RENASANT CORP
Form 10-Q
November 08, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2013
Or

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

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

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

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

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

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

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

Large accelerated filer o	Accelerated filer ý
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of October 31, 2013, 31,361,803 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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For the Quarterly Period Ended September 30, 2013
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PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
Renasant Corporation and Subsidiaries
Consolidated Balance Sheets
(In Thousands, Except Share Data)

	(Unaudited) September 30, 2013	December 31, 2012
Assets		
Cash and due from banks	$ 86,964	$ 63,225
Interest-bearing balances with banks	146,185	69,195
Cash and cash equivalents	233,149	132,420
Securities held to maturity (fair value of $438,014 and $334,475, respectively)	440,055	317,766
Securities available for sale, at fair value	464,733	356,311
Mortgage loans held for sale, at fair value	28,466	34,845
Loans, net of unearned income:		
Covered under loss-share agreements	195,997	237,088
Not covered under loss-share agreements	3,685,535	2,573,165
Total loans, net of unearned income	3,881,532	2,810,253
Allowance for loan losses	(46,250)	(44,347)
Loans, net	3,835,282	2,765,906
Premises and equipment, net	104,458	66,752
Other real estate owned:		
Covered under loss-share agreements	16,580	45,534
Not covered under loss-share agreements	40,581	44,717
Total other real estate owned, net	57,161	90,251
Goodwill	275,328	184,859
Other intangible assets, net	29,737	6,066
FDIC loss-share indemnification asset	27,825	44,153
Other assets	239,854	179,287
Total assets	$ 5,736,048	$ 4,178,616
Liabilities and shareholders' equity		
Liabilities		
Deposits		
Noninterest-bearing	$ 876,138	$ 568,214
Interest-bearing	3,958,618	2,893,007
Total deposits	4,834,756	3,461,221
Short-term borrowings	6,649	5,254
Long-term debt	170,518	159,452
Other liabilities	66,869	54,481
Total liabilities	5,078,792	3,680,408
Shareholders' equity		
Preferred stock, $.01 par value – 5,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $5.00 par value – 75,000,000 shares authorized, 32,656,166 shares issued; 31,358,583 and 25,157,637 shares outstanding, respectively	163,281	133,579
Treasury stock, at cost	(22,957)	(25,626)
Additional paid-in capital	341,669	218,128
Retained earnings	188,907	180,628

Accumulated other comprehensive loss, net of taxes	(13,644)	(8,501)
Total shareholders’ equity	657,256	498,208
Total liabilities and shareholders’ equity	$ 5,736,048	$ 4,178,616

See Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Interest income				
Loans	$39,308	$34,411	$108,031	$102,708
Securities				
Taxable	3,282	2,677	9,504	10,567
Tax-exempt	2,001	2,033	5,844	6,190
Other	47	33	149	172
Total interest income	44,638	39,154	123,528	119,637
Interest expense				
Deposits	4,313	4,447	12,488	14,835
Borrowings	1,577	1,575	4,507	5,417
Total interest expense	5,890	6,022	16,995	20,252
Net interest income	38,748	33,132	106,533	99,385
Provision for loan losses	2,300	4,625	8,350	14,125
Net interest income after provision for loan losses	36,448	28,507	98,183	85,260
Noninterest income				
Service charges on deposit accounts	5,361	4,818	14,370	13,838
Fees and commissions	4,982	4,639	14,661	12,889
Insurance commissions	1,295	889	3,107	2,710
Wealth management revenue	2,091	1,707	5,530	5,200
Gains on sales of securities	—	—	54	1,773
BOLI income	1,904	689	3,268	2,453
Gains on sales of mortgage loans held for sale	2,788	4,397	10,223	8,068
Other	514	916	2,417	3,830
Total noninterest income	18,935	18,055	53,630	50,761
Noninterest expense				
Salaries and employee benefits	25,689	21,222	68,869	59,741
Data processing	2,236	2,192	6,324	6,443
Net occupancy and equipment	4,576	3,886	11,852	11,091
Other real estate owned	1,537	2,440	5,359	9,809
Professional fees	1,542	1,115	4,019	3,101
Advertising and public relations	1,514	1,216	4,250	3,715
Intangible amortization	724	341	1,361	1,048
Communications	1,310	1,115	3,572	3,144
Extinguishment of debt	—	—	—	898
Merger-related expenses	3,763	—	4,148	—
Other	3,722	5,145	12,193	13,094
Total noninterest expense	46,613	38,672	121,947	112,084
Income before income taxes	8,770	7,890	29,866	23,937
Income taxes	2,133	853	7,639	4,581
Net income	$6,637	$7,037	$22,227	$19,356
Basic earnings per share	$0.24	$0.28	$0.86	$0.77
Diluted earnings per share	$0.24	$0.28	$0.85	$0.77

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

See Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	$6,637	$7,037	$22,227	$19,356
Other comprehensive income, net of tax:				
Securities:				
Unrealized holding gains (losses) on securities	782	2,486	(6,091)	4,594
Reclassification adjustment for losses (gains) realized in net income	—	—	71	(1,095)
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(49)	(83)	(169)	(276)
Total securities	733	2,403	(6,189)	3,223
Derivative instruments:				
Unrealized holding (losses) gains on derivative instruments	(297)	(241)	902	(1,379)
Reclassification adjustment for gains realized in net income	(22)	(71)	(126)	(259)
Totals derivative instruments	(319)	(312)	776	(1,638)
Defined benefit pension and post-retirement benefit plans:				
Net (loss) gain arising during the period	—	—	—	—
Less amortization of net actuarial loss recognized in net periodic pension cost	113	66	270	198
Total defined benefit pension and post-retirement benefit plans	113	66	270	198
Other comprehensive loss, net of tax	527	2,157	(5,143)	1,783
Comprehensive income	$7,164	$9,194	$17,084	$21,139

See Notes to Consolidated Financial Statements.

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

	Nine Months Ended September 30, 2013	2012
Operating activities		
Net cash provided by operating activities	$124,122	$134,775
Investing activities		
Purchases of securities available for sale	(106,521)	(107,235)
Proceeds from sales of securities available for sale	9,015	86,850
Proceeds from call/maturities of securities available for sale	62,606	106,391
Purchases of securities held to maturity	(70,075)	(99,045)
Proceeds from sales of securities held to maturity	4,461	—
Proceeds from call/maturities of securities held to maturity	84,667	131,483
Net increase in loans	(190,010)	(270,091)
Purchases of premises and equipment	(8,685)	(13,568)
Proceeds from sales of premises and equipment	—	108
Net cash received in acquisition	170,061	—
Net cash used in investing activities	(44,481)	(165,107)
Financing activities		
Net increase in noninterest-bearing deposits	20,770	22,671
Net increase (decrease) in interest-bearing deposits	26,735	(38,880)
Net (decrease) increase in short-term borrowings	(5,394)	53,474
Repayment of long-term debt	(7,326)	(85,155)
Cash paid for dividends	(13,951)	(12,832)
Cash received on exercise of stock-based compensation	99	435
Excess tax benefit from stock-based compensation	155	20
Net cash provided by (used in) financing activities	21,088	(60,267)
Net increase (decrease) in cash and cash equivalents	100,729	(90,599)
Cash and cash equivalents at beginning of period	132,420	209,017
Cash and cash equivalents at end of period	$233,149	$118,418
Supplemental disclosures		
Noncash transactions:		
Transfers of loans to other real estate owned	$13,747	$34,217

See Notes to Consolidated Financial Statements.

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

Note A – Summary of Significant Accounting Policies

Nature of Operations: Renasant Corporation (referred to herein as the "Company") owns and operates Renasant Bank ("Renasant Bank" or the "Bank") and Renasant Insurance, Inc. The Company offers a diversified range of financial, fiduciary and insurance services to its retail and commercial customers through its subsidiaries and full service offices located throughout north and north 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, 2012 filed with the Securities and Exchange Commission on March 8, 2013.

On September 1, 2013, the Company completed its acquisition of First M&F Corporation ("First M&F"). The financial condition and results of operation for First M&F are included in the Company's financial statements since the date of the acquisition. See Note M, "Mergers and Acquisitions," in these Notes to Consolidated Financial Statements for further details regarding the terms and conditions of the Company's merger with First M&F.

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, and has determined that no significant events occurred after September 30, 2013 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)

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2013				
Obligations of other U.S. Government agencies and corporations	$149,056	$13	$(7,707)	$141,362
Obligations of states and political subdivisions	290,999	8,352	(2,699)	296,652
	$440,055	$8,365	$(10,406)	$438,014
December 31, 2012				
Obligations of other U.S. Government agencies and corporations	$90,045	$116	$(232)	$89,929
Obligations of states and political subdivisions	227,721	16,860	(35)	244,546
	$317,766	$16,976	$(267)	$334,475

In light of the ongoing fiscal uncertainty in state and local governments, the Company analyzes its exposure to potential losses in its security portfolio on at least a quarterly basis. Management reviews the underlying credit rating and analyzes the financial condition of the respective issuers. Based on this analysis, the Company sold certain securities representing obligations of state and political subdivisions that were classified as held to maturity during 2013. The securities sold showed significant credit deterioration in that an

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

analysis of the financial condition of the respective issuers showed the issuers were operating at net deficits with little to no financial cushion to offset future contingencies. These securities had a carrying value of $4,292, and the Company recognized a net gain of $169 on the sale during the nine months ended September 30, 2013. No securities classified as held to maturity were sold during the nine months ended September 30, 2012.

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2013				
Obligations of other U.S. Government agencies and corporations	$6,151	$146	$(211)	$6,086
Residential mortgage backed securities:				
Government agency mortgage backed securities	221,276	3,264	(3,610)	220,930
Government agency collateralized mortgage obligations	151,340	1,793	(3,777)	149,356
Commercial mortgage backed securities:				
Government agency mortgage backed securities	41,440	1,486	(547)	42,379
Government agency collateralized mortgage obligations	5,029	82	—	5,111
Trust preferred securities	27,629	—	(10,876)	16,753
Other debt securities	20,174	280	(213)	20,241
Other equity securities	2,775	1,102	—	3,877
	$475,814	$8,153	$(19,234)	$464,733

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2012				
Obligations of other U.S. Government agencies and corporations	$2,169	$273	$—	$2,442
Residential mortgage backed securities:				
Government agency mortgage backed securities	139,699	5,209	(91)	144,817
Government agency collateralized mortgage obligations	115,647	2,273	(399)	117,521
Commercial mortgage backed securities:				
Government agency mortgage backed securities	41,981	3,077	—	45,058
Government agency collateralized mortgage obligations	5,091	316	—	5,407
Trust preferred securities	28,612	—	(13,544)	15,068
Other debt securities	22,079	852	(1)	22,930
Other equity securities	2,355	713	—	3,068
	$357,633	$12,713	$(14,035)	$356,311

Gross realized gains and gross realized losses on sales of securities available for sale for the three and nine months ended September 30, 2013 and 2012 were as follows:

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Gross gains on sales of securities available for sale	$—	$—	$—	$1,850
Gross losses on sales of securities available for sale	—	—	(115)	(77)
(Loss) Gain on sales of securities available for sale, net	$—	$—	$(115)	$1,773

At September 30, 2013 and December 31, 2012, securities with a carrying value of $581,266 and $308,362, respectively, were pledged to secure government, public and trust deposits. Securities with a carrying value of $5,684 and $19,006 were pledged as collateral for short-term borrowings and derivative instruments at September 30, 2013 and December 31, 2012, respectively.
The amortized cost and fair value of securities at September 30, 2013 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because issuers may call or prepay obligations with or without call or prepayment penalties.

	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$34,535	$34,604	$—	$—
Due after one year through five years	52,911	54,378	1,084	1,161
Due after five years through ten years	196,982	191,821	5,067	4,925
Due after ten years	155,627	157,211	27,629	16,753
Residential mortgage backed securities:				
Government agency mortgage backed securities	—	—	221,276	220,930
Government agency collateralized mortgage obligations	—	—	151,340	149,356
Commercial mortgage backed securities:				
Government agency mortgage backed securities	—	—	41,440	42,379
Government agency collateralized mortgage obligations	—	—	5,029	5,111
Other debt securities	—	—	20,174	20,241
Other equity securities	—	—	2,775	3,877
	$440,055	$438,014	$475,814	$464,733

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

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

	Less than 12 Months			12 Months or More			Total		
	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses
Held to Maturity:									
September 30, 2013									
Obligations of other U.S. Government agencies and corporations	30	$138,850	$(7,707)	0	$—	$—	30	$138,850	$(7,707)
Obligations of states and political subdivisions	110	59,395	(2,699)	0	—	—	110	59,395	(2,699)
Total	140	$198,245	$(10,406)	0	$—	$—	140	198,245	$(10,406)
December 31, 2012									
Obligations of other U.S. Government agencies and corporations	8	$35,224	$(232)	0	$—	$—	8	$35,224	$(232)
Obligations of states and political subdivisions	4	2,861	(34)	1	126	(1)	5	2,987	(35)
Total	12	$38,085	$(266)	1	$126	$(1)	13	$38,211	$(267)
Available for Sale:									
September 30, 2013									
Obligations of other U.S. Government agencies and corporations	1	$3,789	$(211)	0	$—	$—	1	$3,789	$(211)
Residential mortgage backed securities:									
Government agency mortgage backed securities	24	95,531	(3,610)	0	—	—	24	95,531	(3,610)
Government agency collateralized mortgage obligations	18	76,248	(3,476)	2	7,335	(301)	20	83,583	(3,777)
Commercial mortgage backed securities:									
Government agency mortgage backed securities	4	16,672	(547)	0	—	—	4	16,672	(547)
Government agency collateralized	0	—	—	0	—	—	0	—	—

mortgage obligations									
Trust preferred securities	0	—	—	4	16,753	(10,876)	4	16,753	(10,876)
Other debt securities	1	2,764	(206)	1	1,971	(7)	2	4,735	(213)
Total	48	$195,004	$(8,050)	7	$26,059	$(11,184)	55	$221,063	$(19,234)
December 31, 2012									
Obligations of other U.S. Government agencies and corporations	0	$—	$—	0	$—	$—	0	$—	$—
Residential mortgage backed securities:									
Government agency mortgage backed securities	3	15,431	(91)	0	—	—	3	15,431	(91)
Government agency collateralized mortgage obligations	11	44,616	(389)	1	1,605	(10)	12	46,221	(399)
Commercial mortgage backed securities:									
Government agency mortgage backed securities	0	—	—	0	—	—	0	—	—
Government agency collateralized mortgage obligations	0	—	—	0	—	—	0	—	—
Trust preferred securities	0	—	—	4	15,068	(13,544)	4	15,068	(13,544)
Other debt securities	0	—	—	1	2,188	(1)	1	2,188	(1)
Other equity securities	0	—	—	0	—	—	0	—	—
Total	14	$60,047	$(480)	6	$18,861	$(13,555)	20	$78,908	$(14,035)

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 holds investments in pooled trust preferred securities that had an amortized cost basis of $27,629 and $28,612 and a fair value of $16,753 and $15,068, at September 30, 2013 and December 31, 2012, respectively. The investments in pooled trust preferred securities consist of four securities representing interests in various tranches of trusts collateralized by debt issued by over 330 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, 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 maturity. At September 30, 2013, 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 four trust preferred securities and recognized credit related impairment losses on these securities in 2010 and 2011. No additional impairment was recognized during the three or nine months ended September 30, 2013.

However, based on the qualitative factors discussed above, each of the four pooled trust preferred securities was classified as a nonaccruing asset at September 30, 2013. Investment interest is recorded on the cash-basis method until qualifying for return to accrual status.

The following table provides information regarding the Company's investments in pooled trust preferred securities at September 30, 2013:

Name	Single/ Pooled	Class/ Tranche	Amortized Cost	Fair Value	Unrealized Loss	Lowest Credit Rating	Issuers Currently in Deferral or Default
XIII	Pooled	B-2	$1,155	$1,140	$(15)	Caa3	28%
XXIII	Pooled	B-2	8,831	5,547	(3,284)	B1	21%
XXIV	Pooled	B-2	12,076	6,782	(5,294)	Ca	34%
XXVI	Pooled	B-2	5,567	3,284	(2,283)	Ca	31%
			$27,629	$16,753	$(10,876)		

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:

	2013	2012
Balance at January 1	$(3,337)	$(3,337)
Additions related to credit losses for which OTTI was not previously recognized	—	—
Increases in credit loss for which OTTI was previously recognized	—	—
Balance at September 30	$(3,337)	$(3,337)

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

	September 30, 2013	December 31, 2012
Commercial, financial, agricultural	$481,243	$317,050
Lease financing	76	195
Real estate – construction	152,217	105,706
Real estate – 1-4 family mortgage	1,192,223	903,423
Real estate – commercial mortgage	1,960,584	1,426,643
Installment loans to individuals	95,190	57,241
Gross loans	3,881,533	2,810,258
Unearned income	(1)	(5)
Loans, net of unearned income	3,881,532	2,810,253
Allowance for loan losses	(46,250)	(44,347)
Net loans	$3,835,282	$2,765,906

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 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. 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
September 30, 2013									
Commercial, financial, agricultural	$1,362	$272	$476,874	$478,508	$—	$1,922	$813	$2,735	$481,243
Lease financing	—	—	76	76	—	—	—	—	76
Real estate – construction	1	592	149,976	150,569	—	1,648	—	1,648	152,217
Real estate – 1-4 family mortgage	11,965	3,436	1,158,038	1,173,439	2,276	5,788	10,720	18,784	1,192,223
Real estate – commercial mortgage	10,526	6,796	1,896,754	1,914,076	3,294	33,224	9,990	46,508	1,960,584
Installment loans to individuals	324	56	94,681	95,061	—	129	—	129	95,190
Unearned income	—	—	(1)	(1)	—	—	—	—	(1)
Total	$24,178	$11,152	$3,776,398	$3,811,728	$5,570	$42,711	$21,523	$69,804	$3,881,532
December 31, 2012									
Commercial, financial, agricultural	$484	$15	$312,943	$313,442	$215	$3,131	$262	$3,608	$317,050
Lease financing	—	—	195	195	—	—	—	—	195
Real estate – construction	80	—	103,978	104,058	—	1,648	—	1,648	105,706
Real estate – 1-4 family mortgage	6,685	1,992	867,053	875,730	1,249	13,417	13,027	27,693	903,423
Real estate – commercial mortgage	5,084	1,250	1,373,470	1,379,804	325	38,297	8,217	46,839	1,426,643
Installment loans to individuals	197	50	56,715	56,962	7	265	7	279	57,241
Unearned income	—	—	(5)	(5)	—	—	—	—	(5)
Total	$12,530	$3,307	$2,714,349	$2,730,186	$1,796	$56,758	$21,513	$80,067	$2,810,253

Restructured loans contractually 90 days past due or more totaled $646 at December 31, 2012. There were no restructured loans contractually 90 days past due or more at September 30, 2013. The outstanding balance of restructured loans on nonaccrual status was $12,662 and $11,420 at September 30, 2013 and December 31, 2012, 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
September 30, 2013					
Commercial, financial, agricultural	$6,536	$603	$2,193	$2,796	$260
Lease financing	—	—	—	—	—
Real estate – construction	2,447	—	1,648	1,648	—
Real estate – 1-4 family mortgage	39,279	25,285	4,776	30,061	7,569
Real estate – commercial mortgage	107,940	30,545	39,269	69,814	7,079
Installment loans to individuals	—	—	—	—	—
Total	$156,202	$56,433	$47,886	$104,319	$14,908
December 31, 2012					
Commercial, financial, agricultural	$5,142	$1,620	$1,620	$3,240	$708
Lease financing	—	—	—	—	—
Real estate – construction	2,447	—	1,648	1,648	—
Real estate – 1-4 family mortgage	80,022	28,848	10,094	38,942	9,201
Real estate – commercial mortgage	118,167	34,400	39,450	73,850	7,688
Installment loans to individuals	—	—	—	—	—
Totals	$205,778	$64,868	$52,812	$117,680	$17,597

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

	Three Months Ended September 30, 2013		Three Months Ended September 30, 2012	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized(1)
Commercial, financial, agricultural	$5,183	$4	$3,474	$25
Lease financing	—	—	—	—
Real estate – construction	1,650	—	2,086	6
Real estate – 1-4 family mortgage	32,274	158	58,104	917
Real estate – commercial mortgage	75,312	379	89,463	620
Installment loans to individuals	—	—	—	—
Total	$114,419	$541	$153,127	$1,568

(1) Includes interest income recognized using the cash-basis method of income recognition of $814. No interest income was recognized using the cash-basis method of income recognition during the three months ended September 30, 2013.

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	Nine Months Ended September 30, 2013		Nine Months Ended September 30, 2012	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized[(1)]
Commercial, financial, agricultural	$5,123	$4	$3,610	$41
Lease financing	—	—	—	—
Real estate – construction	1,650	—	2,087	6
Real estate – 1-4 family mortgage	33,181	449	62,320	1,515
Real estate – commercial mortgage	75,997	845	95,050	1,696
Installment loans to individuals	—	—	—	—
Total	$115,951	$1,298	$163,067	$3,258

(1) Includes interest income recognized using the cash-basis method of income recognition of $1,128. No interest income was recognized using the cash-basis method of income recognition during the nine months ended September 30, 2013.

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. Restructured loans that are not performing in accordance with their restructured terms that are either contractually 90 days past due or placed on nonaccrual status are reported as nonperforming loans. The following table presents restructured loans segregated by class as of the dates presented:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
September 30, 2013			
Commercial, financial, agricultural	1	$—	$20
Lease financing	—	—	—
Real estate – construction	—	—	—
Real estate – 1-4 family mortgage	23	18,670	10,625
Real estate – commercial mortgage	16	12,224	11,419
Installment loans to individuals	1	—	172
Total	41	$30,894	$22,236
December 31, 2012			
Commercial, financial, agricultural	—	$—	$—
Lease financing	—	—	—
Real estate – construction	—	—	—
Real estate – 1-4 family mortgage	19	18,450	10,853
Real estate – commercial mortgage	16	18,985	18,409
Installment loans to individuals	1	184	174

Total	36	$37,619	$29,436

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

	Number of Loans	Recorded Investment
Totals at January 1, 2013	36	$29,436
Additional loans with concessions	13	4,319
Reductions due to:		
Reclassified as nonperforming	(2)	(3,227)
Charge-offs	(2)	(877)
Transfer to other real estate owned	—	—
Principal paydowns		(1,674)
Lapse of concession period	(4)	(5,741)
Totals at September 30, 2013	41	$22,236

The allocated allowance for loan losses attributable to restructured loans was $3,218 and $3,969 at September 30, 2013 and December 31, 2012, respectively. The Company had $93 and $288 in remaining availability under commitments to lend additional funds on these restructured loans at September 30, 2013 and December 31, 2012, respectively.

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

	Pass	Watch	Substandard	Total
September 30, 2013				
Commercial, financial, agricultural	$330,739	$27,455	$1,868	$360,062
Real estate – construction	106,040	922	—	106,962
Real estate – 1-4 family mortgage	129,710	13,960	28,652	172,322
Real estate – commercial mortgage	1,347,068	31,917	36,377	1,415,362