

RENASANT CORP
Form 10-Q
August 09, 2012
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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, 2012

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)

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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 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, 2012, 25,113,894 shares of the registrant's common stock, \$5.00 par value per share, were outstanding. The registrant has no other classes of securities outstanding.

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Renasant Corporation and Subsidiaries

Form 10-Q

For the Quarterly Period Ended June 30, 2012

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Renasant Corporation and Subsidiaries

Consolidated Balance Sheets

(In Thousands, Except Share Data)

	(Unaudited) June 30, 2012	December 31, 2011
Assets		
Cash and due from banks	\$ 69,893	\$ 85,684
Interest-bearing balances with banks	126,513	123,333
Cash and cash equivalents	196,406	209,017
Securities held to maturity (fair value of \$305,183 and \$344,618, respectively)	290,050	332,410
Securities available for sale, at fair value	386,671	463,931
Mortgage loans held for sale	25,386	28,222
Loans, net of unearned income:		
Covered under loss-share agreements	289,685	339,462
Not covered under loss-share agreements	2,392,349	2,241,622
Total loans, net of unearned income	2,682,034	2,581,084
Allowance for loan losses	(44,779)	(44,340)
Loans, net	2,637,255	2,536,744
Premises and equipment, net	57,958	54,498
Other real estate owned:		
Covered under loss-share agreements	37,951	43,156
Not covered under loss-share agreements	58,384	70,079
Total other real estate owned, net	96,335	113,235
Goodwill	184,879	184,879
Other intangible assets, net	6,739	7,447
FDIC loss-share indemnification asset	54,473	107,754
Other assets	176,225	163,871
Total assets	\$ 4,112,377	\$ 4,202,008
Liabilities and shareholders equity		
Liabilities		
Deposits		
Noninterest-bearing	\$ 539,237	\$ 531,910
Interest-bearing	2,866,959	2,880,327
Total deposits	3,406,196	3,412,237

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Short-term borrowings	7,700	11,485
Long-term debt	162,279	243,224
Other liabilities	44,668	47,860
Total liabilities	3,620,843	3,714,806
Shareholders' equity		
Preferred stock, \$.01 par value 5,000,000 shares authorized; no shares issued and outstanding		
Common stock, \$5.00 par value 75,000,000 shares authorized, 26,715,797 shares issued; 25,113,894 and 25,066,068 shares outstanding, respectively	133,579	133,579
Treasury stock, at cost	(26,038)	(26,815)
Additional paid-in capital	217,640	217,477
Retained earnings	174,874	171,108
Accumulated other comprehensive loss, net of taxes	(8,521)	(8,147)
Total shareholders' equity	491,534	487,202
Total liabilities and shareholders' equity	\$ 4,112,377	\$ 4,202,008

See Notes to Consolidated Financial Statements.

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Renasant Corporation and Subsidiaries

Consolidated Statements of Income (Unaudited)

(In Thousands, Except Share Data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Interest income				
Loans	\$ 34,016	\$ 36,245	\$ 68,298	\$ 72,189
Securities				
Taxable	3,735	5,342	7,745	10,905
Tax-exempt	2,173	2,069	4,301	4,199
Other	54	163	139	369
Total interest income	39,978	43,819	80,483	87,662
Interest expense				
Deposits	4,969	8,776	10,388	18,858
Borrowings	1,599	2,377	3,842	5,002
Total interest expense	6,568	11,153	14,230	23,860
Net interest income	33,410	32,666	66,253	63,802
Provision for loan losses	4,700	5,350	9,500	10,850
Net interest income after provision for loan losses	28,710	27,316	56,753	52,952
Noninterest income				
Service charges on deposit accounts	4,495	5,036	9,020	9,877
Fees and commissions	4,322	3,118	8,250	6,049
Insurance commissions	842	792	1,740	1,629
Wealth management revenue	1,551	1,139	3,493	2,195
Gains on sales of securities	869	4	1,773	16
Other-than-temporary-impairment losses on securities available for sale		(15,445)		(15,445)
Non-credit related portion of other-than-temporary impairment on securities, recognized in other comprehensive income		15,183		15,183
Net impairment losses on securities		(262)		(262)
BOLI income	654	883	1,765	1,478
Gains on sales of mortgage loans held for sale	2,390	949	3,671	2,100
Gain on acquisition				8,774
Other	1,115	721	2,913	1,519
Total noninterest income	16,238	12,380	32,625	33,375
Noninterest expense				
Salaries and employee benefits	19,871	16,173	38,520	32,410
Data processing	2,211	1,657	4,251	3,445
Net occupancy and equipment	3,582	3,367	7,197	6,585
Other real estate owned	3,370	2,122	7,369	5,633
Professional fees	1,015	1,208	1,986	2,022
Advertising and public relations	1,302	1,124	2,499	2,120
Intangible amortization	349	510	707	1,025

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Communications	926	1,212	2,029	2,374
Merger-related expenses				1,325
Extinguishment of debt			898	1,903
Other	4,084	4,272	7,875	8,796
Total noninterest expense	36,710	31,645	73,331	67,638
Income before income taxes	8,238	8,051	16,047	18,689
Income taxes	1,893	2,294	3,728	5,379
Net income	\$ 6,345	\$ 5,757	\$ 12,319	\$ 13,310
Basic earnings per share	\$ 0.25	\$ 0.23	\$ 0.49	\$ 0.53
Diluted earnings per share	\$ 0.25	\$ 0.23	\$ 0.49	\$ 0.53
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 June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income	\$ 6,345	\$ 5,757	\$ 12,319	\$ 13,310
Other comprehensive income, net of tax:				
Securities available for sale:				
Unrealized holding gains on securities	1,090	14,378	2,108	14,655
Non-credit related portion of other-than-temporary impairment on securities		(9,376)		(9,376)
Reclassification adjustment for (gains) losses realized in net income	(537)	159	(1,095)	152
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(91)	(221)	(193)	(390)
Total securities available for sale	462	4,940	820	5,041
Derivative instruments:				
Unrealized holding losses on derivative instruments	(1,027)		(1,138)	
Reclassification adjustment for gains realized in net income	(94)	(94)	(188)	(187)
Totals derivative instruments	(1,121)	(94)	(1,326)	(187)
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	66	66	132	137
Total defined benefit pension and post-retirement benefit plans	66	66	132	137
Other comprehensive (loss) income	(593)	4,912	(374)	4,991
Comprehensive income	\$ 5,752	\$ 10,669	\$ 11,945	\$ 18,301

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,	2012	2011
Operating activities			
Net cash provided by operating activities	\$	101,300	\$ 72,148
Investing activities			
Purchases of securities available for sale	(83,426)		(48,586)
Proceeds from sales of securities available for sale	86,850		
Proceeds from call/maturities of securities available for sale	74,681		84,781
Purchases of securities held to maturity	(69,564)		(56,684)
Proceeds from sales of securities held to maturity			13,033
Proceeds from call/maturities of securities held to maturity	111,391		21,917
Net (increase) decrease in loans	(128,965)		2,447
Purchases of premises and equipment	(6,012)		(2,747)
Proceeds from sales of premises and equipment	45		77
Net cash received in acquisition			148,443
Net cash (used in) provided by investing activities	(15,000)		162,681
Financing activities			
Net increase in noninterest-bearing deposits	7,327		79,792
Net decrease in interest-bearing deposits	(13,368)		(293,531)
Net (decrease) increase in short-term borrowings	(3,785)		680
Repayment of long-term debt	(80,864)		(68,994)
Cash paid for dividends	(8,554)		(8,535)
Cash received on exercise of stock-based compensation	333		255
Net cash used in financing activities	(98,911)		(290,333)
Net decrease in cash and cash equivalents	(12,611)		(55,504)
Cash and cash equivalents at beginning of period	209,017		292,669
Cash and cash equivalents at end of period	\$	196,406	\$ 237,165
Supplemental disclosures			
Noncash transactions:			
Transfers of loans to other real estate	\$	21,999	\$ 27,828
<i>See Notes to Consolidated Financial Statements.</i>			

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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 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 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, 2011 filed with the Securities and Exchange Commission on March 8, 2012.

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 June 30, 2012 but prior to the issuance of these financial statements that would have a material impact on its Consolidated Financial Statements.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note B Mergers and Acquisitions

(In Thousands)

Acquisition of RBC Bank (USA) Trust Division

On August 31, 2011, the Company acquired the Birmingham, Alabama-based trust department of RBC Bank (USA), which serves clients in Alabama and Georgia. Under the terms of the transaction, RBC Bank (USA) transferred its approximately \$680,000 in assets under management, comprised of personal and institutional clients with over 200 trust, custodial and escrow accounts, to a wholly-owned subsidiary, and the Bank acquired all of the ownership interests in the subsidiary, which was subsequently merged into the Bank. In connection with the acquisition, the Company recognized a gain of \$570, which was recognized under the line item *Gain on acquisition* in the Consolidated Statements of Income for the year ended December 31, 2011. Acquisition costs related to the transaction of \$326 were recognized under the line item *Merger-related expenses* in the Consolidated Statements of Income for the year ended December 31, 2011.

FDIC-Assisted Acquisitions

On February 4, 2011, the Bank entered into a purchase and assumption agreement with loss-share agreements with the Federal Deposit Insurance Corporation (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 acquisition of American Trust resulted in a pre-tax gain of \$8,774. Due to the difference in tax bases of the assets acquired and liabilities assumed, the Company recorded a deferred tax liability of \$3,356, resulting in an after-tax gain of \$5,418. Under the Internal Revenue Code, the gain will be recognized over the next six years. The foregoing pre-tax and after-tax gains are considered a bargain purchase gain under Financial Accounting Standards Board Accounting Standards Codification Topic (*ASC*) 805, *Business Combinations*, since the total acquisition-date fair value of the identifiable net assets acquired exceeded the fair value of the consideration transferred. This gain was recognized as noninterest income in the Consolidated Statements of Income.

Acquisition costs related to the American Trust acquisition of \$1,325 were recognized under the line item *Merger-related expenses* in the Consolidated Statements of Income for the six months ended June 30, 2011.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note B Mergers and Acquisitions (continued)

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. The acquisition allowed the Company to expand its footprint into new markets in the State of Georgia. In addition, this acquisition gave the Company options to evaluate expansion opportunities in north Georgia and adjacent states.

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.

Loans acquired in business combinations with evidence of credit deterioration since origination and for which it is probable that all contractually required payments will not be collected are considered to be credit impaired. Acquired credit-impaired loans are accounted for under the accounting guidance for loans and debt securities acquired with deteriorated credit quality, in accordance with ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality (ASC 310-30), and initially measured at fair value, which includes estimated future credit losses expected to be incurred over the life of the loans. Increases in expected cash flows to be collected on these loans are recognized as an adjustment of the loan s yield over its remaining life, while decreases in expected cash flows are recognized as an impairment. Loans acquired through business combinations that do not meet the specific criteria of ASC 310-30, but for which a discount is attributable, at least in part, to credit quality, are also accounted for under this guidance. As a result, related discounts are recognized subsequently through accretion based on the expected cash flow of the acquired loans.

Acquired loans covered under loss-share agreements with the FDIC are recorded, as of their respective acquisition dates, at fair value. The fair value of these loans represents the expected discounted cash flows to be received over the lives of the loans, taking into account the Company s estimate of future credit losses on the loans. These loans are excluded from the calculation of the allowance for loan losses because the fair value measurement incorporates an estimate of losses on acquired loans. The Company monitors future cash flows on these loans; to the extent future cash flows deteriorate below initial projections, the Company reserves for these loans in the allowance for loan losses through the provision for loan losses. With respect to the loans covered under loss-share agreements acquired in the Crescent and American Trust transactions, no provision for loan losses was recorded during the three or six months ended June 30, 2012 or 2011.

In these Notes to Consolidated Financial Statements, the Company refers to loans subject to the loss-share agreements as covered loans or loans covered under loss-share agreements and loans that are not subject to the loss-share agreements as not covered loans or loans not covered under loss-share agreements.

As part of the loan portfolio and other real estate owned 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. The estimated losses are based on the same cash flow estimates used in determining the fair value of the covered assets. The FDIC loss-share indemnification asset is reduced as losses are recognized on covered assets and loss-share payments are received from the FDIC. Realized losses in excess of estimates as of the date of the acquisition increase the FDIC loss-share indemnification asset. Conversely, when realized losses are less than these estimates, the portion of the FDIC loss-share indemnification asset no longer expected to result in a payment from the FDIC is amortized into interest income using the effective interest method.

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

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Balance at January 1, 2012	\$ 107,754
Realized losses in excess of initial estimates	13,013
Reimbursements received	(65,828)
Accretion	(466)
Balance at June 30, 2012	\$ 54,473

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note C 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
June 30, 2012				
Obligations of other U.S. Government agencies and corporations	\$ 54,150	\$ 191	\$ (71)	\$ 54,270
Obligations of states and political subdivisions	235,900	15,198	(185)	250,913
	\$ 290,050	\$ 15,389	\$ (256)	\$ 305,183
December 31, 2011				
Obligations of other U.S. Government agencies and corporations	\$ 107,660	\$ 225	\$ (74)	\$ 107,811
Obligations of states and political subdivisions	224,750	12,083	(26)	236,807
	\$ 332,410	\$ 12,308	\$ (100)	\$ 344,618

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 2011. The securities sold showed significant credit deterioration in that an 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 \$13,017, and the Company recognized a net gain of \$16 on the sale during the six months ended June 30, 2011. No securities classified as held to maturity were sold during the six months ended June 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
June 30, 2012				
Obligations of other U.S. Government agencies and corporations	\$ 2,181	\$ 252	\$	\$ 2,433
Residential mortgage backed securities:				
Government agency mortgage backed securities	170,588	6,462		177,050
Government agency collateralized mortgage obligations	125,401	2,805	(257)	127,949
Commercial mortgage backed securities:				
Government agency mortgage backed securities	34,333	2,828	(32)	37,129
Government agency collateralized mortgage obligations	5,131	281		5,412
Trust preferred securities	29,459		(16,787)	12,672
Other debt securities	20,361	878	(3)	21,236
Other equity securities	2,355	435		2,790

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\$ 389,809 \$ 13,941 \$ (17,079) \$ 386,671

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note C Securities (continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2011				
Obligations of other U.S. Government agencies and corporations	\$ 17,193	\$ 202	\$	\$ 17,395
Residential mortgage backed securities:				
Government agency mortgage backed securities	224,242	6,455	(30)	230,667
Government agency collateralized mortgage obligations	133,369	3,700	(82)	136,987
Commercial mortgage backed securities:				
Government agency mortgage backed securities	34,635	2,054	(20)	36,669
Government agency collateralized mortgage obligations	5,170	146		5,316
Trust preferred securities	30,410		(17,625)	12,785
Other debt securities	21,351	527	(3)	21,875
Other equity securities	2,341		(104)	2,237
	\$ 468,711	\$ 13,084	\$ (17,864)	\$ 463,931

Gross realized gains and gross realized losses on sales of securities available for sale for the three and six months ended June 30, 2012 and 2011 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Gross gains on sales of securities available for sale	\$ 946	\$	\$ 1,850	\$
Gross losses on sales of securities available for sale	(77)		(77)	
Gain on sales of securities available for sale, net	\$ 869	\$	\$ 1,773	\$

At June 30, 2012 and December 31, 2011, securities with a carrying value of \$356,499 and \$305,746, respectively, were pledged to secure government, public and trust deposits. Securities with a carrying value of \$10,363 and \$20,206 were pledged as collateral for short-term borrowings at June 30, 2012 and December 31, 2011, respectively.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note C Securities (continued)

The amortized cost and fair value of securities at June 30, 2012 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	\$ 9,310	\$ 9,380	\$	\$
Due after one year through five years	38,456	39,504		
Due after five years through ten years	99,124	102,748	2,181	2,433
Due after ten years	143,160	153,551	29,459	12,672
Residential mortgage backed securities:				
Government agency mortgage backed securities			170,588	177,050
Government agency collateralized mortgage obligations			125,401	127,949
Commercial mortgage backed securities:				
Government agency mortgage backed securities			34,333	37,129
Government agency collateralized mortgage obligations			5,131	5,412
Other debt securities			20,361	21,236
Other equity securities			2,355	2,790
	\$ 290,050	\$ 305,183	\$ 389,809	\$ 386,671

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note C Securities (continued)

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

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Held to Maturity:						
June 30, 2012						
Obligations of other U.S. Government agencies and corporations	\$ 20,570	\$ (71)	\$	\$	\$ 20,570	\$ (71)
Obligations of states and political subdivisions	12,607	(185)			12,607	(185)
Total	\$ 33,177	\$ (256)	\$	\$	\$ 33,177	\$ (256)
December 31, 2011						
Obligations of other U.S. Government agencies and corporations	\$ 19,919	\$ (74)	\$	\$	\$ 19,919	\$ (74)
Obligations of states and political subdivisions	4,301	(19)	1,530	(7)	5,831	(26)
Total	\$ 24,220	\$ (93)	\$ 1,530	\$ (7)	\$ 25,750	\$ (100)
Available for Sale:						
June 30, 2012						
Obligations of other U.S. Government agencies and corporations	\$	\$	\$	\$	\$	\$
Residential mortgage backed securities:						
Government agency mortgage backed securities						
Government agency collateralized mortgage obligations	38,095	(257)			38,095	(257)
Commercial mortgage backed securities:						
Government agency mortgage backed securities			1,231	(32)	1,231	(32)
Government agency collateralized mortgage obligations						
Trust preferred securities			12,672	(16,787)	12,672	(16,787)
Other debt securities			2,414	(3)	2,414	(3)
Total	\$ 38,095	\$ (257)	\$ 16,317	\$ (16,822)	\$ 54,412	\$ (17,079)
December 31, 2011						
Obligations of other U.S. Government agencies and corporations	\$	\$	\$	\$	\$	\$
Residential mortgage backed securities:						
Government agency mortgage backed securities	4,446	(30)			4,446	(30)
Government agency collateralized mortgage obligations	16,806	(82)			16,806	(82)
Commercial mortgage backed securities:						
Government agency mortgage backed securities			1,255	(20)	1,255	(20)

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Government agency collateralized mortgage obligations						
Trust preferred securities			12,785	(17,625)	12,785	(17,625)
Other debt securities			2,662	(3)	2,662	(3)
Other equity securities	2,237	(104)			2,237	(104)
Total	\$ 23,489	\$ (216)	\$ 16,702	\$ (17,648)	\$ 40,191	\$ (17,864)

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note C Securities (continued)

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.

The Company holds investments in pooled trust preferred securities that had an amortized cost basis of \$29,459 and \$30,410 and a fair value of \$12,672 and \$12,785, at June 30, 2012 and December 31, 2011, 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 340 financial institutions. Management's determination of the fair value of each of its holdings in pooled trust preferred securities is based on the current credit ratings, the known deferrals and defaults by the underlying issuing financial institutions and the degree to which future deferrals and defaults would be required to occur before the cash flow for the Company's tranches is negatively impacted. In addition, management continually monitors key credit quality and capital ratios of the issuing institutions. This determination is further supported by quarterly valuations of each security obtained by the Company performed by third parties. The Company does not intend to sell the investments, and it is not more likely than not that the Company will be required to sell the investments before recovery of the investments' amortized cost, which may be maturity. At June 30, 2012, management did not, and does not currently, believe such securities will be settled at a price less than the amortized cost of the investment, but the Company did conclude that it was probable that there had been an adverse change in estimated cash flows for all four trust preferred securities and recognized credit related impairment losses on two of the four securities (XIII and XXIV in the table below) in 2010 and the remaining two securities in 2011. No additional impairment was required during the three or six months ended June 30, 2012.

However, based on the qualitative factors discussed above, each of the four pooled trust preferred securities was classified as a nonaccruing asset at June 30, 2012. 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, 2012:

Name	Single/ Pooled	Class/ Tranche	Amortized Cost	Fair Value	Unrealized Loss	Lowest Credit Rating	Issuers Currently in Deferral or Default
XIII	Pooled	B-2	\$ 1,216	\$ 786	\$ (430)	Ca	32%
XXIII	Pooled	B-2	10,599	5,093	(5,506)	Ca	22%
XXIV	Pooled	B-2	12,076	4,675	(7,401)	Ca	34%
XXVI	Pooled	B-2	5,568	2,118	(3,450)	Ca	32%
			\$ 29,459	\$ 12,672	\$ (16,787)		

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:

	2012	2011
Balance at January 1	\$ (3,337)	\$ (3,075)
Additions related to credit losses for which OTTI was not previously recognized		(262)

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Increases in credit loss for which OTTI was previously recognized

Balance at June 30	\$ (3,337)	\$ (3,337)
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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note D Loans and the Allowance for Loan Losses*(In Thousands, Except Number of Loans)*

The following is a summary of loans:

	June 30, 2012	December 31, 2011
Commercial, financial, agricultural	\$ 293,273	\$ 278,091
Lease financing	254	343
Real estate construction	79,202	81,235
Real estate 1-4 family mortgage	862,766	824,627
Real estate commercial mortgage	1,387,217	1,336,635
Installment loans to individuals	59,331	60,168
Gross loans	2,682,043	2,581,099
Unearned income	(9)	(15)
Loans, net of unearned income	2,682,034	2,581,084
Allowance for loan losses	(44,779)	(44,340)
Net loans	\$ 2,637,255	\$ 2,536,744

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note D Loans and the Allowance for Loan Losses (continued)*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.

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

	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, 2012									
Commercial, financial, agricultural	\$ 657	\$ 6	\$ 288,389	\$ 289,052	\$ 4	\$ 3,997	\$ 220	\$ 4,221	\$ 293,273
Lease financing	30		224	254					254
Real estate construction		601	72,508	73,109		6,093		6,093	79,202
Real estate									
1-4 family mortgage	9,264	2,481	822,369	834,114	1,378	20,493	6,781	28,652	862,766
Real estate commercial mortgage	15,061	737	1,319,161	1,334,959	420	48,872	2,966	52,258	1,387,217
Installment loans to individuals	223	238	58,609	59,070	14	217	30	261	59,331
Unearned income			(9)	(9)					(9)
Total	\$ 25,235	\$ 4,063	\$ 2,561,251	\$ 2,590,549	\$ 1,816	\$ 79,672	\$ 9,997	\$ 91,485	\$ 2,682,034
December 31, 2011									
Commercial, financial, agricultural	\$ 2,071	\$ 165	\$ 269,078	\$ 271,314	\$ 511	\$ 5,474	\$ 792	\$ 6,777	\$ 278,091
Lease financing			343	343					343
Real estate construction		41	73,670	73,711		7,524		7,524	81,235
Real estate 1-4 family mortgage	11,949	2,481	771,596	786,026	1,140	31,457	6,004	38,601	824,627
Real estate commercial mortgage	6,749	2,044	1,262,068	1,270,861	2,411	62,854	509	65,774	1,336,635
Installment loans to individuals	473	163	59,020	59,656	10	480	22	512	60,168

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Unearned income			(15)	(15)					(15)
Total	\$ 21,242	\$ 4,894	\$ 2,435,760	\$ 2,461,896	\$ 4,072	\$ 107,789	\$ 7,327	\$ 119,188	\$ 2,581,084

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note D Loans and the Allowance for Loan Losses (continued)*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 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.

Impaired loans recognized in conformity with ASC 310, Receivables (ASC 310), segregated by class, were as follows:

	Unpaid Contractual Principal Balance	Recorded Investment With Allowance	Recorded Investment With No Allowance	Total Recorded Investment	Related Allowance
June 30, 2012					
Commercial, financial, agricultural	\$ 6,735	\$ 1,600	\$ 2,078	\$ 3,678	\$ 727
Lease financing					
Real estate construction	15,924		6,093	6,093	
Real estate 1-4 family mortgage	89,824	26,590	19,943	46,533	5,666
Real estate commercial mortgage	139,704	34,885	50,600	85,485	7,296
Installment loans to individuals					
Total	\$ 252,187	\$ 63,075	\$ 78,714	\$ 141,789	\$ 13,689
December 31, 2011					
Commercial, financial, agricultural	\$ 9,575	\$ 3,358	\$ 2,913	\$ 6,271	\$ 1,441
Lease financing					
Real estate construction	18,204	108	7,076	7,184	16
Real estate 1-4 family mortgage	99,121	27,047	26,785	53,832	6,077
Real estate commercial mortgage	168,341	35,505	63,900	99,405	7,876
Installment loans to individuals					
Totals	\$ 295,241	\$ 66,018	\$ 100,674	\$ 166,692	\$ 15,410

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

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	Three Months Ended June 30, 2012		Three Months Ended June 30, 2011	
	Average Recorded Investment	Interest Income Recognized ⁽¹⁾	Average Recorded Investment	Interest Income Recognized ⁽¹⁾
Commercial, financial, agricultural Lease financing	\$ 3,667	\$ 7	\$ 4,860	\$ 19
Real estate construction	6,093		7,006	(28)
Real estate 1-4 family mortgage	48,109	274	67,439	283
Real estate commercial mortgage	89,510	558	108,157	926
Installment loans to individuals				
Total	\$ 147,379	\$ 839	\$ 187,462	\$ 1,200

⁽¹⁾ Includes interest income recognized using the cash-basis method of income recognition of \$100 and \$184, respectively.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note D Loans and the Allowance for Loan Losses (continued)

	Six Months Ended June 30, 2012		Six Months Ended June 30, 2011	
	Average Recorded Investment	Interest Income Recognized ⁽¹⁾	Average Recorded Investment	Interest Income Recognized ⁽¹⁾
Commercial, financial, agricultural Lease financing	\$ 3,730	\$ 15	\$ 4,542	\$ 26
Real estate construction	6,141		5,391	
Real estate 1-4 family mortgage	48,755	598	61,480	612
Real estate commercial mortgage	90,995	1,077	101,600	1,495
Installment loans to individuals				
Total	\$ 149,621	\$ 1,690	\$ 173,013	\$ 2,133

⁽¹⁾ Includes interest income recognized using the cash-basis method of income recognition of \$314 and \$350, respectively.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note D Loans and the Allowance for Loan Losses (continued)*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. 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:

	Number of Loans	Pre- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment
June 30, 2012			
Commercial, financial, agricultural		\$	\$
Lease financing			
Real estate - construction			
Real estate - 1-4 family mortgage	18	19,941	17,572
Real estate - commercial mortgage	14	18,808	18,322
Installment loans to individuals	1	184	177
Total	33	\$ 38,933	\$ 36,071
December 31, 2011			
Commercial, financial, agricultural		\$	\$
Lease financing			
Real estate - construction			
Real estate - 1-4 family mortgage	18	20,313	18,089
Real estate - commercial mortgage	12	17,853	18,043
Installment loans to individuals	1	184	179
Total	31	\$ 38,350	\$ 36,311

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

	Number of Loans	Recorded Investment
Totals at January 1, 2012	31	\$ 36,311
Additional loans with concessions	6	3,215
Reductions due to:		

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Reclassified as nonperforming	(2)	(1,258)
Charge-offs		(183)
Transfer to other real estate owned	(1)	(419)
Principal paydowns		(916)
Lapse of concession period	(1)	(679)
Totals at June 30, 2012	33	\$ 36,071

The allocated allowance for loan losses attributable to restructured loans was \$5,887 and \$5,994 at June 30, 2012 and December 31, 2011, respectively. The Company had \$344 and \$194 in remaining availability under commitments to lend additional funds on these restructured loans at June 30, 2012 and December 31, 2011, respectively.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note D Loans and the Allowance for Loan Losses (continued)*Credit Quality*

For commercial and commercial real estate secured loans, internal risk-rating grades are assigned by lending, credit administration or loan review personnel, based on an analysis of the financial and collateral strength and other credit attributes underlying each loan. Management analyzes the resulting ratings, as well as other external statistics and factors such as delinquency, to track the migration performance of the portfolio balances of commercial and commercial real estate secured 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 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:

	Pass	Watch	Substandard	Total
June 30, 2012				
Commercial, financial, agricultural	\$ 205,013	\$ 2,400	\$ 3,886	\$ 211,299
Real estate construction	48,116	2,851		50,967
Real estate 1-4 family mortgage	82,068	31,290	36,417	149,775
Real estate commercial mortgage	931,150	54,222	37,400	1,022,772
Installment loans to individuals	22			22
Total	\$ 1,266,369	\$ 90,763	\$ 77,703	\$ 1,434,835
December 31, 2011				
Commercial, financial, agricultural	\$ 187,550	\$ 2,929	\$ 7,292	\$ 197,771
Real estate construction	52,593	2,362	108	55,063
Real estate 1-4 family mortgage	86,858	31,851	35,809	154,518
Real estate commercial mortgage	873,614	54,949	41,874	970,437
Installment loans to individuals	199			199
Total	\$ 1,200,814	\$ 92,091	\$ 85,083	\$ 1,377,988

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

	Performing	Non-Performing	Total
June 30, 2012			
Commercial, financial, agricultural	\$ 68,732	\$ 250	\$ 68,982
Lease financing	254		254
Real estate construction	22,142		22,142
Real estate 1-4 family mortgage	613,805	5,307	619,112

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Real estate commercial mortgage	178,179	825	179,004
Installment loans to individuals	55,841	58	55,899
Total	\$ 938,953	\$ 6,440	\$ 945,393
December 31, 2011			
Commercial, financial, agricultural	\$ 61,864	\$ 198	\$ 62,062
Lease financing	343		343
Real estate construction	18,756	340	19,096
Real estate 1-4 family mortgage	554,702	5,951	560,653
Real estate commercial mortgage	156,050	756	156,806
Installment loans to individuals	55,356	169	55,525
Total	\$ 847,071	\$ 7,414	\$ 854,485

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note D Loans and the Allowance for Loan Losses (continued)*Loans Acquired with Deteriorated Credit Quality*

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

	Impaired Covered Loans	Other Covered Loans	Not Covered Loans	Total
June 30, 2012				
Commercial, financial, agricultural Lease financing	\$ 38	\$ 12,720	\$ 234	\$ 12,992
Real estate construction	3,900	2,193		6,093
Real estate 1-4 family mortgage	10,654	80,951	2,274	93,879
Real estate commercial mortgage	37,681	141,479	6,281	185,441
Installment loans to individuals		69	3,341	3,410
Total	\$ 52,273	\$ 237,412	\$ 12,130	\$ 301,815
December 31, 2011				
Commercial, financial, agricultural Lease financing	\$ 38	\$ 17,765	\$ 455	\$ 18,258
Real estate construction	4,031	3,045		7,076
Real estate 1-4 family mortgage	12,252	95,671	1,533	109,456
Real estate commercial mortgage	44,994	161,498	2,900	209,392
Installment loans to individuals		168	4,276	4,444
Total	\$ 61,315	\$ 278,147	\$ 9,164	\$ 348,626

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, 2012:

	Impaired Covered Loans	Other Covered Loans	Not Covered Loans	Total
Contractually-required principal and interest	\$ 81,679	\$ 273,376	\$ 14,566	\$ 369,621
Nonaccretable difference ⁽¹⁾	(29,381)	(26,772)	(1,233)	(57,386)
Cash flows expected to be collected	52,298	246,604	13,333	312,235
Accretable yield ⁽²⁾	(25)	(9,192)	(1,203)	(10,420)

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Fair value	\$ 52,273	\$ 237,412	\$ 12,130	\$ 301,815
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(1) Represents contractual principal and interest cash flows of \$44,764 and \$12,622, respectively, not expected to be collected.

(2) Represents contractual interest payments of \$6,054 expected to be collected and purchase discount of \$4,366.

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

	Impaired Covered Loans	Other Covered Loans	Not Covered Loans	Total
Balance at January 1, 2012	\$ (40)	\$ (9,757)	\$ (746)	\$ (10,543)
Reclasses from nonaccretable difference		(757)	(1,092)	(1,849)
Accretion	15	1,322	635	1,972
Balance at June 30, 2012	\$ (25)	\$ (9,192)	\$ (1,203)	\$ (10,420)

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note D Loans and the Allowance for Loan Losses (continued)*Allowance for Loan Losses*

The allowance for loan losses is maintained at a level believed adequate by management 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 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 rollforward of the allowance for loan losses and a breakdown of the ending balance of the allowance based on the Company's impairment methodology for the periods presented:

	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other ⁽¹⁾	Total
Three Months Ended June 30, 2012						
Allowance for loan losses:						
Beginning balance	\$ 3,220	\$ 882	\$ 18,892	\$ 20,379	\$ 803	\$ 44,176
Provision for loan losses	504	119	2,590	1,358	129	4,700
Charge-offs	(645)	(38)	(2,674)	(1,144)	(132)	(4,633)
Recoveries	156	3	172	172	33	536
Ending balance	\$ 3,235	\$ 966	\$ 18,980	\$ 20,765	\$ 833	\$ 44,779
Six Months Ended June 30, 2012						
Allowance for loan losses:						
Beginning balance	\$ 4,197	\$ 1,073	\$ 17,191	\$ 20,979	\$ 900	\$ 44,340
Provision for loan losses	893	(68)	6,004	2,588	83	9,500
Charge-offs	(2,033)	(42)	(4,548)	(3,026)	(203)	(9,852)
Recoveries	178	3	333	224	53	791
Ending balance	\$ 3,235	\$ 966	\$ 18,980	\$ 20,765	\$ 833	\$ 44,779
Period-End Amount Allocated to:						
Individually evaluated for impairment	\$ 727	\$	\$ 5,666	\$ 7,296	\$	\$ 13,689

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Collectively evaluated for impairment Acquired with deteriorated credit quality	2,508	966	13,314	13,469	833	31,090
Ending balance	\$ 3,235	\$ 966	\$ 18,980	\$ 20,765	\$ 833	\$ 44,779

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note D Loans and the Allowance for Loan Losses (continued)

	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other ⁽¹⁾	Total
Three Months Ended June 30, 2011						
Allowance for loan losses:						
Beginning balance	\$ 3,282	\$ 1,735	\$ 21,107	\$ 20,410	\$ 971	\$ 47,505
Provision for loan losses	1,662	192	1,620	1,879	(3)	5,350
Charge-offs	(1,139)	(569)	(3,084)	(823)	(33)	(5,648)
Recoveries	36	31	221	52	24	364
Ending balance	\$ 3,841	\$ 1,389	\$ 19,864	\$ 21,518	\$ 959	\$ 47,571
Six Months Ended June 30, 2011						
Allowance for loan losses:						
Beginning balance	\$ 2,625	\$ 2,115	\$ 20,870	\$ 18,779	\$ 1,026	\$ 45,415
Provision for loan losses	2,322	41	5,272	3,244	(29)	10,850
Charge-offs	(1,284)	(798)	(6,615)	(1,374)	(89)	(10,160)
Recoveries	178	31	337	869	51	1,466
Ending balance	\$ 3,841	\$ 1,389	\$ 19,864	\$ 21,518	\$ 959	\$ 47,571
Period-End Amount Allocated to:						
Individually evaluated for impairment	\$ 754	\$ 16	\$ 8,264	\$ 7,938	\$	\$ 16,972
Collectively evaluated for impairment	3,087	1,373	11,600	13,580	959	30,599
Acquired with deteriorated credit quality						
Ending balance	\$ 3,841	\$ 1,389	\$ 19,864	\$ 21,518	\$ 959	\$ 47,571

⁽¹⁾ Includes lease financing receivables.

The following table provides 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, 2012						
Individually evaluated for impairment	\$ 3,678	\$ 6,093	\$ 46,533	\$ 85,485	\$	\$ 141,789
Collectively evaluated for impairment	276,603	67,016	722,354	1,116,291	56,166	2,238,430

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Acquired with deteriorated credit quality	12,992	6,093	93,879	185,441	3,410	301,815
Ending balance	\$ 293,273	\$ 79,202	\$ 862,766	\$ 1,387,217	\$ 59,576	\$ 2,682,034
December 31, 2011						
Individually evaluated for impairment	\$ 6,271	\$ 7,184	\$ 53,832	\$ 99,405	\$	\$ 166,692
Collectively evaluated for impairment	253,562	66,975	661,339	1,027,838	56,052	2,065,766
Acquired with deteriorated credit quality	18,258	7,076	109,456	209,392	4,444	348,626
Ending balance	\$ 278,091	\$ 81,235	\$ 824,627	\$ 1,336,635	\$ 60,496	\$ 2,581,084

⁽¹⁾ Includes lease financing receivables.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note E 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:

	Covered OREO	Not Covered OREO	Total OREO
June 30, 2012			
Residential real estate	\$ 5,599	\$ 11,046	\$ 16,645
Commercial real estate	7,914	11,877	19,791
Residential land development	4,200	29,001	33,201
Commercial land development	20,238	6,460	26,698
Total	\$ 37,951	\$ 58,384	\$ 96,335
December 31, 2011			
Residential real estate	\$ 11,110	\$ 15,364	\$ 26,474
Commercial real estate	8,211	11,479	19,690
Residential land development	4,441	36,105	40,546
Commercial land development	19,394	7,131	26,525
Total	\$ 43,156	\$ 70,079	\$ 113,235

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, 2012	\$ 43,156	\$ 70,079	\$ 113,235
Transfers of loans	16,418	5,581	21,999
Capitalized improvements		382	382
Impairments ⁽¹⁾	(5,849)	(2,997)	(8,846)
Dispositions	(15,818)	(14,844)	(30,662)
Other	44	183	227
Balance at June 30, 2012	\$ 37,951	\$ 58,384	\$ 96,335

⁽¹⁾ Of the total impairment charges of \$5,849 recorded for covered OREO, \$1,170 was included in the Consolidated Statements of Income for the six months ended June 30, 2012, while the remaining \$4,679 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:

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	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Carrying costs	\$ 756	\$ 1,330	\$ 1,791	\$ 2,319
Impairments	2,069	655	4,167	1,624
Net losses on OREO sales	659	205	1,650	1,836
Rental income	(114)	(68)	(239)	(146)
Total	\$ 3,370	\$ 2,122	\$ 7,369	\$ 5,633

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note F Employee Benefit and Deferred Compensation Plans*(In Thousands, Except Share Data)*

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:

	Pension Benefits		Other Benefits	
	Three Months Ended		Three Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Service cost	\$	\$	\$ 6	\$ 9
Interest cost	215	222	16	15
Expected return on plan assets	(298)	(329)		
Prior service cost recognized				
Recognized actuarial loss	89	75	18	33
Recognized curtailment loss				
Net periodic benefit cost	\$ 6	\$ (32)	\$ 40	\$ 57

	Six Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Service cost	\$	\$	\$ 12	\$ 18
Interest cost	430	458	32	38
Expected return on plan assets	(596)	(616)		
Prior service cost recognized				
Recognized actuarial loss	178	152	36	72
Recognized curtailment loss				
Net periodic benefit cost	\$ 12	\$ (6)	\$ 80	\$ 128

In January 2012 and 2011, the Company granted stock options which generally vest and become exercisable in equal installments of 33 1/3% upon completion of one, two and three years of service measured from the grant date. The fair value of stock option grants is estimated on the grant date using the Black-Scholes option-pricing model. The Company employed the following assumptions with respect to its stock option grants in 2012 and 2011 for the six month periods ended June 30, 2012 and 2011:

	2012 Grant	2011 Grant
Shares granted	172,000	170,000
Dividend yield	4.55%	4.02%
Expected volatility	37%	36%
Risk-free interest rate	0.79%	1.97%
Expected lives	6 years	6 years
Weighted average exercise price	\$ 14.96	\$ 16.91

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Weighted average fair value	\$ 3.10	\$ 3.93
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In addition, the Company awarded 7,500 shares of time-based restricted stock and 34,000 shares of performance-based restricted stock in January 2012. The time-based restricted stock is earned 100% upon completion of three years of service measured from the grant date. The performance-based restricted stock is earned, if at all, if the Company meets or exceeds financial performance results defined by the board of directors for the year in which the grant was made. The fair value of the restricted stock grants on the date of the grants was \$14.96 per share.

In April 2012, an amendment to the Company's long-term incentive compensation plan was adopted that allows non-employee members of the Board of Directors to participate in the plan. Under this provision, the Company awarded 9,684 shares of time-based restricted stock to non-employee directors which are earned 100% upon the completion of one year of service measured from the grant date. The fair value of the restricted stock grants on the date of the grant was \$15.49 per share.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note F Employee Benefit and Deferred Compensation Plans (continued)

During the six months ended June 30, 2012, the Company reissued 47,826 shares from treasury in connection with the exercise of stock-based compensation. The Company recorded total stock-based compensation expense of \$316 and \$300 for the three months ended June 30, 2012 and 2011, respectively, and \$608 and \$605 for the six months ended June 30, 2012 and 2011, respectively.

Note G 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, equipment leasing, as well as safe deposit and night depository facilities.

The Insurance segment includes a full service insurance agency offering all 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.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note G Segment Reporting (continued)

The following table provides financial information for our operating segments for the periods presented:

	Community Banks	Insurance	Wealth Management	Other	Consolidated
Three Months Ended June 30, 2012					
Net interest income	\$ 33,661	\$ 24	\$ 341	\$ (616)	\$ 33,410
Provision for loan losses	4,723		(23)		4,700
Noninterest income	13,753	901	1,563	21	16,238
Noninterest expense	34,139	793	1,646	132	36,710
Income before income taxes	8,552	132	281	(727)	8,238
Income taxes	2,055	51	63	(276)	1,893
Net income (loss)	\$ 6,497	\$ 81	\$ 218	\$ (451)	\$ 6,345
Total assets	\$ 4,054,647	\$ 10,186	\$ 38,125	\$ 9,419	\$ 4,112,377
Goodwill	182,096	2,783			184,879
Three Months Ended June 30, 2011					
Net interest income	\$ 32,925	\$ 30	\$ 320	\$ (609)	\$ 32,666
Provision for loan losses	5,360		(10)		5,350
Noninterest income	10,408	798	1,155	19	12,380
Noninterest expense	29,804	734	991	116	31,645
Income before income taxes	8,169	94	494	(706)	8,051
Income taxes	2,375	38	152	(271)	2,294
Net income (loss)	\$ 5,794	\$ 56	\$ 342	\$ (435)	\$ 5,757
Total assets	\$ 4,205,474	\$ 9,197	\$ 38,776	\$ 5,753	\$ 4,259,200
Goodwill	182,096	2,783			184,879

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note G Segment Reporting (continued)

	Community Banks	Insurance	Wealth Management	Other	Consolidated
Six Months Ended June 30, 2012					
Net interest income	\$ 66,766	\$ 48	\$ 704	\$ (1,265)	\$ 66,253
Provision for loan losses	9,517		(17)		9,500
Noninterest income	26,998	2,070	3,514	43	32,625
Noninterest expense	68,402	1,576	3,112	241	73,331
Income before income taxes	15,845	542	1,123	(1,463)	16,047
Income taxes	3,787	210	289	(558)	3,728
Net income (loss)	\$ 12,058	\$ 332	\$ 834	\$ (905)	\$ 12,319
Total assets	\$ 4,054,647	\$ 10,186	\$ 38,125	\$ 9,419	\$ 4,112,377
Goodwill	182,096	2,783			184,879
Six Months Ended June 30, 2011					
Net interest income	\$ 64,320	\$ 62	\$ 636	\$ (1,216)	\$ 63,802
Provision for loan losses	10,880		(30)		10,850
Noninterest income	29,175	1,941	2,221	38	33,375
Noninterest expense	64,098	1,457	1,887	196	67,638
Income before income taxes	18,517	546	1,000	(1,374)	18,689
Income taxes	5,386	212	307	(526)	5,379
Net income (loss)	\$ 13,131	\$ 334	\$ 693	\$ (848)	\$ 13,310

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