RENASANT CORP
Form 10-Q
November 09, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2010

Or

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from ______ to ______

Commission file number 001-13253

RENASANT CORPORATION

(Exact name of registrant as specified in its charter)

Mississippi **(State or other jurisdiction of** **incorporation or organization)**	**64-0676974** **(I.R.S. Employer** **Identification No.)**
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 x 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	x
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 x

As of October 29, 2010, 25,042,100 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 September 30, 2010

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Renasant Corporation and Subsidiaries

Condensed Consolidated Balance Sheets

(In Thousands, Except Share Data)

	(Unaudited) September 30, 2010	December 31, 2009
Assets		
Cash and due from banks	$ 50,176	$ 63,049
Interest-bearing balances with banks	246,237	85,511
Cash and cash equivalents	296,413	148,560
Securities held to maturity (fair value of $182,378 and $139,433, respectively)	176,779	138,806
Securities available for sale, at fair value	568,707	575,358
Mortgage loans held for sale	25,639	25,749
Loans, net of unearned income:		
Covered under loss-share agreements	352,535	
Not covered under loss-share agreements	2,231,075	2,347,615
Total loans, net of unearned income	2,583,610	2,347,615
Allowance for loan losses	(45,132)	(39,145)
Loans, net	2,538,478	2,308,470
Premises and equipment, net	42,855	43,672
Other real estate owned:		
Covered under loss-share agreements	49,286	
Not covered under loss-share agreements	62,936	58,568
Total other real estate owned	112,222	58,568
Intangible assets, net	192,391	191,357
FDIC loss-share indemnification receivable	153,244	
Other assets	149,525	150,541
Total assets	$ 4,256,253	$ 3,641,081
Liabilities and shareholders equity		
Liabilities		
Deposits		
Noninterest-bearing	$ 361,504	$ 304,962
Interest-bearing	3,054,424	2,271,138
Total deposits	3,415,928	2,576,100
Short-term borrowings	19,422	22,397
Long-term debt	302,823	595,627
Other liabilities	41,046	36,835
Total liabilities	3,779,219	3,230,959
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 and 22,790,797 shares issued, respectively; 25,041,540 and 21,082,991 shares outstanding, respectively	133,579	113,954
Treasury stock, at cost	(27,212)	(27,788)
Additional paid-in capital	217,004	184,831
Retained earnings	162,088	146,581
Accumulated other comprehensive loss	(8,425)	(7,456)
Total shareholders equity	477,034	410,122
Total liabilities and shareholders equity	$ 4,256,253	$ 3,641,081

See Notes to Condensed Consolidated Financial Statements.

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Renasant Corporation and Subsidiaries

Condensed Consolidated Statements of Income (Unaudited)

(In Thousands, Except Share Data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Interest income				
Loans	$ 36,118	$ 34,636	$ 100,225	$ 105,131
Securities				
Taxable	5,454	6,575	16,593	20,252
Tax-exempt	1,594	1,355	4,342	3,672
Other	267	48	364	178
Total interest income	43,433	42,614	121,522	129,233
Interest expense				
Deposits	12,485	11,467	33,264	35,966
Borrowings	3,831	5,956	13,051	18,603
Total interest expense	16,316	17,423	46,315	54,569
Net interest income	27,117	25,191	75,207	74,664
Provision for loan losses	11,500	7,350	25,165	19,090
Net interest income after provision for loan losses	15,617	17,841	50,042	55,574
Noninterest income				
Service charges on deposit accounts	5,771	5,379	16,222	16,199
Fees and commissions	3,654	3,961	10,784	13,067
Insurance commissions	828	949	2,492	2,164
Trust revenue	562	501	1,778	1,480
Gains on sales of securities available for sale	1,906		3,955	1,550
Other-than-temporary-impairment losses on securities available for sale	(13,406)		(14,748)	
Non-credit related portion of other-than-temporary impairment on securities, recognized in other comprehensive income	10,491		11,673	
Net impairment losses on securities	(2,915)		(3,075)	
BOLI income	529	380	1,841	1,239
Gains on sales of mortgage loans held for sale	1,774	1,832	4,097	5,901
Gain on acquisition	42,211		42,211	
Other	214	951	1,057	2,089
Total noninterest income	54,534	13,953	81,362	44,139
Noninterest expense				
Salaries and employee benefits	16,694	13,363	42,943	41,843
Data processing	1,703	1,439	4,709	4,198
Net occupancy and equipment	3,271	3,045	9,128	9,357
Professional fees	913	1,068	2,660	2,902
Advertising and public relations	1,159	842	3,027	2,706
Intangible amortization	505	489	1,451	1,484

Communications	1,218	1,057	3,351	3,356
Loss on early extinguishment of debt	2,785		2,785	
Other	11,323	4,815	21,339	14,324
Total noninterest expense	39,571	26,118	91,393	80,170
Income before income taxes	30,580	5,676	40,011	19,543
Income taxes	11,029	1,451	13,057	5,056
Net income	$ 19,551	$ 4,225	$ 26,954	$ 14,487
Basic earnings per share	$ 0.81	$ 0.20	$ 1.22	$ 0.69
Diluted earnings per share	$ 0.81	$ 0.20	$ 1.21	$ 0.68
Cash dividends per common share	$ 0.17	$ 0.17	$ 0.51	$ 0.51

See Notes to Condensed 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, 2010	Nine Months Ended September 30, 2009
Operating activities		
Net cash provided by operating activities	$ 62,924	$ 61,710
Investing activities		
Purchases of securities available for sale	(307,492)	(308,002)
Proceeds from sales of securities available for sale	129,924	102,490
Proceeds from call/maturities of securities available for sale	203,577	171,706
Purchases of securities held to maturity	(47,463)	(1,871)
Proceeds from call/maturities of securities held to maturity	8,525	845
Net decrease in loans	91,523	78,412
Proceeds from sales of premises and equipment	8	68
Purchases of premises and equipment	(2,015)	(839)
Net cash received from acquisition	337,127	
Net cash provided by investing activities	413,714	42,809
Financing activities		
Net increase in noninterest-bearing deposits	17,475	13,631
Net (decrease) increase in interest-bearing deposits	(67,750)	203,022
Net decrease in short-term borrowings	(2,975)	(278,716)
Proceeds from long-term debt	2,180	56,935
Repayment of long-term debt	(317,800)	(76,963)
Cash paid for dividends	(11,447)	(10,772)
Cash received on exercise of stock-based compensation	126	206
Excess tax benefit from stock-based compensation	4	
Proceeds from equity offering	51,402	
Net cash used in financing activities	(328,785)	(92,657)
Net increase in cash and cash equivalents	147,853	11,862
Cash and cash equivalents at beginning of period	148,560	100,394
Cash and cash equivalents at end of period	$ 296,413	$ 112,256
Supplemental disclosures		
Transfers of loans to other real estate	$ 25,471	$ 33,194
Transfers of securities classified as available for sale to held to maturity		139,566

See Notes to Condensed Consolidated Financial Statements.

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note A Summary of Significant Accounting Policies

Basis of Presentation

Renasant Corporation (referred to herein as the Company) offers a diversified range of financial and insurance services to its retail and commercial customers through its subsidiaries and full service offices located throughout north and north central Mississippi, west and middle Tennessee, north and north central Alabama and northwest Georgia.

The accompanying unaudited condensed consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with generally accepted accounting principles 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 generally accepted accounting principles 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 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, 2009.

The Company has evaluated subsequent events that have occurred after September 30, 2010 through the date of issuance of its financial statements for consideration of recognition or disclosure.

Impact of Recently-Issued Accounting Standards and Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued an update to Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements and Disclosures, (ASC 820) that requires new disclosures and clarifications of existing disclosures about recurring and nonrecurring fair value measurements. As to new disclosure requirements, a reporting entity must disclose separately the amount of significant transfers in and out of Level 1 and Level 2 fair value measurements, describe the reasons for the transfers, and present separately information about purchases, sales, issuances and settlements in the reconciliation for fair value measurements using Level 3 inputs. As to clarifications of existing disclosures, a reporting entity should provide fair value measurements for each class within each category of assets and liabilities, and provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements, which are effective beginning after December 15, 2010, and for interim periods within those fiscal years. See Note I, Fair Value of Financial Instruments, in these Notes to Condensed Consolidated Financial Statements for further disclosures regarding the Company s adoption of this update. The Company is currently in the process of evaluating the impact on its financial statements of adopting the portion of this update regarding disclosures presenting separately information about purchases, sales, issuances and settlements in the reconciliation for fair value measurements using Level 3 inputs.

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note A Summary of Significant Accounting Policies (continued)

In July 2010, the FASB issued an update to ASC Topic 310, Receivables, that requires enhanced and additional disclosures that will provide financial statement users with greater transparency about a reporting entity s allowance for credit losses and the credit quality of its financial receivables. A reporting entity must provide disclosures that facilitate financial statement users evaluation of the nature of credit risk inherent in its portfolio of financing receivables, explaining how that risk is analyzed and assessed in arriving at the allowance for credit losses, and detailing the changes and reasons for those changes in the allowance for credit losses. To achieve those objectives, a reporting entity should provide disclosures on a disaggregated basis: by portfolio segment and/or by class of financing receivable. This update to ASC Topic 310 amends existing disclosures to require a reporting entity to provide a rollforward schedule of the allowance for credit losses on a portfolio segment basis, with the ending balance further disaggregated on the basis of the impairment method. A reporting entity must also present nonaccrual, past due 90 days or more and still accruing and impaired financing receivables by class. Additional disclosures include credit quality indicators of financing receivables at the end of the reporting period presented by class, the aging of past due financing receivables at the end of the reporting period presented by class, the nature and extent of troubled debt restructurings that occurred during the period presented by class and their effect on the allowance for credit losses, the nature and extent of financing receivables modified as troubled debt restructurings within the previous twelve months that defaulted during the reporting period presented by class and their effect on the allowance for credit losses, and significant purchases and sales of financing receivables during the reporting period presented by portfolio segment. This update to ASC Topic 310 is effective for interim and annual reporting periods beginning after December 15, 2010. The Company is currently in the process of evaluating the impact of adopting this update on its financial statements.

Note B FDIC-Assisted Acquisition of Certain Assets and Liabilities of Crescent Bank & Trust

On July 23, 2010, Renasant Bank (the Bank), a wholly-owned subsidiary of the Company, acquired specified assets and assumed specified liabilities of Crescent Bank & Trust Company, a Georgia-chartered bank headquartered in Jasper, Georgia (Crescent Bank), from the Federal Deposit Insurance Corporation (the FDIC), as receiver for Crescent Bank (the Acquisition). Crescent operated 11 branches in the northwest region of Georgia, all of which were retained by the Bank.

In connection with the Acquisition, the Bank entered into loss-sharing agreements with the FDIC that covered $528,051 of Crescent Bank loans and $79,359 of other real estate owned (the covered 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-sharing agreements. Pursuant to the terms of the loss-sharing agreements, the FDIC is obligated to reimburse the Bank for 80% of all eligible losses with respect to covered assets, beginning with the first dollar of loss incurred. The Bank has a corresponding obligation to reimburse the FDIC for 80% of eligible recoveries with respect to covered assets. The fair value of the loss-sharing agreements was recorded as an indemnification asset at their estimated fair value of $153,244 as of the date of the Acquisition. The indemnification asset reflects the present value of the expected net cash reimbursement related to the loss-sharing agreements described above.

The Acquisition resulted in a pre-tax gain of $42,211. Due to the difference in tax bases of the assets acquired and liabilities assumed, the Company recorded a deferred tax liability of $16,146, resulting in an after-tax gain of $26,065. 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 bargain purchase gain under FASB ASC Topic 805, Business Combinations (ASC 805), since the total acquisition-date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred. The Company recognized this gain as non-interest income in the Company s consolidated statements of income for the three and nine-months ended September 30, 2010.

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note B FDIC-Assisted Acquisition of Certain Assets and Liabilities of Crescent Bank & Trust (continued)

The following table sets forth the fair values of the assets acquired and liabilities assumed by the Bank in the Acquisition as of July 23, 2010:

Assets Acquired	
Cash and due from banks	$ 337,127
Securities available for sale	21,044
Federal Home Loan Bank stock	3,162
Loans	371,100
Other real estate owned	50,168
FDIC loss share indemnification asset	153,244
Core deposit intangible	2,489
Receivable from FDIC	17,224
Other assets	3,749
Total assets acquired	959,307
Liabilities Assumed	
Deposits:	
Noninterest-bearing	39,067
Interest-bearing	851,036
Total deposits	890,103
Advances from Federal Home Loan Bank of Atlanta	24,101
Accrued expenses and other liabilities	2,892
Total liabilities assumed	917,096
Net assets acquired	42,211
Deferred tax liability	16,146
Net assets assumed, including deferred tax liability	$ 26,065

The Company s operating results for the three and nine months ended September 30, 2010 include the operating results of the assets acquired and liabilities assumed in the Acquisition subsequent to the July 23, 2010 closing date. Due to the significant fair value adjustments recorded, as well as the nature of the loss-sharing agreements with the FDIC, the Company does not believe that Crescent s historical results are relevant to the Company s results. Therefore, no pro forma information is included.

Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note C Securities

(In Thousands)

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2010				
Obligations of other U.S. Government agencies and corporations	$ 92,177	$ 916	$ (9)	$ 93,084
Mortgage-backed securities	423,725	13,271	(328)	436,668
Trust preferred securities	32,184	110	(22,559)	9,735
Other equity securities	29,067	153		29,220
	$ 577,153	$ 14,450	$ (22,896)	$ 568,707
December 31, 2009				
Obligations of other U.S. Government agencies and corporations	$ 63,130	$ 191	$ (289)	$ 63,032
Mortgage-backed securities	445,647	13,589	(1,345)	457,891
Trust preferred securities	33,803	137	(19,502)	14,438
Other equity securities	39,971	26		39,997
	$ 582,551	$ 13,943	$ (21,136)	$ 575,358

Gross gains on sales of securities available for sale for the nine months ended September 30, 2010 were $4,499, compared to gross losses on sales of securities available for sale of $544 for the same period. Gross gains on sales of securities available for sale for the nine months ended September 30, 2009 were $2,195. These gains in 2009 were offset by the complete write-off of the Company s $645 investment in Silverton Financial Services, Inc., the holding company of Silverton Bank, N.A., which was placed in receivership on May 1, 2009. The cost of securities sold is based on the specific identification method.

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2010				
Obligations of states and political subdivisions	$ 176,779	$ 5,862	$ (263)	$ 182,378
December 31, 2009				
Obligations of states and political subdivisions	$ 138,806	$ 958	$ (331)	$ 139,433

The amortized cost and fair value of securities at September 30, 2010, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale		Held to Maturity	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
Due within one year	$	$	$ 9,348	$ 9,365
Due after one year through five years	7,988	8,077	43,771	44,439
Due after five years through ten years	79,181	79,987	39,893	41,540
Due after ten years	37,192	14,755	83,767	87,034
Mortgage-backed securities	423,725	436,668		
Other equity securities	29,067	29,220		
	$ 577,153	$ 568,707	$ 176,779	$ 182,378

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

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
Available for Sale:						
September 30, 2010						
Obligations of other U.S Government agencies and corporations	$ 9,986	$ (9)	$	$	$ 9,986	$ (9)
Mortgage-backed securities	60,236	(307)	2,256	(21)	62,492	(328)
Trust preferred securities			6,625	(22,559)	6,625	(22,559)
Other equity securities						
Total	$ 70,222	$ (316)	$ 8,881	$ (22,580)	$ 79,103	$ (22,896)
December 31, 2009						
Obligations of other U.S Government agencies and corporations	$ 30,238	$ (289)	$	$	$ 30,238	$ (289)
Mortgage-backed securities	56,044	(872)	6,350	(473)	62,394	(1,345)
Trust preferred securities			11,301	(19,502)	11,301	(19,502)
Other equity securities						
Total	$ 86,282	$ (1,161)	$ 17,651	$ (19,975)	$ 103,933	$ (21,136)

	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, 2010						
Obligations of states and political subdivisions	$ 10,400	$ (263)	$	$	$ 10,400	$ (263)
December 31, 2009						
Obligations of states and political subdivisions	$ 64,155	$ (331)	$	$	$ 64,155	$ (331)

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.

When impairment of an equity security is considered to be other-than-temporary, the security is written down to its fair value and an impairment loss is recorded as a loss within noninterest income in the Consolidated Statements of Income. When impairment of a debt security is considered to be other-than-temporary, the security is written down to its fair value. The amount of OTTI recorded as a loss within noninterest income depends on whether an entity intends to sell the debt security or whether it is more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis. If an entity intends to, or has decided to, sell the debt security or more likely than not will be required to sell the security before recovery of its amortized cost basis, OTTI must be recognized in earnings in an amount equal to the entire difference between the security s amortized cost basis and its fair value. If an entity does not intend to sell the debt security and it is not more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis, OTTI is separated into the amount representing credit loss and the amount related to all other market factors. The amount related to credit loss is recognized in earnings. The amount related to other market factors is recognized in other comprehensive income, net of applicable taxes.

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note C Securities (continued)

The Company holds investments in pooled trust preferred securities and in securities issued by a single issuer. The investments in pooled trust preferred securities had a cost basis of $29,184 and $30,803 and a fair value of $6,625 and $11,301 at September 30, 2010 and December 31, 2009, respectively. The investment in pooled trust preferred securities consists of four securities representing interests in various tranches of trusts collateralized by debt issued by over 321 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 its amortized cost, which may be maturity. At September 30, 2010, 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 two of the four pooled trust preferred securities. Accordingly, the Company recognized credit related impairment losses on these securities of $3,075 during the nine months ended September 30, 2010.

The following table provides information regarding the Company s investments in pooled trust preferred securities as of September 30, 2010:

Name	Single/ Pooled	Class/ Tranche	Amortized Cost	Fair Value	Unrealized Loss	Lowest Credit Rating	Issuers Currently in Deferral or Default	Estimated Additional Deferral or Default before Credit Impairment
XXIV	Pooled	B2	$ 12,077	$ 1,145	$ (10,932)	Caa3	38%	
XXVI	Pooled	B2	5,467	972	(4,495)	Ca	34%	16%
XXIII	Pooled	B2	10,424	4,033	(6,391)	Ca	28%	21%
XIII	Pooled	B2	1,216	475	(741)	Ca	26%	
			$ 29,184	$ 6,625	$ (22,559)			

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 at September 30, 2010:

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010
Beginning balance	$ (160)	$
Additions related to credit losses for which OTTI was not previously recognized	(2,329)	(3,075)
Reductions for securities sold during the period		
Reductions for securities where there is an intent to sale or requirement to sale		

Increases in credit loss for which OTTI was previously recognized		(586)		
Reductions for increases in cash flows expected to be collected				
Ending balance	$	(3,075)	$	(3,075)

Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note D Loans

(In Thousands)

As described in Note B above, in connection with the acquisition of Crescent, the Bank entered into loss-sharing agreements with the FDIC that covered $528,051 of Crescent loans. In these Notes to Condensed Consolidated Financial Statements, the Company refers to loans subject to the loss-sharing agreements as covered loans and loans that are not subject to the loss-sharing agreements as loans not covered by loss-sharing agreements.

A summary of those loans not covered by loss-sharing agreements with the FDIC is set forth below:

	September 30, 2010	December 31, 2009
Loans secured by real estate:		
Real estate construction:		
Residential	$ 30,967	$ 45,559
Commercial	26,269	74,440
Condominiums	5,357	13,300
Total real estate construction	62,593	133,299
Real estate 1-4 family mortgage		
Primary	343,121	345,971
Home equity	164,425	171,180
Rental/investment	154,239	158,436
Land development	108,988	145,330
Total real estate 1-4 family mortgage	770,773	820,917
Real estate commercial mortgage		
Owner-occupied	532,082	537,387
Non-owner occupied	426,927	367,011
Land development	113,475	136,191
Total real estate commercial mortgage	1,072,484	1,040,589
Total loans secured by real estate	1,905,850	1,994,805
Commercial, financial, agricultural	259,710	281,329
Lease financing	547	778
Installment loans to individuals	64,968	70,703
Total loans, net of unearned income	$ 2,231,075	$ 2,347,615

Loans past due 90 days or more and still accruing interest not covered by loss-sharing agreements were $8,923 at September 30, 2010 as compared to $10,571 at December 31, 2009. Nonaccrual loans not covered by loss-sharing agreements at September 30, 2010 were $56,674 as compared to $39,454 at December 31, 2009.

Impaired loans not covered by loss-sharing agreements at September 30, 2010 and December 31, 2009 were as follows:

Impaired loans with an allocated allowance for loan losses	$ 83,723	$ 76,943
Impaired loans without an allocated allowance for loan losses	7,012	1,641
Total impaired loans	$ 90,735	$ 78,584
Allocated allowance on impaired loans	$ 15,603	$ 13,468

The allocated allowance for loan losses attributable to restructured loans included in the table above was $4,474 and $4,837 at September 30, 2010 and December 31, 2009, respectively. At September 30, 2010, the Company had $1,111 in remaining availability under commitments to lend additional funds on these restructured loans.

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note D Loans (continued)

A summary of those loans covered by loss-sharing agreements with the FDIC at September 30, 2010 at fair value follows:

	Impaired Loans	All Other Loans	Covered Loans
Loans secured by real estate:			
Real estate construction:			
Residential	$ 2,011	$ 5,182	$ 7,193
Commercial	6,701	3,491	10,192
Total real estate construction	8,712	8,673	17,385
Real estate 1-4 family mortgage			
Primary		28,525	28,525
Home equity		23,426	23,426
Rental/investment		45,909	45,909
Land development	26,057	14,946	41,003
Total real estate 1-4 family mortgage	26,057	112,806	138,863
Real estate commercial mortgage			
Owner-occupied	15,219	55,648	70,867
Non-owner occupied	5,198	17,510	22,708
Land development	52,075	26,495	78,570
Total real estate commercial mortgage	72,492	99,653	172,145
Total loans secured by real estate	107,261	221,132	328,393
Commercial, financial, agricultural	254	22,289	22,543
Lease financing			
Installment loans to individuals		1,599	1,599
Total loans, net of unearned income	$ 107,515	$ 245,020	$ 352,535

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. Evidence of credit quality deterioration as of purchase dates may include information such as past-due and nonaccrual status, borrower credit scores and recent loan to value percentages. Acquired credit-impaired loans are accounted for under the accounting guidance for loans and debt securities acquired with deteriorated credit quality, found in Accounting Standards Codification (ASC) Subtopic 310-30, Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality, and initially measured at fair value, which includes estimated future credit losses expected to be incurred over the life of the loans. Accordingly, allowances for credit losses related to these loans are not carried over and recorded at the acquisition dates. Loans acquired through business combinations that do not meet the specific criteria of ASC Topic 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.

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)   (Continued)

Note D   Loans (continued)

Certain loans acquired in connection with the Company s previous acquisitions (other than the Crescent acquisition) exhibited, at the date of acquisition, evidence of deterioration of the credit quality since origination, and it was probable that all contractually required payments would not be collected. The amount of such loans included in the consolidated balance sheet heading   Loans - Not covered under loss-share agreements at September 30, 2010 is as follows:

Real estate 1-4 family mortgage	$ 4,700
Real estate commercial mortgage	250
Commercial, financial, agricultural	1,665
Total outstanding balance	6,615
Nonaccretable difference	(1,292)
Cash flows expected to be collected	5,323
Accretable yield	(174)
Fair value	$ 5,149

Changes in the accretable yield of these loans are as follows:

Balance as of January 1, 2010	$ 120
Additions	
Reclassifications from nonaccretable difference	126
Accretion	(72)
Balance as of September 30, 2010	$ 174

The following table presents the fair value of impaired and non-impaired loans covered by loss-sharing agreements at September 30, 2010:

	Impaired Loans	Non-impaired Loans	Total Covered Loans
Contractually-required principal and interest	$ 181,546	$ 336,599	$ 518,145
Nonaccretable difference(1)	(69,864)	(80,941)	(150,805)
Cash flows expected to be collected	111,682	255,658	367,340
Accretable yield(2)	(4,167)	(10,638)	(14,805)
Fair value	$ 107,515	$ 245,020	$ 352,535

(1) Represents contractual principal and interest cash flows of $144.8 million and $6.0 million, respectively, not expected to be collected.

(2) Represents future interest payment of $10.6 million expected to be collected and purchase discount of $4.2 million.

Changes in the accretable yield, excluding future interest payments, of the loans covered by loss-sharing agreements at September 30, 2010 are as follows:

	Impaired Loans	Non-impaired Loans	Total Covered Loans
Balance as of July 23, 2010	$ (4,506)	$ (19)	$ (4,525)
Additions			
Reclassifications from nonaccretable difference			
Accretion	339	1	340
Balance as of September 30, 2010	$ (4,167)	$ (18)	$ (4,185)

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note E Other Real Estate and Repossessions

(In Thousands)

The following table provides details of the Company s other real estate owned and repossessions:

	September 30, 2010	December 31, 2009
Residential real estate	$ 25,928	$ 18,038
Commercial real estate	28,255	10,336
Residential land development	42,331	27,018
Commercial land development	12,687	165
Other	3,021	3,011
Total other real estate owned and repossessions	$ 112,222	$ 58,568

A summary of those properties covered by loss-sharing agreements with the FDIC and those that are not covered at September 30, 2010 follows:

	Covered	Not Covered
Residential real estate	$ 10,590	$ 15,338
Commercial real estate	14,984	13,271
Residential land development	13,474	28,857
Commercial land development	10,238	2,449
Other		3,021
Total other real estate owned and repossessions	$ 49,286	$ 62,936

Changes in the Company s other real estate owned and repossessions are as follows:

	Covered	Not Covered
Balance as of January 1, 2010	$	$ 58,568
Additions	50,168	25,471
Capitalized improvements		640
Impairments		(3,318)
Dispositions	(882)	(18,334)
Other		(91)
Balance as of September 30, 2010	$ 49,286	$ 62,936

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note F Employee Benefit Plans

(In Thousands)

The following table provides the components of net pension cost and other benefit cost recognized for the three and nine month periods ended September 30, 2010 and 2009:

	Three Months Ended September 30,			
	Pension Benefits		Other Benefits	
	2010	2009	2010	2009
Service cost	$	$	$ 9	$ 10
Interest cost	248	245	23	17
Expected return on plan assets	(252)	(253)		
Prior service cost recognized	5	5		
Recognized loss	92	89	30	17
Net periodic benefit cost	$ 93	$ 86	$ 62	$ 44

	Nine Months Ended September 30,			
	Pension Benefits		Other Benefits	
	2010	2009	2010	2009
Service cost	$	$	$ 28	$ 31
Interest cost	742	735	69	51
Expected return on plan assets	(756)	(758)		
Prior service cost recognized	15	15		
Recognized loss	278	267	89	51
Net periodic benefit cost	$ 279	$ 259	$ 186	$ 133

Note G Shareholders Equity

(In Thousands, Except Share Data)

The Company declared a cash dividend of $0.17 per share for each of the third quarter of 2010 and 2009. Total cash dividends paid to shareholders by the Company were $11,447 and $10,772 for the nine month periods ended September 31, 2010 and 2009, respectively.

In January 2010, the Company granted 138,500 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 2010 and 2009 for the nine month periods ended September 30, 2010 and 2009:

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Dividend yield	4.74%	3.99%
Expected volatility	34%	30%
Risk-free interest rate	2.48%	1.55%
Expected lives	6 years	6 years
Weighted average exercise price	$ 14.22	$ 17.03
Weighted average fair value	$ 3.01	$ 3.09

In addition, the Company awarded 23,500 shares of performance-based restricted stock in January 2010. The performance-based restricted stock is earned, in part, if the Company meets or exceeds financial performance results defined by the board of directors for the year. The fair value of the restricted stock grant on the date of the grant was $14.22 per share. The Company recorded total stock-based compensation expense of $373 and $516 for the nine months ended September 30, 2010 and 2009, respectively. During the nine months ended September 30, 2010, the Company reissued 33,549 shares from treasury in connection with the exercise of stock-based compensation.

Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note H Segment Reporting

(In Thousands)

The Company s internal reporting process is organized into four segments that account for the Company s principal activities: the delivery of financial services through its community banks in Mississippi, Tennessee and Alabama and the delivery of insurance services through its insurance agency. In order to give the Company s regional management a more precise indication of the income and expenses they can control, the results of operations for the geographic regions of the community banks and for the insurance company reflect the direct revenues and expenses of each respective segment. The Company believes this management approach will enable its regional management to focus on serving customers through loan originations and deposit gathering. Indirect revenues and expenses, including but not limited to income from the Company s investment portfolio, as well as certain costs associated with other data processing and back office functions, are not allocated to the Company s segments. Rather, these revenues and expenses are shown in the Other column along with the operations of the holding company and eliminations which are necessary for purposes of reconciling to the consolidated amounts. The Company is currently evaluating how the ongoing operations of the Crescent acquisition will impact future strategic decisions and how these operations will affect its reportable segments.

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note H Segment Reporting (continued)

	Community Banks						
	Mississippi	Tennessee	Alabama	Crescent Acquisition	Insurance	Other	Consolidated
Three Months Ended September 30, 2010:							
Net interest income	$ 11,841	$ 7,378	$ 5,641	$ 2,026	$ 28	$ 203	$ 27,117
Provision for loan losses	2,530	6,413	2,557				11,500
Noninterest income	7,122	1,527	2,518	42,656	840	(129)	54,534
Noninterest expense	8,246	6,109	5,320	3,177	743	15,976	39,571
Income before income taxes	8,187	(3,617)	282	41,505	125	(15,902)	30,580
Income taxes	1,877	(829)	65	13,647	48	(3,779)	11,029
Net income (loss)	$ 6,310	$ (2,788)	$ 217	$ 27,858	$ 77	$ (12,123)	$ 19,551
Total assets	$ 1,409,567	$ 1,265,136	$ 786,832	$ 778,822	$ 8,810	$ 7,086	$ 4,256,253
Goodwill	2,265	133,316	46,515		2,783		184,879
Three Months Ended September 30, 2009:							
Net interest income	$ 13,943	$ 8,114	$ 5,547	$	$ 32	$ (2,445)	$ 25,191
Provision for loan losses	1,682	1,891	3,777				7,350
Noninterest income	7,396	1,007	2,720		996	1,834	13,953
Noninterest expense	8,838	4,605	4,316		770	7,589	26,118
Income before income taxes	10,819	2,625	174		258	(8,200)	5,676
Income taxes	3,100	737	92		100	(2,578)	1,451
Net income (loss)	$ 7,719	$ 1,888	$ 82	$	$ 158	$ (5,622)	$ 4,225
Total assets	$ 1,550,797	$ 1,367,195	$ 711,938	$	$ 8,838	$ 3,889	$ 3,642,657
Goodwill	2,265	133,316	46,520		2,783		184,884
Nine Months Ended September 30, 2010:							
Net interest income	$ 37,978	$ 22,368	$ 16,344	$ 2,026	$ 92	$ (3,601)	$ 75,207
Provision for loan losses	5,268	15,610	4,287				25,165
Noninterest income	21,768	4,351	6,369	42,656	2,760	3,458	81,362
Noninterest expense	24,044	15,567	13,319	3,177	2,208	33,078	91,393
Income before income taxes	30,434	(4,458)	5,107	41,505	644	(33,221)	40,011
Income taxes	6,978	(1,022)	1,171	13,647	250	(7,967)	13,057
Net income (loss)	$ 23,456	$ (3,436)	$ 3,936	$ 27,858	$ 394	$ (25,254)	$ 26,954

Total assets	$ 1,409,567	$ 1,265,136	$ 786,832	$ 778,822	$ 8,810	$ 7,086	$ 4,256,253
Goodwill	2,265	133,316	46,515		2,783		184,879
Nine Months Ended September 30, 2009:							
Net interest income	$ 39,096	$ 22,810	$ 16,484	$	$ 63	$ (3,789)	$ 74,664
Provision for loan losses	6,106	7,076	5,908				19,090
Noninterest income	22,569	3,142	9,146		2,953	6,329	44,139
Noninterest expense	24,205	13,484	12,744		2,252	27,485	80,170
Income before income taxes	31,354	5,392	6,978		764	(24,945)	19,543
Income taxes	8,596	1,478	1,913		296	(7,227)	5,056
Net income (loss)	$ 22,758	$ 3,914	5,065	$	$ 468	$ (17,718)	$ 14,487
Total assets	$ 1,550,797	$ 1,367,195	$ 711,938	$	$ 8,838	$ 3,889	$ 3,642,657
Goodwill	2,265	133,316	46,520		2,783		184,884

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note I Fair Value of Financial Instruments

(In Thousands)

The carrying amounts and estimated fair values of the Company s financial instruments are as follows:

	September 30, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Cash and cash equivalents	$ 296,413	$ 296,413	$ 148,560	$ 148,560
Securities held to maturity	176,779	182,378	138,806	139,433
Securities available for sale	568,707	568,707	575,358	575,358
Mortgage loans held for sale	25,639	25,639	25,749	25,749
Loans covered under loss-share agreements	352,535	359,310		
Loans not covered under loss-share agreements	2,231,075	2,213,364	2,308,470	2,291,654
FDIC loss-share indemnification receivable	153,244	153,244		
Derivative instruments	1,493	1,493	1,946	1,946
Financial liabilities:				
Deposits	3,415,928	3,431,498	2,576,100	2,589,135
Short-term borrowings	19,422	19,422	22,397	22,397
Federal Home Loan Bank advances	176,851	189,174	469,574	480,639
Junior subordinated debentures	75,972	37,696	76,053	37,548
TLGP Senior Note	50,000	52,092	50,000	51,888
Derivative instruments	1,113	1,113	277	277

The following methods and assumptions were used by the Company to estimate the fair value of each class of its financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents: Cash and cash equivalents consists of cash and due from banks and interest-bearing balances with banks. The carrying amount reported in the Consolidated Balance Sheets for cash and cash equivalents approximates fair value.

Securities: For both securities available for sale and securities held to maturity, fair values for debt securities are based on quoted market prices, where available, or a discounted cash flow model. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The fair value of equity securities not traded in an active market approximates their historical cost.

Mortgage loans held for sale: The carrying value of mortgage loans held for sale approximates fair value due to the short-term nature of the asset.

Loans: For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fixed-rate loan fair values, including mortgages, commercial, agricultural and consumer loans, are estimated using a discounted cash flow analysis based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The fair value of loans covered under loss-share agreements is based on the net present value of future cash proceeds expected to be received using discount rates that are derived from current market rates and reflect the level of interest risk in the covered loans.

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

Derivative instruments: Derivative instruments include interest rate swaps and mortgage loan commitments. The fair value of the interest rate swaps is based on the projected future cash flows. The fair value of the mortgage loan commitments is based on readily available fair values, obtained in the open market from mortgage investors.

Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note I Fair Value of Financial Instruments (continued)

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

Short-term borrowings: Short-term borrowings consist of treasury, tax and loan notes and securities sold under agreements to repurchase. The fair value of these short-term borrowings approximates the carrying value of the amounts reported in the Consolidated Balance Sheets for each respective account.

Federal Home Loan Bank advances: The fair value for Federal Home Loan Bank advances was determined by discounting the cash flow using the current market rate.

Junior subordinated debentures: The fair value for the Company s junior subordinated debentures was determined by discounting the cash flow using the current market rate.

TLGP Senior Note: The fair value for the Company s senior note guaranteed by the FDIC under its Temporary Liquidity Guarantee Program (TLGP) was determined by discounting the cash flow using the current market rate.

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

Financial Assets and Liabilities Recorded at Fair Value on a Recurring Basis

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

Securities available for sale: Securities available for sale consist primarily of debt securities such as obligations of U.S. Government agencies and corporations, mortgage-backed securities and trust preferred securities. The fair values of these instruments are based on quoted market prices of similar instruments or a discounted cash flow model. Securities available for sale also include equity securities that are not traded in an active market. The fair value of these securities approximates their historical cost.

Derivative instruments: Interest rate swaps are extensively traded in over-the-counter markets at prices based upon projections of future cash payments/receipts discounted at market rates. The fair value of the Company s interest rate swaps is determined based upon discounted cash flows. The fair value of the mortgage loan commitments is based on readily available fair values, obtained in the open market from mortgage investors. These fair values reflect the values of mortgage loans having similar terms and characteristics to the mortgage loan commitments entered into by the Company.

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note I Fair Value of Financial Instruments (continued)

The following table presents assets and liabilities that are measured at fair value on a recurring basis at September 30, 2010 and December 31, 2009:

	Level 1	Level 2	Level 3	Totals
September 30, 2010				
Securities available for sale:				