit with the FHLB at June 30, 2015 compared to \$1,592,550 at December 31, 2014. The cost of our FHLB advances was 4.16% and 4.17% for the first six months of 2015 and 2014, respectively.

The Company owns the outstanding common securities of business trusts that issued corporation-obligated mandatorily redeemable preferred capital securities to third-party investors. The trusts used the proceeds from the issuance of their preferred capital securities and common securities (collectively referred to as "capital securities") to buy floating rate junior subordinated debentures issued by the Company (or by companies that the Company subsequently acquired.) The debentures are the trusts' only assets and interest payments from the debentures finance the distributions paid on the capital securities. The Company's junior subordinated debentures totaled \$94,821 at June 30, 2015 compared to \$94,574 at December 31, 2014.

Results of Operations

Three Months Ended June 30, 2015 as Compared to the Three Months Ended June 30, 2014

Net Income

Net income for the three month period ended June 30, 2015 was \$15,394 compared to net income of \$14,853 for the three month period ended June 30, 2014. Basic and diluted earnings per share for the three month period ended June 30, 2015 were \$0.49 and \$0.48, respectively, compared to basic and diluted earnings per share of \$0.47 for the three month period ended June 30, 2014. The increase in net income and earnings per share in the second quarter of 2015 as compared to the second quarter of 2014 was due primarily to continued improvement in our cost of funds and growth in noninterest income. When compared to the three months ended June 30, 2014, the Company's net income grew \$541 despite the recognition of merger-related expenses of \$1,467 in connection with the acquisition of Heritage Financial Group, Inc. ("Heritage").

Net Interest Income

Net interest income, the difference between interest earned on assets and the cost of interest-bearing liabilities, is the largest component of our net income, comprising 69.98% of total net revenue for the second quarter of 2015. Total net revenue consists of net interest income on a fully taxable equivalent basis and noninterest income. The primary concerns in managing net interest income are the volume, mix and repricing of assets and liabilities.

Net interest income decreased to \$51,670 for the second quarter of 2015 compared to \$52,169 for the same period in 2014. On a tax equivalent basis, net interest income was \$53,417 for the second quarter of 2015 as compared to \$53,893 for the second quarter of 2014. Net interest margin, the tax equivalent net yield on earning assets, decreased to 4.17% during the second quarter of 2015 compared to 4.24% for the second quarter of 2014. The accelerated

accretion on the acquired M&F portfolio of \$3,602 increased our loan yield by 36 basis points and increased the net interest margin by 28 basis points for the three months ended June 30, 2015. Accelerated accretion on the M&F loan portfolio of \$3,520 increased our loan yield by 36 basis points and increased the net interest margin by 28 basis points for the three months ended June 30, 2014. Net interest margin and net interest income are influenced by internal and external factors. Internal factors include balance sheet changes on both volume and mix and pricing decisions. External factors include changes in market interest rates, competition and the shape of the interest rate yield curve.

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

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	Three Months Ended June 30, 2015			2014				
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate		
Assets								
Interest-earning assets:								
Loans ⁽¹⁾	\$4,065,949	\$50,760	5.01	% \$3,923,031	\$51,561	5.27	%	
Securities:								
Taxable ⁽²⁾	690,776	3,758	2.18	721,841	4,340	2.41		
Tax-exempt	309,186	3,955	5.13	305,107	4,037	5.31		
Interest-bearing balances with banks	67,656	43	0.25	150,854	63	0.17		
Total interest-earning assets	5,133,567	58,516	4.57	5,100,833	60,001	4.72		
Cash and due from banks	82,162			88,131				
Intangible assets	295,441			302,181				
FDIC loss-share indemnification asset	8,011			23,742				
Other assets	328,358			321,720				
Total assets	\$5,847,539			\$5,836,607				
Liabilities and shareholders' equity								
Interest-bearing liabilities:								
Deposits:								
Interest-bearing demand ⁽³⁾	\$2,310,352	\$1,018	0.18	% \$2,228,295	\$1,111	0.20	%	
Savings deposits	373,253	72	0.08	348,156	75	0.09		
Time deposits	1,202,594	2,080	0.69	1,444,302	2,950	0.82		
Total interest-bearing deposits	3,886,199	3,170	0.33	4,020,753	4,136	0.41		
Borrowed funds	204,884	1,929	3.78	169,373	1,972	4.67		
Total interest-bearing liabilities	4,091,083	5,099	0.50	4,190,126	6,108	0.58		
Noninterest-bearing deposits	969,770			905,180				
Other liabilities	53,528			54,507				
Shareholders' equity	733,158			686,794				
Total liabilities and shareholders' equity	\$5,847,539			\$5,836,607				
Net interest income/net interest margin		\$53,417	4.17	%	\$53,893	4.24	%	

(1) Includes mortgage loans held for sale and shown net of unearned income.

(2) U.S. Government and some U.S. Government agency securities are tax-exempt in the states in which we operate.

(3) Interest-bearing demand deposits include interest-bearing transactional accounts and money market deposits.

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

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The following table sets forth a summary of the changes in interest earned, on a tax equivalent basis, and interest paid resulting from changes in volume and rates for the Company for the second quarter of 2015 compared to the second quarter of 2014:

	Volume	Rate	Net ⁽¹⁾	
Interest income:				
Loans ⁽²⁾	\$2,177	\$(2,978	) \$(801)
Securities:				
Taxable	(182	) (400	) (582)
Tax-exempt	65	(147	) (82)
Interest-bearing balances with banks	(212	) 192	(20)
Total interest-earning assets	1,848	(3,333	) (1,485)
Interest expense:				
Interest-bearing demand deposits	43	(136	) (93)
Savings deposits	3	(6	) (3)
Time deposits	(453	) (417	) (870)
Borrowed funds	(491	) 448	(43)
Total interest-bearing liabilities	(898	) (111	) (1,009)
Change in net interest income	\$2,746	\$(3,222	) \$(476)

(1) Changes in interest due to both volume and rate have been allocated on a pro-rata basis using the absolute ratio value of amounts calculated.

(2) Includes mortgage loans held for sale and shown net of unearned income.

Interest income, on a tax equivalent basis, was \$58,516 for the second quarter of 2015 compared to \$60,001 for the same period in 2014. This decrease in interest income, on a tax equivalent basis, is due primarily to the decrease in loan yields which is a result of replacing higher rate maturing loans with new or renewed loans at current market rates which are generally lower due to the current interest rate environment. For the quarter ended June 30, 2015, the Company also experienced a decrease in the average balance of the securities portfolio when compared to the same period in 2014 as proceeds from maturities and call were used to fund loan growth rather than be reinvested in the securities portfolio.

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

	Percentage of Total		Yield		
	Three Months Ended		Three Months Ended		
	June 30,		June 30,		
	2015	2014	2015	2014	
Loans	79.20	% 76.91	% 5.01	% 5.27	%
Securities	19.48	20.13	3.09	3.27	
Other	1.32	2.96	0.25	0.17	
Total earning assets	100.00	% 100.00	% 4.57	% 4.72	%

For the second quarter of 2015, loan income, on a tax equivalent basis, decreased \$801 to \$50,760 from \$51,561 compared to the same period in 2014. The average balance of loans increased \$142,918 from second quarter of 2015 compared to the second quarter of 2014 due in large part to increased production in the commercial and secondary mortgage loan market. The tax equivalent yield on loans was 5.01%, a 26 basis point decrease from the second quarter of 2014. The decrease in loan yields was a result of the continued repricing of higher rate maturing loans with new or

renewed loans at current market rates which are typically less than the maturing loans due to current low interest rate environment. The accelerated accretion on the acquired First M&F portfolio produced by higher levels of payoffs increased our loan yield by 36 basis points and increased the net interest margin by 28 basis points for both the second quarter of 2015 and second quarter of 2014.

Investment income, on a tax equivalent basis, decreased \$664 to \$7,713 for the second quarter of 2015 from \$8,377 for the second quarter of 2014. The average balance in the investment portfolio for the second quarter of 2015 was \$999,962 compared to \$1,026,948 for the same period in 2014. The tax equivalent yield on the investment portfolio for the second quarter of 2015 was

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3.09%, down 18 basis points from the same period in 2014. Proceeds from maturities and calls of higher yielding securities were either redeployed to fund loan growth or reinvested in lower earning securities accounting for both the decrease in the average balance of investments and tax equivalent yield thereon when compared to the same period in the prior year. The reinvestment rates on securities were lower due to the generally lower interest rate environment.

Interest expense was \$5,099 for the second quarter of 2015 as compared to \$6,108 for the same period in 2014. The slight decrease in interest expense was primarily driven by a decrease in the cost of interest-bearing liabilities as a result of the declining interest rate environment and a change in the mix of our interest-bearing liabilities in which we utilized lower cost deposits to replace higher costing liabilities, specifically time deposits. The cost of interest-bearing liabilities was 0.50% for the three months ended June 30, 2015 as compared to 0.58% at June 30, 2014.

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

	Percentage of Total Three Months Ended June 30,		Cost of Funds Three Months Ended June 30,		
	2015	2014	2015	2014	
Noninterest-bearing demand	19.16	% 17.76	% —	% —	%
Interest-bearing demand	45.65	43.73	0.18	0.20	
Savings	7.38	6.83	0.08	0.09	
Time deposits	23.76	28.35	0.69	0.82	
Federal Home Loan Bank advances	1.19	1.38	4.16	4.15	
Other borrowed funds	2.86	1.95	3.62	5.03	
Total deposits and borrowed funds	100.00	% 100.00	% 0.40	% 0.48	%

Interest expense on deposits was \$3,170 and \$4,136 for the second quarter of 2015 and 2014, respectively. The cost of interest-bearing deposits was 0.33% and 0.41% for the same periods. Interest expense on total borrowings was \$1,929 and \$1,972 for the second quarter of 2015 and 2014, respectively. A more detailed discussion of the cost of our funding sources is set forth below under the heading "Liquidity and Capital Resources" in this item.

Noninterest Income

Noninterest Income to Average Assets

(Excludes securities gains/losses)

Three Months Ended June 30,

2015	2014
1.57%	1.34%

Total noninterest income includes fees generated from deposit services, mortgage loan originations, insurance products, trust and other wealth management products and services, security gains and all other noninterest income. Our focus is to develop and enhance our products that generate noninterest income in order to diversify our revenue sources. Noninterest income was \$22,917 for the second quarter of 2015 as compared to \$19,471 for the same period in 2014. The increase in noninterest income and its related components is primarily attributable to a significant increase in mortgage revenue due to increased production as a result of continued decreases in interest rates and originator hires made in the latter part of 2014.

Service charges on deposit accounts include maintenance fees on accounts, per item charges, account enhancement charges for additional packaged benefits and overdraft fees. Service charges on deposit accounts were \$6,092 and

\$6,193 for the second quarter of 2015 and 2014, respectively. Overdraft fees, the largest component of service charges on deposits, were \$4,632 for the three months ended June 30, 2015 compared to \$4,644 for the same period in 2014.

Fees and commissions decreased to \$5,384 during the second quarter of 2015 as compared to \$5,515 for the same period in 2014. Fees and commissions include fees related to deposit services, such as interchange fees on debit card transactions, as well as fees charged on mortgage loans originated to be sold, such as origination, underwriting, documentation and other administrative fees. Mortgage loan fees decreased to \$1,383 during the second quarter of 2015 as compared to \$1,868 for the same period in 2014.

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For the second quarter of 2015, fees associated with debit card usage were \$3,283 as compared to \$3,017 for the same period in 2014.

Through Renasant Insurance, we offer a range of commercial and personal insurance products through major insurance carriers.

Income earned on insurance products was \$2,119 and \$2,088 for the three months ended June 30, 2015 and 2014, respectively. Contingency income, which is included in "Other noninterest income" in the Consolidated Statements of Income, is a bonus received from the insurance underwriters and is based both on commission income and claims experience on our clients' policies during the previous year. Contingency income was \$62 and \$57 for the three months ended June 30, 2015 and 2014, respectively.

The Trust division within the Wealth Management segment operates on a custodial basis which includes administration of benefit plans, as well as accounting and money management for trust accounts. The division manages a number of trust accounts inclusive of personal and corporate benefit accounts, self-directed IRAs, and custodial accounts. Fees for managing these accounts are based on changes in market values of the assets under management in the account, with the amount of the fee depending on the type of account. Additionally, the Financial Services division within the Wealth Management segment provides specialized products and services to our customers, which include fixed and variable annuities, mutual funds, and stocks offered through a third party provider. Wealth Management revenue was \$2,248 for the second quarter of 2015 compared to \$2,170 for the same period in 2014. The market value of trust assets under management was \$2,675,558 and \$2,653,957 at June 30, 2015 and June 30, 2014, respectively.

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 resulting in a gain of \$96. There were no securities sold during the three months ending June, 30, 2014.

Gains on the sale of mortgage loans held for sale were \$5,407 and \$2,006 for the three months ended June 30, 2015 and 2014, respectively. Originations of mortgage loans to be sold totaled \$222,298 for the second quarter of 2015 as compared to \$150,225 for the same period of 2014.

Noninterest Expense

Noninterest Expense to Average Assets

Three Months Ended June 30,

2015	2014
3.41%	3.39%

Noninterest expense was \$51,176 and \$49,396 for the second quarter of 2015 and 2014, respectively. Merger expense related to our acquisition by merger of Heritage was \$1,467 for the three months ended June 30, 2015, while there were no merger-related expenses for the three months ended June 30, 2014.

Salaries and employee benefits increased \$584 to \$30,394 for the second quarter of 2015 as compared to \$29,810 for the same period in 2014. The increase in salary and employee benefits was primarily attributable to higher levels of commissions paid in our mortgage banking division due to the increased levels of mortgage loan production.

Data processing costs increased to \$3,152 in the second quarter of 2015 from \$2,850 for the same period in 2014. The increase for the second quarter of 2015 as compared to the same period in 2014 was primarily attributable to the addition of mobile banking, which was made available to customers in March 2014, and increased volume on our small business internet banking platform.

Net occupancy and equipment expense for the second quarter of 2015 was \$5,524, up from \$4,906 for the same period in 2014. The increase is attributable to the completion of full service banking facilities and an operations annex location during the fourth quarter of 2014 and the first quarter of 2015

Expenses related to other real estate owned for the second quarter of 2015 were \$954 compared to \$1,068 for the same period in 2014. Expenses on other real estate owned for the second quarter of 2015 included write downs of \$953 of the carrying value to fair value on certain pieces of property held in other real estate owned. Other real estate owned with a cost basis of \$4,797 was sold during the three months ended June 30, 2015, resulting in a net gain of \$195. Expenses on other real estate owned for the three months ended June 30, 2014 included a \$207 write down of the carrying value to fair value on certain pieces of property held in other real estate owned. Other real estate owned with a cost basis of \$8,769 was sold during the three months ended June 30, 2014, resulting in a net loss of \$102.

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Professional fees include fees for legal and accounting services. Professional fees were \$1,172 for the second quarter of 2015 as compared to \$1,389 for the same period in 2014. While the Company experienced a decrease in professional fees in the second quarter of 2015 compared to the same period in 2014, professional fees remain elevated in large part due to additional legal, accounting and consulting fees associated with compliance costs of newly enacted as well as existing banking and governmental regulation. Professional fees attributable to legal fees associated with loan workouts and foreclosure proceedings remain at higher levels in correlation with the overall economic downturn and credit deterioration identified in our loan portfolio and the Company's efforts to bring these credits to resolution.

Advertising and public relations expense was \$1,481 for the second quarter of 2015 compared to \$1,888 for the same period in 2014.

Amortization of intangible assets totaled \$1,239 and \$1,427 for the second quarter of 2015 and 2014, respectively. This amortization relates to finite-lived intangible assets which are being amortized over the useful lives as determined at acquisition. These finite-lived intangible assets have remaining estimated useful lives ranging from three months to twelve years.

Communication expenses, those expenses incurred for communication to clients and between employees, were \$1,491 for the second quarter of 2015 as compared to \$1,701 for the same period in 2014.

Efficiency Ratio

Three Months Ended June 30,

2015	2014
67.04%	67.33%

The efficiency ratio is one measure of productivity in the banking industry. This ratio is calculated to measure the cost of generating one dollar of revenue. That is, the ratio is designed to reflect the percentage of one dollar which must be expended to generate that dollar of revenue. The Company calculates this ratio by dividing noninterest expense by the sum of net interest income on a fully tax equivalent basis and noninterest income. We remain committed to aggressively managing our costs within the framework of our business model. We expect the efficiency ratio to continue to improve from levels reported in 2014 from revenue growth while at the same time controlling noninterest expenses.

Income Taxes

Income tax expense for the second quarter of 2015 and 2014 was \$6,842 and \$5,941, respectively. The effective tax rates for those periods were 30.77% and 28.57%, respectively. The increased effective tax rate for the second quarter of 2015 as compared to the same period in 2014 is the result of the Company experiencing improvements in its financial results throughout 2014 and into the second quarter of 2015 resulting in higher levels of taxable income.

Results of Operations

Six Months Ended June 30, 2015 as Compared to the Six Months Ended June 30, 2014

Net Income

Net income for the six months ended June 30, 2015 was \$30,634 compared to net income of \$28,450 for the six months ended June 30, 2014. Basic and diluted earnings per share for the six months ended June 30, 2015 were \$0.97 and \$0.96, respectively, as compared to basic and diluted earnings per share of \$0.90 for the six months ended June 30, 2014. The increase in net income and earnings per share during the six months ended June 30, 2015 as compared

to the same period in 2014 was due primarily to continued improvement in our cost of funds and growth in noninterest income. When compared to the six months ended June 30, 2014, the Company's net income grew \$2,184, or 7.68%, despite the recognition of merger-related expenses of \$1,945 in connection with the acquisition of Heritage.

Net Interest Income

Net interest income decreased to \$100,512 for the six months ended June 30, 2015 compared to \$102,140 for the same period in 2014. On a tax equivalent basis, net interest income was \$104,003 for the six months ended June 30, 2015 as compared to \$105,498 for the six months ended June 30, 2014. Net interest margin, the tax equivalent net yield on earning assets, decreased two basis points to 4.10% during the six months ended June 30, 2015 compared to 4.12% for the six months ended June 30, 2014. The accelerated accretion on the acquired M&F portfolio increased our loan yield by 21 basis points and increased the net interest margin by 17 basis points for the six months ended June 30, 2015. Accelerated accretion on the M&F loan portfolio increased

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our loan yield by 31 basis points and increased the net interest margin by 24 basis points for the six months ended June 30, 2014. Net interest margin and net interest income are influenced by internal and external factors. Internal factors include balance sheet changes on both volume and mix and pricing decisions. External factors include changes in market interest rates, competition and the shape of the interest rate yield curve.

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

	Six Months Ended June 30, 2015			2014				
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate		
Assets								
Interest-earning assets:								
Loans ⁽¹⁾	\$4,043,182	\$98,479	4.91	% \$3,930,468	\$101,277	5.20	%	
Securities:								
Taxable ⁽²⁾	687,093	7,926	2.33	% 716,852	8,317	2.34		
Tax-exempt	307,788	7,918	5.19	297,803	7,956	5.39		
Interest-bearing balances with banks	75,445	103	0.28	218,490	262	0.24		
Total interest-earning assets	5,113,508	114,426	4.51	5,163,613	117,812	4.60		
Cash and due from banks	85,852			90,840				
Intangible assets	296,058			302,886				
FDIC loss-share indemnification asset	9,433			24,521				
Other assets	329,868			300,133				
Total assets	\$5,834,719			\$5,881,993				
Liabilities and shareholders' equity								
Interest-bearing liabilities:								
Deposits:								
Interest-bearing demand ⁽³⁾	\$2,311,005	\$2,052	0.18	% \$2,235,641	\$2,247	0.20		
Savings deposits	369,476	142	0.08	342,437	146	0.09		
Time deposits	1,233,396	4,414	0.72	1,469,522	6,116	0.84		
Total interest-bearing deposits	3,913,877	6,608	0.34	4,047,600	8,509	0.42		
Borrowed funds	186,921	3,815	4.12	169,730	3,805	4.52		
Total interest-bearing liabilities	4,100,798	10,423	0.51	4,217,330	12,314	0.59		
Noninterest-bearing deposits	950,995			927,126				
Other liabilities	56,466			57,578				
Shareholders' equity	726,460			679,959				
Total liabilities and shareholders' equity	\$5,834,719			\$5,881,993				
Net interest income/net interest margin		\$104,003	4.10	%	\$105,498	4.12	%	

(1) Includes mortgage loans held for sale and shown net of unearned income.

(2) U.S. Government and some U.S. Government agency securities are tax-exempt in the states in which we operate.

(3) Interest-bearing demand deposits include interest-bearing transactional accounts and money market deposits.

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

The following table sets forth a summary of the changes in interest earned, on a tax equivalent basis, and interest paid resulting from changes in volume and rates for the Company for the six months ended June 30, 2015 compared to the same period in 2014:

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	Volume	Rate	Net ⁽¹⁾
Interest income:			
Loans ⁽²⁾	\$2,962	\$(5,760) \$(2,798)
Securities:			
Taxable	(299) (92) (391)
Tax-exempt	116	(154	) (38)
Interest-bearing balances with banks	(213	) 54	(159)
Total interest-earning assets	2,566	(5,952	) (3,386)
Interest expense:			
Interest-bearing demand deposits	99	(294	) (195)
Savings deposits	10	(14	) (4)
Time deposits	(901	) (801	) (1,702)
Borrowed funds	68	(58	) 10)
Total interest-bearing liabilities	(724	) (1,167	) (1,891)
Change in net interest income	\$3,290	\$(4,785	) \$(1,495)

⁽¹⁾ Changes in interest due to both volume and rate have been allocated on a pro-rata basis using the absolute ratio value of amounts calculated.

⁽²⁾ Includes mortgage loans held for sale and shown net of unearned income.

Interest income, on a tax equivalent basis, was \$114,426 for the six months ended June 30, 2015 compared to \$117,812 for the same period in 2014. This decrease in interest income, on a tax equivalent basis, is due primarily to lower levels of earning assets as well as smaller amounts of accelerated accretion caused by a slowdown in the number of loan payoffs from the First M&F portfolio. The following table presents the percentage of total average earning assets, by type and yield, for the periods presented:

	Percentage of Total		Yield		
	Six Months Ended		Six Months Ended		
	June 30,		June 30,		
	2015	2014	2015	2014	
Loans	79.07	% 76.12	% 4.91	% 5.20	%
Securities	19.46	19.65	3.21	3.23	
Other	1.47	4.23	0.28	0.24	
Total earning assets	100.00	% 100.00	% 4.51	% 4.60	%

For the six months ending June 30, 2015, loan income, on a tax equivalent basis, decreased \$2,798 to \$98,479 from \$101,277 in the same period in 2014. The average balance of loans increased \$131,488 for the six months ended June 30, 2015 compared to the same period in 2014 due in large part to increased production in the commercial and secondary mortgage loan markets. The tax equivalent yield on loans was 4.91% for the six months ending June 30, 2015, a 29 basis point decrease from the same period in 2014. The decrease in loan yields was primarily a result of replacing higher rate maturing loans with new or renewed loans at current market rates which are generally lower due to the current interest rate environment. Furthermore, lower levels of accelerated accretion of nonaccretable difference have been recognized in the first half of 2015 when compared to the same period in 2014 resulting from lower levels of payoffs from the First M&F portfolio. The accelerated accretion of \$4,191 on the acquired M&F portfolio increased our loan yield by 21 basis points and increased the net interest margin by 17 basis points for the first six months of 2015. Accelerated accretion of \$6,087 on the M&F loan portfolio increased our loan yield by 31 basis points and increased the net interest margin by 24 basis points for the six months ended June 30, 2014.

Investment income, on a tax equivalent basis, decreased \$429 to \$15,844 for the six months ended June 30, 2015 from \$16,273 for the same period in 2014. The average balance in the investment portfolio for the six months ended June 30, 2015 was \$994,881 compared to \$1,014,655 for the same period in 2014. The tax equivalent yield on the investment portfolio for the first six months of 2015 was 3.21%, down 2 basis points from 3.23% in the same period in 2014. Proceeds from maturities and calls of higher yielding securities were either redeployed to fund loan growth or reinvested in lower earning securities accounting for both the

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decrease in the average balance of investments and tax equivalent yield thereon when compared to the same period in the prior year. The reinvestment rates on securities were lower due to the generally lower interest rate environment.

Interest expense for the six months ended June 30, 2015 was \$10,423 as compared to \$12,314 for the same period in 2014. The decline in interest expense was due to a modest decrease in the average balance of interest bearing liabilities as well as a decrease in the cost of interest-bearing liabilities as a result of the declining interest rate environment. The Company continues to seek changes in the mix of our interest-bearing liabilities in which we utilized lower cost deposits to replace higher costing liabilities, specifically time deposits. The cost of interest-bearing liabilities was 0.51% for the six months ended June 30, 2015 as compared to 0.59% for the same period in June 30, 2014.

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

	Percentage of Total Six Months Ended June 30,		Cost of Funds Six Months Ended June 30,		
	2015	2014	2015	2014	
Noninterest-bearing demand	18.82	% 18.02	% —	% —	%
Interest-bearing demand	45.75	43.46	0.18	0.20	
Savings	7.31	6.65	0.08	0.09	
Time deposits	24.42	28.57	0.72	0.84	
Federal Home Loan Bank advances	1.20	1.41	4.16	4.17	
Other borrowed funds	2.50	1.89	4.09	4.76	
Total deposits and borrowed funds	100.00	% 100.00	% 0.42	% 0.48	%

Interest expense on deposits was \$6,608 and \$8,509 for the six months ended June 30, 2015 and 2014, respectively. The cost of interest bearing deposits was 0.34% and 0.42% for the same periods. Interest expense on total borrowings was \$3,815 and \$3,805 for the first six months of 2015 and 2014, respectively. A more detailed discussion of the cost of our funding sources is set forth below under the heading "Liquidity and Capital Resources" in this item.

Noninterest Income

Noninterest Income to Average Assets

(Excludes securities gains/losses)

Six Months Ended June 30,

2015	2014
1.55%	1.31%

Noninterest income was \$44,821 for the six months ended June 30, 2015 as compared to \$38,087 for the same period in 2014. The increase in noninterest income and its related components is primarily attributable to a significant increase in mortgage revenue due to increased production as a result of continued decreases in interest rates and originator hires made in the latter part of 2014.

Service charges on deposit accounts include maintenance fees on accounts, per item charges, account enhancement charges for additional packaged benefits and overdraft fees. Service charges on deposit accounts were \$12,025 and \$12,109 for the six months ended June 30, 2015 and 2014, respectively. Overdraft fees, the largest component of service charges on deposits, were \$9,019 for the six months ended June 30, 2015 compared to \$9,275 for the same period in 2014.

Fees and commissions decreased to \$10,278 for the first six months of June 30, 2015 as compared to \$10,487 for the same period in 2014. Fees and commissions include fees related to deposit services, such as interchange fees on debit card transactions, as well as fees charged on mortgage loans originated to be sold, such as origination, underwriting, documentation and other administrative fees. Mortgage loan fees decreased to \$2,179 during the six months ended June 30, 2015 as compared to \$3,313 for the same period in 2014. Fees associated with debit card usage were \$6,356 for the six months ending June 30, 2015 as compared to \$5,747 for the same period in 2014.

Through Renasant Insurance, we offer a range of commercial and personal insurance products through major insurance carriers. Income earned on insurance products was \$4,086 and \$3,951 for the six months ended June 30, 2015 and 2014, respectively.

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Contingency income, which is included in "Other noninterest income" in the Consolidated Statements of Income, was \$489 and \$528 for the six months ended June 30, 2015 and 2014, respectively.

The Trust division within the Wealth Management segment operates on a custodial basis which includes administration of benefit plans, as well as accounting and money management for trust accounts. The division manages a number of trust accounts inclusive of personal and corporate benefit accounts, self-directed IRAs, and custodial accounts. Fees for managing these accounts are based on changes in market values of the assets under management in the account, with the amount of the fee depending on the type of account. Additionally, the Financial Services division within the Wealth Management segment provides specialized products and services to our customers, which include fixed and variable annuities, mutual funds, and stocks offered through a third party provider. Wealth Management revenue was \$4,438 for the six months ended June 30, 2015 compared to \$4,314 for the same period in 2014. The market value of trust assets under management was \$2,675,558 and \$2,653,957 at June 30, 2015 and June 30, 2014, respectively.

During the second quarter of 2015, the Company sold its pooled trust preferred security XIII with a carrying value of \$1,117 at the time of sale for net proceeds of \$1,213 resulting in a gain of \$96. There were no securities sold during the six months ending June, 30, 2014.

Gains on the sale of mortgage loans held for sale were \$10,040 and \$3,591 for the six months ended June 30, 2015 and 2014, respectively. Originations of mortgage loans to be sold totaled \$407,893 for the six months ended June 30, 2015 as compared to \$254,578 for the same period of 2014.

Noninterest Expense

Noninterest Expense to Average Assets

Six Months Ended June 30,

2015	2014
3.34%	3.33%

Noninterest expense was \$98,590 and \$97,041 for the six months ended June 30, 2015 and 2014, respectively. Merger expense related to our acquisition by merger of Heritage was \$1,945 for the six months ended June 30, 2015 compared to \$195 of merger expenses related to the First M&F acquisition for the same period in 2014.

Salaries and employee benefits increased \$416 to \$58,654 for the six months ended June 30, 2015 as compared to \$58,238 for the same period in 2014, which was primarily attributable to higher levels of commissions paid in our mortgage banking division.

Data processing costs increased to \$6,333 in the six months ended June 30, 2015 from \$5,545 for the same period in 2014. The increase for the six months ended June 30, 2015 as compared to the same period in 2014 was primarily attributable to the addition of mobile banking, which was made available to customers in March 2014, and increased volume on our small business internet banking platform.

Net occupancy and equipment expense for the first six months of 2015 was \$11,083, up from \$9,753 for the same period in 2014. The increase is attributable to the completion of full service banking facilities and an operations annex location during the fourth quarter of 2014 and the second quarter of 2015.

Expenses related to other real estate owned for the first six months of 2015 were \$1,486 compared to \$2,769 for the same period in 2014. Expenses on other real estate owned for the six months ended June 30, 2015 included write downs of \$1,395 of the carrying value to fair value on certain pieces of property held in other real estate owned. Other real estate owned with a cost basis of \$12,656 was sold during the six months ended June 30, 2015, resulting in a net gain of \$483. Expenses on other real estate owned for the six months ended June 30, 2014 included a \$1,045 write

down of the carrying value to fair value on certain pieces of property held in other real estate owned. Other real estate owned with a cost basis of \$14,342 was sold during the six months ended June 30, 2014, resulting in a net gain of \$12.

Professional fees include fees for legal and accounting services. Professional fees were \$1,996 for the six months ended June 30, 2015 as compared to \$2,589 for the same period in 2014. While the Company experienced a decrease in professional fees year over year, professional fees remain elevated in large part due to additional legal, accounting and consulting fees associated with compliance costs of newly enacted as well as existing banking and governmental regulation. Professional fees attributable to legal fees associated with loan workouts and foreclosure proceedings remain at higher levels in correlation with the overall economic downturn and credit deterioration identified in our loan portfolio and the Company's efforts to bring these credits to resolution.

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Advertising and public relations expense was \$2,784 for the six months ended June 30, 2015 compared to \$3,416 for the same period in 2014.

Amortization of intangible assets totaled \$2,514 and \$2,898 for the six months ended June 30, 2015 and 2014, respectively. This amortization relates to finite-lived intangible assets which are being amortized over the useful lives as determined at acquisition. These finite-lived intangible assets have remaining estimated useful lives ranging from two years to eleven years.

Communication expenses, those expenses incurred for communication to clients and between employees, were \$2,924 for the six months ended June 30, 2015 as compared to \$3,383 for the same period in 2014.

Efficiency Ratio

Six Months Ended June 30,

2015	2014
66.25%	67.58%

The efficiency ratio is one measure of productivity in the banking industry. This ratio is calculated to measure the cost of generating one dollar of revenue. That is, the ratio is designed to reflect the percentage of one dollar which must be expended to generate that dollar of revenue. The Company calculates this ratio by dividing noninterest expense by the sum of net interest income on a fully tax equivalent basis and noninterest income. We remain committed to aggressively managing our costs within the framework of our business model. We expect the efficiency ratio to continue to improve from levels reported in 2014 from revenue growth while at the same time controlling noninterest expenses.

Income Taxes

Income tax expense for the six months ended June 30, 2015 and 2014 was \$13,859 and \$11,836, respectively. The effective tax rates for those periods were 31.15% and 29.38%, respectively. The increased effective tax rate for the six months ended June 30, 2015 as compared to the same period in 2014 is the result of the Company experiencing improvements in its financial results throughout 2014 and into the six months ended June 30, 2015 resulting in higher levels of taxable income.

Risk Management

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

Credit Risk and Allowance for Loan Losses

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

We have a number of documented loan policies and procedures that set forth the approval and monitoring process of the lending function. Adherence to these policies and procedures is monitored by management and the Board of Directors. A number of committees and an underwriting staff oversee the lending operations of the Company. These include in-house loan and loss management committees and the Board of Directors loan committee and problem loan review committee. In addition, we maintain a loan review staff to independently monitor loan quality and lending practices. Loan review personnel monitor and, if necessary, adjust the grades assigned to loans through periodic examination, focusing its review on commercial and real estate loans rather than consumer and consumer mortgage loans.

In compliance with loan policy, the lending staff is given lending limits based on their knowledge and experience. In addition, each lending officer's prior performance is evaluated for credit quality and compliance as a tool for establishing and enhancing lending limits. Before funds are advanced on consumer and commercial loans below certain dollar thresholds, loans are reviewed and scored using centralized underwriting methodologies. Loan quality or "risk-rating" grades are assigned based upon certain

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factors, which include the scoring of the loans. This information is used to assist management in monitoring credit quality. Loan requests of amounts greater than an officer's lending limits are reviewed by senior credit officers, in-house loan committees or the Board of Directors.

For commercial and commercial real estate secured loans, risk-rating grades are assigned by lending, credit administration or loan review personnel, based on an analysis of the financial and collateral strength and other credit attributes underlying each loan. Loan grades range from 1 to 9, with 1 being loans with the least credit risk. Allowance factors established by management are applied to the total balance of loans in each grade to determine the amount needed in the allowance for loan losses. The allowance factors are established based on historical loss ratios experienced by the Company for these loan types, as well as the credit quality criteria underlying each grade, adjusted for trends and expectations about losses inherent in our existing portfolios. In making these adjustments to the allowance factors, management takes into consideration factors which it believes are causing, or are likely in the future to cause, losses within our loan portfolio but which may not be fully reflected in our historical loss ratios. For portfolio balances of consumer, consumer mortgage and certain other similar loan types, allowance factors are determined based on historical loss ratios by portfolio for the preceding eight quarters and may be adjusted by other qualitative criteria.

The loss management committee and the Board of Directors' problem loan review committee monitor loans that are past due or those that have been downgraded and placed on the Company's internal watch list due to a decline in the collateral value or cash flow of the debtor; the committees then adjust loan grades accordingly. This information is used to assist management in monitoring credit quality. In addition, the Company's portfolio management committee monitors and identifies risks within the Company's loan portfolio by focusing its efforts on reviewing and analyzing loans which are not on the Company's internal watch list. The portfolio management committee monitors loans in portfolios or regions which management believes could be stressed or experiencing credit deterioration.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Impairment is measured on a loan-by-loan basis for problem loans of \$500 or greater by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent. For real estate collateral, the fair market value of the collateral is based upon a recent appraisal by a qualified and licensed appraiser of the underlying collateral. When the ultimate collectability of a loan's principal is in doubt, wholly or partially, the loan is placed on nonaccrual.

After all collection efforts have failed, collateral securing loans may be repossessed and sold or, for loans secured by real estate, foreclosure proceedings initiated. The collateral is sold at public auction for fair market value (based upon recent appraisals described in the above paragraph), with fees associated with the foreclosure being deducted from the sales price. The purchase price is applied to the outstanding loan balance. If the loan balance is greater than the sales proceeds, the deficient balance is sent to the Board of Directors' loan committee for charge-off approval. These charge-offs reduce the allowance for loan losses. Charge-offs reflect the realization of losses in the portfolio that were recognized previously through the provision for loan losses.

Net charge-offs for the second quarter of 2015 were \$1,589, or 0.16% of average loans, compared to net charge-offs of \$2,194, or 0.23% of average loans, for the same period in 2014. The levels of net charge-offs reflect the improved credit quality measures and the Company's continued efforts to bring these problem credits to resolution

The allowance for loan losses is available to absorb probable credit losses inherent in the entire loan portfolio. The appropriate level of the allowance is based on an ongoing analysis of the loan portfolio and represents an amount that management deems adequate to provide for inherent losses, including collective impairment as recognized under the

Financial Accounting Standards Board Accounting Standards Codification Topic (“ASC”) 450, “Contingencies.” Collective impairment is calculated based on loans grouped by grade. Another component of the allowance is losses on loans assessed as impaired under ASC 310, “Receivables.” The balance of these loans and their related allowance is included in management’s estimation and analysis of the allowance for loan losses. Other considerations in establishing the allowance for loan losses include economic conditions reflected within industry segments, the unemployment rate in our markets, loan segmentation and historical losses that are inherent in the loan portfolio. The allowance for loan losses is established after input from management, loan review and the loss management committee. An evaluation of the adequacy of the allowance is calculated quarterly based on the types of loans, an analysis of credit losses and risk in the portfolio, economic conditions and trends within each of these factors. In addition, on a regular basis, management and the Board of Directors review loan ratios. These ratios include the allowance for loan losses as a percentage of total loans, net charge-offs as a percentage of average loans, the provision for loan losses as a percentage of average loans, nonperforming loans as a percentage of total loans and the allowance coverage on nonperforming loans. Also, management reviews past due ratios by officer, community bank and the Company as a whole.

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

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	June 30, 2015	December 31, 2014	June 30, 2014
Commercial, financial, agricultural	\$3,971	\$3,305	\$3,264
Lease financing	83	—	2
Real estate – construction	1,297	1,415	1,267
Real estate – 1-4 family mortgage	13,792	13,549	11,797
Real estate – commercial mortgage	21,547	22,759	29,771
Installment loans to individuals	1,198	1,261	1,203
Total	\$41,888	\$42,289	\$47,304

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

	June 30, 2015	December 31, 2014	June 30, 2014
Specific reserves for impaired loans	\$5,902	\$10,762	\$10,891
Allocated reserves for remaining portfolio	34,574	29,802	36,413
Acquired with deteriorated credit quality	1,412	1,725	\$—
Total	\$41,888	\$42,289	\$47,304

The provision for loan losses charged to operating expense is an amount which, in the judgment of management, is necessary to maintain the allowance for loan losses at a level that is believed to be adequate to meet the inherent risks of losses in our loan portfolio. Factors considered by management in determining the amount of the provision for loan losses include the internal risk rating of individual credits, historical and current trends in net charge-offs, trends in nonperforming loans, trends in past due loans, trends in the market values of underlying collateral securing loans and the current economic conditions in the markets in which we operate. The Company experienced lower levels of classified loans and nonperforming loans in 2014 and through the first six months of 2015. In combination with lower levels of classified loans and nonperforming loans, the Company has experienced improving credit quality measures that has justified a decrease in the provision for loan losses for the six months ended June 30, 2015 as compared to the same period in 2014. The provision for loan losses was \$2,250 and \$2,900 for the six months ended June 30, 2015 and 2014, respectively. For the second quarter, June 30, 2015, the Company recorded \$1,175 of provision expense compared to \$1,450 for the same period in 2014.

All of the loans acquired in the Company's FDIC-assisted acquisitions and certain loans acquired in the First M&F merger and in previous acquisitions that are accounted for under ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality" ("ASC 310-30"), are carried at values which, in management's opinion, reflect the estimated future cash flows, based on the facts and circumstances surrounding each respective loan at the date of acquisition. The Company continually monitors these loans as part of our normal credit review and monitoring procedures for changes in the estimated future cash flows; to the extent future cash flows deteriorate below initial projections, the Company may be required to reserve for these loans in the allowance for loan losses through future provision for loan losses. As of June 30, 2015, the Company has increased the allowance for loan losses by \$1,412 for loans accounted for under ASC 310-30. First M&F loans covered under ASC 310-30 accounted for \$982 of the allowance.

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

	Three Months Ended		Six Months Ended		
	June 30, 2015	2014	June 30, 2015	2014	
Balance at beginning of period	\$42,302	\$48,048	\$42,289	\$47,665	
Charge-offs					
Commercial, financial, agricultural	123	—	358	119	
Lease financing	—	—	—	—	
Real estate – construction	26	—	26	—	
Real estate – 1-4 family mortgage	869	1,985	1,354	2,872	
Real estate – commercial mortgage	1,224	483	1,857	543	
Installment loans to individuals	56	61	106	292	
Total charge-offs	2,298	2,529	3,701	3,826	
Recoveries					
Commercial, financial, agricultural	104	75	139	112	
Lease financing	—	—	—	—	
Real estate – construction	7	3	13	8	
Real estate – 1-4 family mortgage	215	206	370	357	
Real estate – commercial mortgage	357	28	469	58	
Installment loans to individuals	26	23	59	30	
Total recoveries	709	335	1,050	565	
Net charge-offs	1,589	2,194	2,651	3,261	
Provision for loan losses	1,175	1,450	2,250	2,900	
Balance at end of period	\$41,888	\$47,304	\$41,888	\$47,304	
Net charge-offs (annualized) to average loans	0.16	% 0.23	% 0.13	% 0.17	%
Allowance for loan losses to:					
Total loans not covered under loss share agreements	1.07	% 1.25	% 1.07	% 1.25	%
Nonperforming loans not covered under loss share agreements	169.11	% 148.69	% 169.11	% 148.69	%

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

	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Real estate – construction:				
Residential	\$21	\$(3)	\$15	\$(8)
Commercial	—	—	—	—
Condominiums	(2)	—	(2)	—
Total real estate – construction	19	(3)	13	(8)
Real estate – 1-4 family mortgage:				
Primary	221	27	635	120
Home equity	165	107	175	322
Rental/investment	90	280	62	430
Land development	177	1,365	111	1,643
Total real estate – 1-4 family mortgage	653	1,779	983	2,515
Real estate – commercial mortgage:				
Owner-occupied	845	31	1,417	24
Non-owner occupied	191	84	146	64
Land development	(169)	340	(175)	397
Total real estate – commercial mortgage	867	455	1,388	485
Total net charge-offs of loans secured by real estate	\$1,539	\$2,231	\$2,384	\$2,992
Nonperforming Assets				

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

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

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

	Not Acquired	Acquired Covered Assets	Acquired and Non-covered	Total	
June 30, 2015					
Nonaccruing loans	\$ 15,514	\$ 19,487	\$ 1,085	\$ 36,086	
Accruing loans past due 90 days or more	5,647	—	2,523	8,170	
Total nonperforming loans	21,161	19,487	3,608	44,256	
Other real estate owned	14,967	3,853	8,244	27,064	
Total nonperforming loans and OREO	36,128	23,340	11,852	71,320	
Nonaccruing securities available-for-sale, at fair value	12,988	—	—	12,988	
Total nonperforming assets	\$ 49,116	\$ 23,340	\$ 11,852	\$ 84,308	
Nonperforming loans to total loans				1.10	%
Nonperforming assets to total assets				1.43	%
December 31, 2014					
Nonaccruing loans	\$ 18,781	\$ 24,172	\$ 1,443	\$ 44,396	
Accruing loans past due 90 days or more	1,406	48	9,259	10,713	
Total nonperforming loans	20,187	24,220	10,702	55,109	
Other real estate owned	17,087	6,368	11,017	34,472	
Total nonperforming loans and OREO	37,274	30,588	21,719	89,581	
Nonaccruing securities available-for-sale, at fair value	12,347	—	—	12,347	
Total nonperforming assets	\$ 49,621	\$ 30,588	\$ 21,719	\$ 101,928	
Nonperforming loans to total loans				1.38	%
Nonperforming assets to total assets				1.76	%

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

Another category of assets which contribute to our credit risk is restructured loans. Restructured loans are those for which concessions have been granted to the borrower due to a deterioration of the borrower's financial condition and are performing in accordance with the new terms. Such concessions may include reduction in interest rates or deferral of interest or principal payments. In evaluating whether to restructure a loan, management analyzes the long-term financial condition of the borrower, including guarantor and collateral support, to determine whether the proposed concessions will increase the likelihood of repayment of principal and interest. Restructured loans that are not performing in accordance with their restructured terms that are either contractually 90 days past due or placed on nonaccrual status are reported as nonperforming loans.

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

	June 30, 2015	December 31, 2014	June 30, 2014	
Nonaccruing loans	\$ 16,599	\$ 20,224	\$ 23,141	
Accruing loans past due 90 days or more	8,170	10,665	8,672	
Total nonperforming loans	24,769	30,889	31,813	
Restructured loans in compliance with modified terms	22,018	14,337	20,839	
Total nonperforming and restructured loans	\$ 46,787	\$ 45,226	\$ 52,652	
Nonperforming loans to loans	0.63	% 0.80	% 0.84	%

Nonperforming loans from the First M&F acquisition totaled \$3,608 at June 30, 2015 which consisted of \$1,085 in loans of nonaccrual status and \$2,523 in accruing loans past due 90 days or more. At December 31, 2014 nonperforming loans from the acquired First M&F portfolio were \$10,702. Excluding the nonperforming loans from the First M&F merger, nonperforming loans were \$21,161 at June 30, 2015 and \$20,187 at December 31, 2014. The following table presents nonperforming loans, not subject to a loss-share agreement, by loan category as of the dates presented:

	June 30, 2015	December 31, 2014	June 30, 2014
Commercial, financial, agricultural	\$ 1,459	\$ 1,279	\$ 1,882
Real estate – construction:			
Residential	37	200	11
Total real estate – construction	37	200	11
Real estate – 1-4 family mortgage:			
Primary	4,988	5,616	7,058
Home equity	908	944	1,070
Rental/investment	2,464	2,884	1,315
Land development	338	558	1,490
Total real estate – 1-4 family mortgage	8,698	10,002	10,933
Real estate – commercial mortgage:			
Owner-occupied	5,712	5,413	5,055
Non-owner occupied	5,670	10,506	12,762
Land development	3,080	3,398	1,015
Total real estate – commercial mortgage	14,462	19,317	18,832
Installment loans to individuals	113	91	155
Total nonperforming loans	\$ 24,769	\$ 30,889	\$ 31,813

Total nonperforming loans as a percentage of total loans were 0.63% as of June 30, 2015 compared to 0.80% as of December 31, 2014 and 0.84% as of June 30, 2014. The Company's coverage ratio, or its allowance for loan losses as a percentage of nonperforming loans, was 169.11% as of June 30, 2015 as compared to 136.91% as of December 31, 2014 and 148.69% as of June 30, 2014. Management has evaluated the aforementioned loans and other loans classified as nonperforming and believes that all nonperforming loans have been adequately reserved for in the allowance for loan losses at June 30, 2015.

Management also continually monitors past due loans for potential credit quality deterioration. Total loans 30-89 days past due declined to \$10,266 at June 30, 2015 as compared to \$15,501 at December 31, 2014 and \$20,509 at June 30, 2014. The acquisition of First M&F contributed \$3,867 to loans 30-89 days past due at June 30, 2015 as compared to \$5,132 at December 31, 2014 and \$12,637 at June 30, 2014.

As shown below, restructured loans totaled \$22,018 at June 30, 2015 compared to \$14,337 at December 31, 2014 and \$20,839 at June 30, 2014. At June 30, 2015, loans restructured through interest rate concessions represented 65% of total restructured loans,

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while loans restructured by a concession in payment terms represented the remainder. The following table provides further details of the Company's restructured loans in compliance with their modified terms as of the dates presented:

	June 30, 2015	December 31, 2014	June 30, 2014
Commercial, financial, agricultural	\$479	\$507	\$—
Real estate – 1-4 family mortgage:			
Primary	4,907	3,230	1,794
Home equity	74	—	—
Rental/investment	1,600	1,337	1,363
Land development	—	—	2,727
Total real estate – 1-4 family mortgage	6,581	4,567	5,884
Real estate – commercial mortgage:			
Owner-occupied	2,686	2,896	4,809
Non-owner occupied	11,795	5,973	5,672
Land development	477	394	4,474
Total real estate – commercial mortgage	14,958	9,263	14,955
Total restructured loans in compliance with modified terms	\$22,018	\$14,337	\$20,839

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

	2015	2014	
Balance at January 1,	\$14,337	\$21,478	
Additional loans with concessions	9,490	1,289	
Reductions due to:			
Reclassified as nonperforming	(21) (331)
Paid in full	(1,494) (338)
Paydowns	(294) (1,259)
Balance at June 30,	\$22,018	\$20,839	

Other real estate owned consists of properties acquired through foreclosure or acceptance of a deed in lieu of foreclosure. These properties are carried at the lower of cost or fair market value based on appraised value less estimated selling costs. Losses arising at the time of foreclosure of properties are charged against the allowance for loan losses. Reductions in the carrying value subsequent to acquisition are charged to earnings and are included in "Other real estate owned" in the Consolidated Statements of Income. Other real estate owned with a cost basis of \$7,761 was sold during the six months ended June 30, 2015, resulting in a net gain of \$412, while other real estate owned with a cost basis of \$7,753 was sold during the six months ended June 30, 2014, resulting in a net loss of \$52. The following table provides details of the Company's other real estate owned as of the dates presented:

	June 30, 2015	December 31, 2014	June 30, 2014
Residential real estate	\$3,174	\$4,549	\$6,507
Commercial real estate	8,737	9,179	8,557
Residential land development	3,926	4,990	8,563
Commercial land development	7,374	9,386	10,704
Total other real estate owned	\$23,211	\$28,104	\$34,331

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

	2015	2014	
Balance at January 1,	\$28,104	\$39,945	
Additions	4,233	2,666	
Impairments	(1,342	) (656)
Dispositions	(7,761	) (7,753)
Other	(23	) 129	
Balance at June 30,	\$23,211	\$34,331	

Interest Rate Risk

Market risk is the risk of loss from adverse changes in market prices and rates. The majority of assets and liabilities of a financial institution are monetary in nature and therefore differ greatly from most commercial and industrial companies that have significant investments in fixed assets and inventories. Our market risk arises primarily from interest rate risk inherent in lending and deposit-taking activities. Management believes a significant impact on the Company's financial results stems from our ability to react to changes in interest rates. To that end, management actively monitors and manages our interest rate risk exposure.

We have an Asset/Liability Committee ("ALCO") which is authorized by the Board of Directors to monitor our interest rate sensitivity and to make decisions relating to that process. The ALCO's goal is to structure our asset/liability composition to maximize net interest income while managing interest rate risk so as to minimize the adverse impact of changes in interest rates on net interest income and capital. Profitability is affected by fluctuations in interest rates. A sudden and substantial change in interest rates may adversely impact our earnings because the interest rates borne by assets and liabilities do not change at the same speed, to the same extent or on the same basis.

We monitor the impact of changes in interest rates on our net interest income and economic value of equity ("EVE") using rate shock analysis. Net interest income simulations measure the short-term earnings exposure from changes in market rates of interest in a rigorous and explicit fashion. Our current financial position is combined with assumptions regarding future business to calculate net interest income under varying hypothetical rate scenarios. EVE measures our long-term earnings exposure from changes in market rates of interest. EVE is defined as the present value of assets minus the present value of liabilities at a point in time. A decrease in EVE due to a specified rate change indicates a decline in the long-term earnings capacity of the balance sheet assuming that the rate change remains in effect over the life of the current balance sheet.

The following rate shock analysis depicts the estimated impact on net interest income and EVE of immediate changes in interest rates at the specified levels for the dates presented:

Change in Interest Rates ⁽¹⁾ (In Basis Points)	Percentage Change In:				
	Net Interest Income ⁽²⁾		Economic Value of Equity ⁽³⁾		
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014	
+400	2.71	% 0.11	% 19.93	% 11.42	%
+300	2.44	% 0.21	% 18.46	% 11.53	%
+200	1.87	% 0.12	% 16.31	% 10.72	%
+100	0.96	% (0.03	)% 13.03	% 9.11	%
-100	(3.06	)% (2.06	)% (4.33	)% (3.84)%

- (1) On account of the present position of the target federal funds rate, the Company did not perform an analysis assuming a downward movement in rates of more than 100 bps.
- (2) The percentage change in this column represents the projected net interest income for 12 months on a flat balance sheet in a stable interest rate environment versus the projected net interest income in the various rate scenarios.
- (3) The percentage change in this column represents our EVE in a stable interest rate environment versus EVE in the various rate scenarios.

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The rate shock results for the net interest income simulations for the next twelve months produce a slightly asset sensitive position at June 30, 2015 as compared to December 31, 2014. The Company's interest rate risk strategy is to remain in a slightly asset sensitive position with a focus on balance sheet strategies that will result in a more asset sensitive position over time. To accomplish this strategy, the Company has focused on increasing variable rate loan production and generating deposits that are less sensitive to increases in interest rates. In the second quarter of 2015, variable rate loans as a percentage of total loans originated during the quarter increased as compared to previous periods. Additionally, strong deposit growth in transactional deposits, which are typically less rate sensitive than time deposits, far outpaced the runoff in fixed rate time deposits. As demonstrated by the rate shock results for the EVE simulations, our long term interest rate risk position at June 30, 2015 when compared to December, 31, 2014, reflects improved earnings potential and an overall balance sheet shift to a more asset sensitive position.

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

The Company utilizes derivative financial instruments, including interest rate contracts such as swaps, caps and/or floors, as part of its ongoing efforts to mitigate its interest rate risk exposure and to facilitate the needs of its customers. The Company also enters into derivative instruments that are not designated as hedging instruments to help its commercial customers manage their exposure to interest rate fluctuations. To mitigate the interest rate risk associated with these customer contracts, the Company enters into an offsetting derivative contract position. The Company manages its credit risk, or potential risk of default by its commercial customers, through credit limit approval and monitoring procedures. At June 30, 2015, the Company had notional amounts of \$71,331 on interest rate contracts with corporate customers and \$71,331 in offsetting interest rate contracts with other financial institutions to mitigate the Company's rate exposure on its corporate customers' contracts and certain fixed rate loans.

In March and April 2012, the Company entered into two interest rate swap agreements effective in March 2014. Under these agreements, the Company receives a variable rate of interest based on the three-month LIBOR plus a pre-determined spread and pays a fixed rate of interest of 4.42% and 5.49%. The agreements, which both terminate in March 2022, are accounted for as cash flow hedges to reduce the variability in cash flows resulting from changes in interest rates on \$32,000 of the Company's junior subordinated debentures. In connection with its acquisition of First M&F, the Company assumed an interest rate swap designed to convert floating rate interest payments into fixed rate payments. Based on the terms of the agreement, which terminates in March 2018, the Company receives a variable rate of interest based on the three-month LIBOR plus a pre-determined spread and pays a fixed rate of interest. The interest rate swap is accounted for as a cash flow hedge to reduce the variability in cash flows resulting from changes in interest rates on \$30,000 of the junior subordinated debentures assumed in the merger with First M&F.

On June 5, 2014, the Company entered into two forward interest rate swap contracts on floating rate liabilities at the Bank level with notional amounts of \$15,000 each. The interest rate swap contracts are each accounted for as a cash flow hedge with the objective of protecting against any interest rate volatility on future FHLB borrowings for a four-year and five-year period beginning June 1, 2018 and December 3, 2018 and ending June 2022 and June 2023,

respectively. Under these contracts, Renasant Bank will pay a fixed interest rate of 3.593% and 3.738%, respectively, and will receive a variable interest rate based on the three-month LIBOR with quarterly net settlements.

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

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

Liquidity and Capital Resources

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

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

Our investment portfolio is another alternative for meeting liquidity needs. These assets generally have readily available markets that offer conversions to cash as needed. Within the next twelve months the securities portfolio is forecasted to generate cash flow through principal payments and maturities equal to 12.66% of the carrying value of the total securities portfolio. Securities within our investment portfolio are also used to secure certain deposit types and short-term borrowings. At June 30, 2015, securities with a carrying value of \$653,262 were pledged to secure public fund deposits and as collateral for short-term borrowings and derivative instruments as compared to securities with a carrying value of \$633,599 similarly pledged at December 31, 2014.

Other sources available for meeting liquidity needs include federal funds purchased and advances from the FHLB. Interest is charged at the prevailing market rate on federal funds purchased and FHLB advances. Federal funds are short term borrowings, generally overnight borrowings, between financial institutions that are used to maintain reserve requirements at the Federal Reserve Bank. There were \$56,878 in outstanding federal funds purchased at June 30, 2015. Outstanding federal funds purchased at December 31, 2014 were \$26,300. Funds obtained from the FHLB are used primarily to match-fund fixed rate loans in order to minimize interest rate risk and also are used to meet day to day liquidity needs, particularly when the cost of such borrowing compares favorably to the rates that we would be required to pay to attract deposits. At June 30, 2015, the balance of our outstanding advances with the FHLB was \$59,824. The total amount of the remaining credit available to us from the FHLB at June 30, 2015 was \$1,583,549. We also maintain lines of credit with other commercial banks totaling \$70,000. These are unsecured lines of credit maturing at various times within the next twelve months. There were no amounts outstanding under these lines of credit at June 30, 2015 or December 31, 2014.

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

Percentage of Total Six Months Ended June 30,	Cost of Funds Six Months Ended June 30,
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	2015	2014	2015	2014	
Noninterest-bearing demand	18.82	% 18.02	% —	% —	%
Interest-bearing demand	45.75	43.46	0.18	0.20	
Savings	7.31	6.65	0.08	0.09	
Time deposits	24.42	28.57	0.72	0.84	
FHLB advances	1.20	1.41	4.16	4.17	
Other borrowed funds	2.50	1.89	4.09	4.76	
	100.00	% 100.00	% 0.42	% 0.48	%

Our strategy in choosing funds is focused on minimizing cost along with considering our balance sheet composition and interest rate risk position. Accordingly, management targets growth of non-interest bearing deposits. While we do not control the types of deposit instruments our clients choose, we do influence those choices with the rates and the deposit specials we offer. We constantly monitor our funds position and evaluate the effect that various funding sources have on our financial position. Our cost of funds has decreased 6 basis points for the six months ended June 30, 2015 as compared to the same period in 2014 as management improved our funding mix using non-interest bearing or lower costing deposits and repaying higher costing funding including time deposits and borrowed funds.

Cash and cash equivalents were \$154,962 at June 30, 2015 compared to \$181,220 at June 30, 2014. Cash used in investing activities for the six months ended June 30, 2015 was \$45,699 compared to \$177,922 for the six months ended June 30, 2014. Proceeds from the maturity or call of securities within our investment portfolio were \$161,278 for the six months ended 2015. These proceeds from the investment portfolio were primarily reinvested back into the security portfolio or used to fund loan growth. Proceeds

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from the maturity or call of securities within our investment portfolio during the six months ended June 30, 2014 were \$162,117. These proceeds were primarily reinvested in the securities portfolio. Purchases of investment securities were \$148,832 for the first six months of 2015 compared to \$251,965 for the same period in 2014. 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 resulting in a gain of \$96. There were no securities sold during the first six months of 2014.

Cash provided by financing activities for the six months ended June 30, 2015 was \$71,521 compared to \$53,086 for the same period in 2014. Deposits increased \$52,026 for the six months ended June 30, 2015 compared to an increase of \$44,819 for the same period in 2014.

Restrictions on Bank Dividends, Loans and Advances

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

Federal Reserve regulations also limit the amount Renasant Bank may loan to the Company unless such loans are collateralized by specific obligations. At June 30, 2015, the maximum amount available for transfer from Renasant Bank to the Company in the form of loans was \$57,896. The Company maintains a line of credit collateralized by cash with Renasant Bank totaling \$3,030. There were no amounts outstanding under this line of credit at June 30, 2015. These restrictions did not have any impact on the Company's ability to meet its cash obligations in six months ended June 30, 2015, nor does management expect such restrictions to materially impact the Company's ability to meet its currently-anticipated cash obligations.

Off-Balance Sheet Transactions

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

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

	June 30, 2015	December 31, 2014
Loan commitments	\$766,480	\$706,972
Standby letters of credit	31,082	31,804

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

Shareholders' Equity and Regulatory Matters

Total shareholders' equity of the Company was \$730,976 at June 30, 2015 compared to \$711,651 at December 31, 2014. Book value per share was \$23.10 and \$22.56 at June 30, 2015 and December 31, 2014, respectively. The growth in shareholders' equity was attributable to earnings retention and changes in accumulated other comprehensive income offset by dividends declared.

On September 5, 2012, the Company filed a shelf registration statement with the Securities and Exchange Commission ("SEC"). The shelf registration statement, which the SEC declared effective on September 17, 2012, allows the Company to raise capital from time to time, up to an aggregate of \$150,000, through the sale of common stock, preferred stock, debt securities, warrants and units, or a combination thereof, subject to market conditions. Specific terms and prices will be determined at the time of any

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offering under a separate prospectus supplement that the Company will be required to file with the SEC at the time of the specific offering. The proceeds of the sale of securities, if and when offered, will be used for general corporate purposes as described in any prospectus supplement and could include the expansion of the Company's banking, insurance and wealth management operations as well as other business opportunities.

The Company has junior subordinated debentures with a carrying value of \$94,821 at June 30, 2015, of which \$91,633 are included in the Company's Tier 1 capital. The Federal Reserve Board issued guidance in March 2005 providing more strict quantitative limits on the amount of securities that, similar to our junior subordinated debentures, are includable in Tier 1 capital. The new guidance, which became effective in March 2009, did not impact the amount of debentures we include in Tier 1 capital. In addition, although our existing junior subordinated debentures are unaffected, on account of changes enacted as part of the Dodd-Frank Act, any trust preferred securities issued after May 19, 2010 may not be included in Tier 1 capital.

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

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

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

	Actual		Minimum Capital Requirement to be Well Capitalized		Minimum Capital Requirement to be Adequately Capitalized			
	Amount	Ratio	Amount	Ratio	Amount	Ratio		
June 30, 2015								
Renasant Corporation:								
Risk-based capital ratios:								
Common equity tier 1 capital ratio	\$459,108	10.45	% \$285,557	6.50	% \$197,693	4.50	%	
Tier 1 risk-based capital ratio	550,106	12.52	% 351,455	8.00	% 263,591	6.00	%	
Total risk-based capital ratio	595,089	13.55	% 439,319	10.00	% 351,455	8.00	%	
Leverage capital ratios:								
Tier 1 leverage ratio	550,106	9.89	% 278,167	5.00	% 222,533	4.00	%	
Renasant Bank:								
Risk-based capital ratios:								
Common equity tier 1 capital ratio	\$534,552	12.20	% \$284,863	6.50	% \$197,213	4.50	%	
Tier 1 risk-based capital ratio	534,552	12.20	% 350,601	8.00	% 262,951	6.00	%	
Total risk-based capital ratio	578,960	13.21	% 438,251	10.00	% 350,601	8.00	%	
Leverage capital ratios:								
Tier 1 leverage ratio	534,552	9.63	% 277,441	5.00	% 221,953	4.00	%	
December 31, 2014								
Renasant Corporation:								
Risk-based capital ratios:								
Common equity tier 1 capital ratio	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Tier 1 risk-based capital ratio	\$521,135	12.45	% \$251,129	6.00	% \$167,419	4.00	%	
Total risk-based capital ratio	566,515	13.54	% 418,548	10.00	% 334,839	8.00	%	
Leverage capital ratios:								
Tier 1 leverage ratio	521,135	9.53	% 273,289	5.00	% 218,631	4.00	%	
Renasant Bank:								
Risk-based capital ratios:								
Common equity tier 1 capital ratio	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Tier 1 risk-based capital ratio	\$503,316	12.06	% \$250,381	6.00	% \$166,921	4.00	%	
Total risk-based capital ratio	548,124	13.13	% 417,302	10.00	% 333,841	8.00	%	
Leverage capital ratios:								
Tier 1 leverage ratio	503,316	9.23	% 272,529	5.00	% 218,023	4.00	%	

In July 2013, the Federal Reserve, the FDIC and the Office of the Comptroller of the Currency approved the implementation of the Basel III regulatory capital reforms and issued rules effecting certain changes required by the Dodd-Frank Act (the "Basel III Rules") that call for broad and comprehensive revision of regulatory capital standards for U.S. banking organizations. The Basel III Rules implemented a new common equity Tier 1 minimum capital requirement ("CET1"), a higher minimum Tier 1 capital requirement and other items affecting the calculation of the numerator of a banking organization's risk-based capital ratios. Additionally, the Basel III Rules apply limits to a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does

not hold a specified amount of CET1 capital in addition to the amount necessary to meet its minimum risk-based capital requirements.

The new CET1 capital ratio includes common equity as defined under GAAP and does not include any other type of non-common equity under GAAP. When the Basel III Rules are fully phased in in 2019, banks will be required to have CET1 capital of 4.5%

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of average assets, Tier 1 capital of 6% of average assets, as compared to the current 4%, and total capital of 8% of risk-weighted assets to be categorized as adequately capitalized.

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

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

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

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

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

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

Generally, the new Basel III Rules became effective on January 1, 2015, although parts of the Basel III Rules will be phased in through 2019.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk since December 31, 2014. For additional information regarding our market risk, see our Annual Report on Form 10-K for the year ended December 31, 2014.

Item 4. CONTROLS AND PROCEDURES

Based on their evaluation as of the end of the period covered by this quarterly report on Form 10-Q, our Principal Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) are effective for ensuring that information the Company is required to disclose in reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified

in the Securities and Exchange Commission's rules and forms. There were no changes in the Company's internal control over financial reporting during the fiscal quarter covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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Part II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

As previously disclosed, on December 31, 2014, a putative stockholder class action lawsuit, Stein v. Heritage Financial Group, Inc. et al., was filed in the Circuit Court for Baltimore City, Maryland, Civil Division (the “Court”), against Heritage Financial Group, Inc. (“Heritage”), the members of its board of directors, HeritageBank of the South, the Company and Renasant Bank. The complaint, which was amended on February 18, 2015, alleged that the Heritage directors breached their fiduciary duties and/or violated Maryland law in connection with the negotiation and approval of the merger agreement by failing to maximize shareholder value and failing to disclose material information in the February 9, 2015 preliminary joint proxy statement/prospectus and that Heritage, HeritageBank of the South, the Company and Renasant Bank aided and abetted those alleged breaches of fiduciary duties. In addition to monetary damages in an unspecified amount and other remedies, the lawsuit sought to enjoin Heritage and Company stockholders from voting on the merger at their respective special meetings and to otherwise enjoin the directors from consummating the merger.

While the defendants believed these actions were without merit, in order to avoid the expense of litigation, Heritage, HeritageBank of the South, the Company and Renasant Bank entered into a Stipulation and Agreement of Compromise and Settlement (“Settlement Agreement”) with the plaintiff in which Heritage, without admission of liability, agreed to make certain disclosures related to the merger agreement in supplemental materials which were filed with the SEC in a Form 8-K on May 18, 2015. The Settlement Agreement is subject to Court approval after notice to the former shareholders of Heritage. The parties are in the process of finalizing the pleadings to submit the Settlement Agreement to the Court for approval which may lead to payment of attorney’s fees and costs of \$262,500, which would conclude the litigation if accepted by the Court.

Item 1A. RISK FACTORS

Information regarding risk factors appears in Part I, Item 1A, “Risk Factors,” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2014. There have been no material changes in the risk factors disclosed in the Annual Report on Form 10-K.

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

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

The Company did not repurchase any shares of its outstanding stock during the three month period ended June 30, 2015.

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

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Item 6. EXHIBITS

Exhibit Number	Description
(2)(i)	Agreement and Plan of Merger by and among Renasant Corporation, Renasant Bank, First M&F Corporation and Merchants and Farmers Bank dated as of February 6, 2013(1)
(2)(ii)	Agreement and Plan of Merger by and among Renasant Corporation, Renasant Bank, Heritage Financial Group, Inc. and HeritageBank of the South (2)
(3)(i)	Articles of Incorporation of Renasant Corporation, as amended(3)
(3)(ii)	Restated Bylaws of Renasant Corporation, as amended (4)
(4)(i)	Articles of Incorporation of Renasant Corporation, as amended(3)
(4)(ii)	Restated Bylaws of Renasant Corporation, as amended (4)
(10)(i)	Executive Employment Agreement dated as of December 10, 2014 by and between Heritage Financial Group, Inc. and O. Leonard Dorminey
(10)(ii)	Assumption Agreement dated June 26, 2015 but effective as of July 1, 2015, by and among Renasant Corporation, Renasant Bank and O. Leonard Dorminey
(31)(i)	Certification of the Principal Executive Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31)(ii)	Certification of the Principal Financial Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32)(i)	Certification of the Principal Executive Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(32)(ii)	Certification of the Principal Financial Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(101)	The following materials from Renasant Corporation’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 were formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii)

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Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements (Unaudited).

- (1) Filed as exhibit 2.1 to the Form 8-K of the Company filed with the Securities and Exchange Commission on February 11, 2013 and incorporated herein by reference.
- (2) Filed as exhibit 2.1 to the Form 8-K of the Company filed with the Securities and Exchange Commission on December 15, 2014 and incorporated herein by reference.
- (3) Filed as exhibit 3.1 to the Company's Form 10-Q filed with the Securities and Exchange Commission on May 9, 2005 and incorporated herein by reference.
- (4) Filed as exhibit 3(ii) to the Company's Form 10-Q filed with the Securities and Exchange Commission on May 8, 2013 and incorporated herein by reference.

The Company does not have any long-term debt instruments under which securities are authorized exceeding ten percent of the total assets of the Company and its subsidiaries on a consolidated basis. The Company will furnish to the Securities and Exchange Commission, upon its request, a copy of all long-term debt instruments.

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SIGNATURES

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

RENASANT CORPORATION
(Registrant)

Date: August 7, 2015

/s/ E. Robinson McGraw
E. Robinson McGraw
Chairman of the Board, Director,
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 7, 2015

/s/ Kevin D. Chapman
Kevin D. Chapman
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

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