RENASANT CORP
Form 10-Q
May 10, 2012
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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 March 31, 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)

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

(662) 680-1001

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 x 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 April 30, 2012, 25,105,732 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 March 31, 2012

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Renasant Corporation and Subsidiaries

Consolidated Balance Sheets

(In Thousands, Except Share Data)

	(Unaudited) March 31, 2012	December 31, 2011
Assets		
Cash and due from banks	$ 83,107	$ 85,684
Interest-bearing balances with banks	91,571	123,333
Cash and cash equivalents	174,678	209,017
Securities held to maturity (fair value of $370,205 and $344,618, respectively)	358,039	332,410
Securities available for sale, at fair value	476,380	463,931
Mortgage loans held for sale	25,216	28,222
Loans, net of unearned income:		
Covered under loss-share agreements	318,089	339,462
Not covered under loss-share agreements	2,281,957	2,241,622
Total loans, net of unearned income	2,600,046	2,581,084
Allowance for loan losses	(44,176)	(44,340)
Loans, net	2,555,870	2,536,744
Premises and equipment, net	56,357	54,498
Other real estate owned:		
Covered under loss-share agreements	35,461	43,156
Not covered under loss-share agreements	64,931	70,079
Total other real estate owned, net	100,392	113,235
Goodwill	184,879	184,879
Other intangible assets, net	7,089	7,447
FDIC loss-share indemnification asset	64,195	107,754
Other assets	173,395	163,871
Total assets	$ 4,176,490	$ 4,202,008
Liabilities and shareholders equity		
Liabilities		
Deposits		
Noninterest-bearing	$ 535,955	$ 531,910
Interest-bearing	2,937,211	2,880,327
Total deposits	3,473,166	3,412,237
Short-term borrowings	7,830	11,485
Long-term debt	163,923	243,224
Other liabilities	41,960	47,860

Total liabilities	3,686,879	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; 25,105,732 and 25,066,068 shares outstanding, respectively	133,579	133,579
Treasury stock, at cost	(26,171)	(26,815)
Additional paid-in capital	217,324	217,477
Retained earnings	172,807	171,108
Accumulated other comprehensive loss, net of taxes	(7,928)	(8,147)
Total shareholders equity	489,611	487,202
Total liabilities and shareholders equity	$ 4,176,490	$ 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 March 31, 2012	2011
Interest income		
Loans	$ 34,282	$ 35,944
Securities		
Taxable	4,010	5,563
Tax-exempt	2,128	2,130
Other	85	206
Total interest income	40,505	43,843
Interest expense		
Deposits	5,419	10,082
Borrowings	2,243	2,625
Total interest expense	7,662	12,707
Net interest income	32,843	31,136
Provision for loan losses	4,800	5,500
Net interest income after provision for loan losses	28,043	25,636
Noninterest income		
Service charges on deposit accounts	4,525	4,841
Fees and commissions	3,928	2,931
Insurance commissions	898	837
Wealth Management revenue	1,942	1,056
Gains on sales of securities	904	12
BOLI income	1,111	595
Gains on sales of mortgage loans held for sale	1,281	1,151
Gain on acquisition		8,774
Other	1,798	798
Total noninterest income	16,387	20,995
Noninterest expense		
Salaries and employee benefits	18,649	16,237
Data processing	2,040	1,788
Net occupancy and equipment	3,615	3,218
Other real estate owned	3,999	3,511
Professional fees	971	814
Advertising and public relations	1,197	996
Intangible amortization	358	515
Communications	1,103	1,162
Merger-related expenses		1,325
Extinguishment of debt	898	1,903
Other	3,791	4,524

Total noninterest expense	36,621	35,993
Income before income taxes	7,809	10,638
Income taxes	1,835	3,085
Net income	$ 5,974	$ 7,553
Basic earnings per share	$ 0.24	$ 0.30
Diluted earnings per share	$ 0.24	$ 0.30
Cash dividends per common share	$ 0.17	$ 0.17

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 March 31, 2012	2011
Net income	$ 5,974	$ 7,553
Other comprehensive income, net of tax:		
Securities available for sale:		
Unrealized holding gains on securities	1,018	277
Non-credit related portion of other-than-temporary impairment on securities		
Reclassification adjustment for gains realized in net income	(558)	(7)
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(102)	(169)
Total securities available for sale	358	101
Derivative instruments:		
Unrealized holding losses on derivative instruments	(111)	
Reclassification adjustment for gains realized in net income	(94)	(93)
Totals derivative instruments	(205)	(93)
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	71
Total defined benefit pension and post-retirement benefit plans	66	71
Other comprehensive income	219	79
Comprehensive income	$ 6,193	$ 7,632

See Notes to Consolidated Financial Statements.

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Renasant Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In Thousands)

	Three Months Ended March 31, 2012	2011
Operating activities		
Net cash provided by operating activities	$ 62,609	$ 45,499
Investing activities		
Purchases of securities available for sale	(78,210)	(48,586)
Proceeds from sales of securities available for sale	22,685	
Proceeds from call/maturities of securities available for sale	43,433	39,227
Purchases of securities held to maturity	(53,899)	(36,547)
Proceeds from sales of securities held to maturity		5,041
Proceeds from call/maturities of securities held to maturity	27,975	2,140
Net (increase) decrease in loans	(29,776)	1,219
Purchases of premises and equipment	(3,139)	(1,276)
Proceeds from sales of premises and equipment	45	10
Net cash received in acquisition		148,443
Net cash (used in) provided by investing activities	(70,886)	109,671
Financing activities		
Net increase in noninterest-bearing deposits	4,045	107,782
Net increase (decrease) in interest-bearing deposits	56,884	(154,066)
Net decrease in short-term borrowings	(3,655)	(4,494)
Repayment of long-term debt	(79,261)	(66,779)
Cash paid for dividends	(4,275)	(4,266)
Cash received on exercise of stock-based compensation	200	9
Net cash used in financing activities	(26,062)	(121,814)
Net (decrease) increase in cash and cash equivalents	(34,339)	33,356
Cash and cash equivalents at beginning of period	209,017	292,669
Cash and cash equivalents at end of period	$ 174,678	$ 326,025
Supplemental disclosures		
Noncash transactions:		
Transfers of loans to other real estate	$ 7,481	$ 18,555

See Notes to Consolidated Financial Statements.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note A Summary of Significant Accounting Policies

Nature of Operations: Renasant Corporation (referred to herein as the Company) owns and operates Renasant Bank (Renasant Bank or the Bank) and Renasant Insurance, Inc. The Company offers a diversified range of financial, fiduciary and insurance services to its retail and commercial customers through its subsidiaries and full service offices located throughout north and north central Mississippi, west and middle 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 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 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 March 31, 2012 but prior to the issuance of these financial statements that would have a material impact on its Consolidated Financial Statements.

Impact of Recently-Issued Accounting Standards and Pronouncements: In June 2011, the Financial Accounting Standards Board (FASB) issued an update to Accounting Standards Codification Topic (ASC) 220, Comprehensive Income, (ASC 220) that eliminates the option to present components of other comprehensive income as part of the Statements of Changes in Shareholders Equity. This update requires that all nonowner changes in shareholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In a single continuous statement, the entity is required to present the components of net income and total net income, the components of other comprehensive income and a total for other comprehensive income, along with the total of comprehensive income in that statement. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. Regardless of whether an entity chooses to present comprehensive income in a single continuous statement or in two separate but consecutive statements, the entity is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. In December 2011, FASB issued an update to defer the effective date for those changes related to the presentation of reclassifications of items out of accumulated other comprehensive income. While FASB continues to redeliberate whether the reclassification adjustments should be presented on the face of the financial statements, reclassifications out of accumulated other comprehensive income should be reported in accordance with presentation requirements in effect prior to FASB s update. These updates to ASC 220 became effective for the Company on January 1, 2012. Please refer to the Consolidated Statements of Comprehensive Income and Note J, Other Comprehensive Income, in these Notes to Consolidated Financial Statements for disclosures reflecting the Company s adoption of these updates.

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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 services 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 Renasant Bank acquired all of the ownership interests in the subsidiary. In connection with the acquisition, the Company recognized a gain of $570, which is 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.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note B Mergers and Acquisitions (continued)

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 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 three months ended March 31, 2011.

The following table sets forth the fair values of the assets acquired and liabilities assumed by the Bank in the acquisition of American Trust as of February 4, 2011:

Assets Acquired	
Cash and due from banks	$ 148,443
Securities available for sale	7,060
Federal Home Loan Bank stock	1,192
Loans:	
Covered under loss-share agreements	73,657
Not covered under loss-share agreements	742
Total loans	74,399
FDIC loss-share indemnification asset	11,926
Core deposit intangible	229
Other assets	4,256
Total assets acquired	247,505
Liabilities Assumed	
Deposits:	
Noninterest-bearing	10,096
Interest-bearing	212,911

Total deposits		223,007
Advances from the Federal Home Loan Bank		15,020
Accrued expenses and other liabilities		704
Total liabilities assumed		238,731
Net assets acquired		8,774
Deferred tax liability		3,356
Net assets assumed, including deferred tax liability	$	5,418

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 months ended March 31, 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 by 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 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:

Balance at January 1, 2012	$ 107,754
Realized losses in excess of initial estimates	7,083
Reimbursements received	(50,268)
Accretion	(374)
Balance at March 31, 2012	$ 64,195

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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
March 31, 2012				
Obligations of other U.S. Government agencies and corporations	$ 121,144	$ 63	$ (392)	$ 120,815
Obligations of states and political subdivisions	236,895	12,856	(361)	249,390
	$ 358,039	$ 12,919	$ (753)	$ 370,205
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 $5,029, and the Company recognized a net gain of $12 on the sale during the three months ended March 31, 2011. No securities classified as held to maturity were sold during the three months ended March 31, 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
March 31, 2012				
Obligations of other U.S. Government agencies and corporations	$ 2,187	$ 202	$	$ 2,389
Residential mortgage backed securities:				
Government agency mortgage backed securities	233,367	6,441	(233)	239,575
Government agency collateralized mortgage obligations	152,507	3,288	(200)	155,595
Commercial mortgage backed securities:				
Government agency mortgage backed securities	34,483	2,110	(27)	36,566
Government agency collateralized mortgage obligations	5,150	96		5,246
Trust preferred securities	29,459		(16,593)	12,866
Other debt securities	20,922	565	(4)	21,483
Other equity securities	2,340	320		2,660

$ 480,415	$ 13,022	$ (17,057)	$ 476,380

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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 gains on sales of securities available for sale for the three months ended March 31, 2012 were $904. No securities available for sale were sold at a loss during the same period. There were no sales of securities available for sale for the three months ended March 31, 2011.

At March 31, 2012 and December 31, 2011, securities with a carrying value of approximately $391,103 and $305,746, respectively, were pledged to secure government, public and trust deposits. Securities with a carrying value of $9,152 and $20,206 were pledged as collateral for short-term borrowings at March 31, 2012 and December 31, 2011, respectively.

The amortized cost and fair value of securities at March 31, 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	$ 9,011	$ 9,068	$	$
Due after one year through five years	158,770	159,361		
Due after five years through ten years	44,940	47,693	2,187	2,389
Due after ten years	145,318	154,083	29,459	12,866
Residential mortgage backed securities:				
Government agency mortgage backed securities			233,367	239,575
Government agency collateralized mortgage obligations			152,507	155,595
Commercial mortgage backed securities:				
Government agency mortgage backed securities			34,483	36,566
Government agency collateralized mortgage obligations			5,150	5,246
Other debt securities			20,922	21,483
Other equity securities			2,340	2,660

	$ 358,039	$ 370,205	$ 480,415	$ 476,380

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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:						
March 31, 2012						
Obligations of other U.S. Government agencies and corporations	$ 84,772	$ (392)	$	$	$ 84,772	$ (392)
Obligations of states and political subdivisions	13,980	(361)			13,980	(361)
Total	$ 98,752	$ (753)	$	$	$ 98,752	$ (753)
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:						
March 31, 2012						
Obligations of other U.S. Government agencies and corporations	$	$	$	$	$	$
Residential mortgage backed securities:						
Government agency mortgage backed securities	36,182	(233)			36,182	(233)
Government agency collateralized mortgage obligations	30,199	(200)			30,199	(200)
Commercial mortgage backed securities:						
Government agency mortgage backed securities			1,242	(27)	1,242	(27)
Government agency collateralized mortgage obligations						
Trust preferred securities			12,866	(16,593)	12,866	(16,593)
Other debt securities			2,634	(4)	2,634	(4)
Total	$ 66,381	$ (433)	$ 16,742	$ (16,624)	$ 83,123	$ (17,057)
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)
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 a cost basis of $29,459 and $30,410 and a fair value of $12,866 and $12,785, at March 31, 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 345 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 March 31, 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 months ended March 31, 2012.

However, based on the qualitative factors discussed above, each of the four pooled trust preferred securities was classified as a nonaccruing asset at March 31, 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 March 31, 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	$ 678	$ (538)	Ca	40%
XXIII	Pooled	B-2	10,599	5,163	(5,436)	Ca	22%
XXIV	Pooled	B-2	12,076	4,747	(7,329)	Ca	35%
XXVI	Pooled	B-2	5,568	2,278	(3,290)	Ca	31%
			$ 29,459	$ 12,866	$ (16,593)		

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		

Increases in credit loss for which OTTI was previously recognized		
Balance at March 31	$ (3,337)	$ (3,075)

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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:

	March 31, 2012	December 31, 2011
Commercial, financial, agricultural	$ 278,926	$ 278,091
Lease financing	313	343
Real estate construction	73,425	81,235
Real estate 1-4 family mortgage	838,534	824,627
Real estate commercial mortgage	1,350,177	1,336,635
Installment loans to individuals	58,682	60,168
Gross loans	2,600,057	2,581,099
Unearned income	(11)	(15)
Loans, net of unearned income	2,600,046	2,581,084
Allowance for loan losses	(44,176)	(44,340)
Net loans	$ 2,555,870	$ 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**
March 31, 2012									
Commercial, financial, agricultural	$ 480	$ 307	$ 272,491	$ 273,278	$ 550	$ 4,942	$ 156	$ 5,648	$ 278,926
Lease financing			313	313					313
Real estate construction	118	41	66,956	67,115		6,310		6,310	73,425
Real estate 1-4 family mortgage	12,371	2,778	790,359	805,508	867	23,219	8,940	33,026	838,534
Real estate commercial mortgage	6,833	1,585	1,281,666	1,290,084	353	56,797	2,943	60,093	1,350,177
Installment loans to individuals	419	121	57,802	58,342	8	303	29	340	58,682
Unearned income			(11)	(11)					(11)
Total	$ 20,221	$ 4,832	$ 2,469,576	$ 2,494,629	$ 1,778	$ 91,571	$ 12,068	$ 105,417	$ 2,600,046
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
	473	163	59,020	59,656	10	480	22	512	60,168

Installment loans to individuals									
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
March 31, 2012					
Commercial, financial, agricultural	$ 9,707	$ 2,352	$ 2,902	$ 5,254	$ 868
Lease financing					
Real estate construction	16,650	108	6,202	6,310	16
Real estate 1-4 family mortgage	93,618	25,541	23,347	48,888	5,722
Real estate commercial mortgage	161,792	35,044	58,649	93,693	6,868
Installment loans to individuals					
Total	$ 281,767	$ 63,045	$ 91,100	$ 154,145	$ 13,474
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:

	Three Months Ended March 31, 2012		Three Months Ended March 31, 2011	
	Average Recorded Investment	Interest Income Recognized(1)	Average Recorded Investment	Interest Income Recognized(1)
Commercial, financial, agricultural	$ 5,910	$ 8	$ 5,344	$ 7
Lease financing				
Real estate construction	6,474		12,964	28
Real estate 1-4 family mortgage	51,005	324	78,668	329
Real estate commercial mortgage	97,938	519	106,513	569
Installment loans to individuals				
Total	$ 161,327	$ 851	$ 203,489	$ 933

(1) Includes interest income recognized using the cash-basis method of income recognition of $214 and $166, 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
March 31, 2012			
Commercial, financial, agricultural		$	$
Lease financing			
Real estate construction			
Real estate 1-4 family mortgage	17	19,612	16,794
Real estate commercial mortgage	14	19,187	18,750
Installment loans to individuals	1	184	177
Total	32	$ 38,983	$ 35,721
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	4	2,620
Reductions due to:		

Reclassified as nonperforming	(1)	(686)
Charge-offs		(183)
Transfer to other real estate owned	(1)	(419)
Principal paydowns		(1,243)
Lapse of concession period	(1)	(679)
Totals at March 31, 2012	32	$ 35,721

The allocated allowance for loan losses attributable to restructured loans was $6,337 and $5,994 at March 31, 2012 and December 31, 2011, respectively. The Company had $194 in remaining availability under commitments to lend additional funds on these restructured loans at March 31, 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
March 31, 2012				
Commercial, financial, agricultural	$ 196,147	$ 2,419	$ 4,527	$ 203,093
Real estate construction	45,330	2,725	108	48,163
Real estate 1-4 family mortgage	86,150	32,610	36,016	154,776
Real estate commercial mortgage	888,200	52,664	39,007	979,871
Installment loans to individuals	32			32
Total	$ 1,215,859	$ 90,418	$ 79,658	$ 1,385,935
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
March 31, 2012			
Commercial, financial, agricultural	$ 59,863	$ 360	$ 60,223
Lease financing	313		313
Real estate construction	19,061		19,061

Real estate 1-4 family mortgage	577,464	5,014	582,478
Real estate commercial mortgage	169,013	596	169,609
Installment loans to individuals	54,559	166	54,725
Total	$ 880,273	$ 6,136	$ 886,409
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
March 31, 2012				
Commercial, financial, agricultural	$ 38	$ 15,168	$ 404	$ 15,610
Lease financing				
Real estate construction	4,012	2,189		6,201
Real estate 1-4 family mortgage	11,678	88,092	1,510	101,280
Real estate commercial mortgage	42,162	154,592	3,944	200,698
Installment loans to individuals		158	3,766	3,924
Total	$ 57,890	$ 260,199	$ 9,624	$ 327,713
December 31, 2011				
Commercial, financial, agricultural	$ 38	$ 17,765	$ 455	$ 18,258
Lease financing				
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 March 31, 2012:

	Impaired Covered Loans	Other Covered Loans	Not Covered Loans	Total
Contractually-required principal and interest	$ 87,483	$ 303,435	$ 12,823	$ 403,741
Nonaccretable difference[1]	(29,558)	(32,187)	(1,088)	(62,833)
Cash flows expected to be collected	57,925	271,248	11,735	340,908
Accretable yield[2]	(35)	(11,049)	(2,111)	(13,195)

Fair value	$ 57,890	$ 260,199	$ 9,624	$ 327,713

(1) Represents contractual principal and interest cash flows of $50,717 and $12,116, respectively, not expected to be collected.
(2) Represents future interest payments of $7,120 expected to be collected and purchase discount of $6,075.

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)	$ (2,973)	$ (353)	$ (3,366)
Reclasses from nonaccretable difference		(1,737)	(1,926)	(3,663)
Accretion	5	524	425	954
Balance at March 31, 2012	$ (35)	$ (4,186)	$ (1,854)	$ (6,075)

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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 March 31, 2012						
Allowance for loan losses:						
Beginning balance	$ 4,197	$ 1,073	$ 17,191	$ 20,979	$ 900	$ 44,340
Provision for loan losses	389	(187)	3,414	1,230	(46)	4,800
Charge-offs	(1,388)	(4)	(1,874)	(1,882)	(71)	(5,219)
Recoveries	22		161	52	20	255
Ending balance	$ 3,220	$ 882	$ 18,892	$ 20,379	$ 803	$ 44,176
Period-End Amount Allocated to:						
Individually evaluated for impairment	$ 868	$ 16	$ 5,722	$ 6,868	$	$ 13,474
Collectively evaluated for impairment	2,352	866	13,170	13,511	803	30,702
Acquired with deteriorated credit quality						
Ending balance	$ 3,220	$ 882	$ 18,892	$ 20,379	$ 803	$ 44,176
Three Months Ended March 31, 2011						
Allowance for loan losses:						
Beginning balance	$ 2,625	$ 2,115	$ 20,870	$ 18,779	$ 1,026	$ 45,415

Provision for loan losses	660	(151)	3,652	1,365	(26)	5,500
Charge-offs	(145)	(229)	(3,531)	(551)	(56)	(4,512)
Recoveries	142		116	817	27	1,102
Ending balance	$ 3,282	$ 1,735	$ 21,107	$ 20,410	$ 971	$ 47,505
Period-End Amount Allocated to:						
Individually evaluated for impairment	$ 674	$ 711	$ 7,931	$ 6,819	$	$ 16,135
Collectively evaluated for impairment	2,608	1,024	13,176	13,591	971	31,370
Acquired with deteriorated credit quality						
Ending balance	$ 3,282	$ 1,735	$ 21,107	$ 20,410	$ 971	$ 47,505

(1) Includes lease financing receivables.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

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
March 31, 2012						
Individually evaluated for impairment	$ 5,254	$ 6,310	$ 48,888	$ 93,693	$	$ 154,145
Collectively evaluated for impairment	258,062	60,914	688,366	1,055,786	55,060	2,118,188
Acquired with deteriorated credit quality	15,610	6,201	101,280	200,698	3,924	327,713
Ending balance	$ 278,926	$ 73,425	$ 838,534	$ 1,350,177	$ 58,984	$ 2,600,046
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:

	Covered OREO	Not Covered OREO	Total OREO
March 31, 2012			
Residential real estate	$ 6,281	$ 11,733	$ 18,014
Commercial real estate	8,004	11,571	19,575
Residential land development	5,563	34,092	39,655
Commercial land development	15,613	7,355	22,968
Other		180	180
Total	$ 35,461	$ 64,931	$ 100,392
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	3,850	3,631	7,481
Capitalized improvements		353	353
Impairments(1)	(2,666)	(1,565)	(4,231)
Dispositions	(8,873)	(7,551)	(16,424)
Other	(6)	(16)	(22)
Balance at March 31, 2012	$ 35,461	$ 64,931	$ 100,392

(1) Of the total impairment charges of $2,666 recorded for covered OREO, $533 was included in the Consolidated Statements of Income for the three months ended March 31, 2012, while the remaining $2,133 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:

	Three Months Ended March 31,	
	2012	2011
Carrying costs	$ 1,035	$ 989
Impairments	2,098	969
Net losses on OREO sales	991	1,631
Rental income	(125)	(78)
Total	$ 3,999	$ 3,511

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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 March 31,		Three Months Ended March 31,	
	2012	2011	2012	2011
Service cost	$	$	$ 6	$ 9
Interest cost	215	236	16	23
Expected return on plan assets	(298)	(287)		
Prior service cost recognized				
Recognized actuarial loss	89	77	18	39
Recognized curtailment loss				
Net periodic benefit cost	$ 6	$ 26	$ 40	$ 71

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 three month periods ended March 31, 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
Weighted average fair value	$ 3.10	$ 3.93

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.

During the three months ended March 31, 2012, the Company reissued 39,664 shares from treasury in connection with the exercise of stock-based compensation. The Company recorded total stock-based compensation expense of $292 and $305 for the three months ended March 31, 2012 and 2011, respectively.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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 IRA s, and custodial accounts. In addition, the Wealth Management segment offers annuities, mutual funds and other investment services through a third party broker-dealer.

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

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

	Community Banks	Insurance	Wealth Management	Other	Consolidated
Three Months Ended					
March 31, 2012					
Net interest income	$ 33,105	$ 24	$ 363	$ (649)	$ 32,843
Provision for loan losses	4,794		6		4,800
Noninterest income	13,245	1,169	1,951	22	16,387
Noninterest expense	34,263	783	1,466	109	36,621
Income before income taxes	7,293	410	842	(736)	7,809
Income taxes	1,732	159	226	(282)	1,835
Net income (loss)	$ 5,561	$ 251	$ 616	$ (454)	$ 5,974
Total assets	$ 4,118,598	$ 10,377	$ 41,528	$ 5,987	$ 4,176,490
Goodwill	182,096	2,783			184,879

Three Months Ended March 31, 2011					
Net interest income	$ 31,395	$ 32	$ 316	$ (607)	$ 31,136
Provision for loan losses	5,520		(20)		5,500
Noninterest income	18,767	1,143	1,066	19	20,995
Noninterest expense	34,294	723	896	80	35,993
Income before income taxes	10,348	452	506	(668)	10,638
Income taxes	3,011	174	155	(255)	3,085
Net income (loss)	$ 7,337	$ 278	$ 351	$ (413)	$ 7,553
Total assets	$ 4,368,067	$ 9,067	$ 37,193	$ 7,837	$ 4,422,164
Goodwill	182,096	2,783			184,879

In connection with the acquisition of American Trust, the Company recognized a gain on acquisition of $8,774 in the three months ended March 31, 2011, which is included in Noninterest income for the Community Banks segment in the table above.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note H   Fair Value Measurements

(In Thousands)

Fair Value Measurements and the Fair Level Hierarchy

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

Securities available for sale: Securities available for sale consist primarily of debt securities such as obligations of U.S. Government agencies and corporations, mortgage-backed securities, trust preferred securities, and other debt securities. For securities available for sale, 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 traded in an active market is based on quoted market prices; for equity securities not traded in an active market, fair value approximates their historical cost.

Derivative instruments: Interest rate contracts, including swaps, caps and/or floors, 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 contracts is determined based upon discounted cash flows. The fair values of the Company s interest rate lock commitments to fund fixed-rate residential mortgage loans and forward commitments to sell residential mortgage loans to secondary market investors are based on readily available quoted market prices.

The following table presents assets and liabilities that are measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Totals
March 31, 2012				
Financial assets:				
Securities available for sale:				
Obligations of other U.S. Government agencies and corporations	$	$ 2,389	$	$ 2,389
Residential mortgage-backed securities:				
Government agency mortgage backed securities		239,575		239,575
Government agency collateralized mortgage obligations		155,595		155,595
Commercial mortgage-backed securities:				
Government agency mortgage backed securities		36,566		36,566
Government agency collateralized mortgage obligations		5,246		5,246
Trust preferred securities			12,866	12,866
Other debt securities		21,483		21,483
Other equity securities			2,660	2,660
Total securities available for sale		460,854	15,526	476,380
Derivative instruments:				
Interest rate contracts		1,881		1,881
Interest rate lock commitments		795		795
Total derivative instruments		2,676		2,676
Total financial assets	$	$ 463,530	$ 15,526	$ 479,056

Financial liabilities:								
Derivative instruments:								
Interest rate swap	$		$	179	$		$	179
Interest rate contracts				1,870				1,870
Forward commitments				66				66
Total derivative instruments				2,115				2,115
Total financial liabilities	$		$	2,115	$		$	2,115

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note H Fair Value Measurements (continued)

	$xxxxx.xx Level 1	$xxxxx.xx Level 2	$xxxxx.xx Level 3	$xxxxx.xx Totals
December 31, 2011				
Financial assets:				
Securities available for sale:				
Obligations of other U.S. Government agencies and corporations	$	$ 17,395	$	$ 17,395
Residential mortgage-backed securities:				
Government agency mortgage backed securities		230,667		230,667
Government agency collateralized mortgage obligations		136,987		136,987
Commercial mortgage-backed securities:				
Government agency mortgage backed securities		36,669		36,669
Government agency collateralized mortgage obligations		5,316		5,316
Trust preferred securities			12,785	12,785
Other debt securities		21,875		21,875
Other equity securities			2,237	2,237
Total securities available for sale		448,909	15,022	463,931
Derivative instruments:				
Interest rate contracts		2,132		2,132
Interest rate lock commitments		1,197		1,197
Total derivative instruments		3,329		3,329
Total financial assets	$	$ 452,238	$ 15,022	$ 467,260
Financial liabilities:				
Derivative instruments:				
Interest rate contracts	$	$ 2,063	$	$ 2,063
Forward commitments		427		427
Total derivative instruments		2,490		2,490
Total financial liabilities	$	$ 2,490	$	$ 2,490

The following table provides a reconciliation for assets and liabilities measured at fair value on a recurring basis using Level 3 inputs during the three months ended March 31, 2012:

	Securities available for sale		
	Trust preferred securities	Other equity securities	Total
Balance at January 1, 2012	$ 12,785	$ 2,237	$ 15,022
Transfers out of Level 3			
Realized gains (losses) included in net income			

Unrealized gains included in other comprehensive income	1,033	423	1,456
Reclassification adjustment	(952)		(952)
Settlements			
Balance at March 31, 2012	$ 12,866	$ 2,660	$ 15,526

Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note H Fair Value Measurements (continued)

Certain assets may be recorded at fair value on a nonrecurring basis. These nonrecurring fair value adjustments typically are a result of the application of the lower of cost or market accounting or a write-down occurring during the period. The following methods and assumptions are used by the Company to estimate the fair values of the Company s financial assets and liabilities measured on a nonrecurring basis:

Mortgage loans held for sale: Mortgage loans held for sale are carried at the lower of cost or fair value. If fair value is used, it is determined using current secondary market prices for loans with similar characteristics, that is, using Level 2 inputs. Mortgage loans held for sale were carried at cost on the Consolidated Balance Sheets at March 31, 2012 and December 31, 2011, respectively.

Impaired loans: Loans considered impaired are reserved for at the time the loan is identified as impaired taking into account the fair value of the collateral less estimated selling costs. Collateral may be real estate and/or business assets including but not limited to equipment, inventory and accounts receivable. The fair value of real estate is determined based on appraisals by qualified licensed appraisers. The fair value of the business assets is generally based on amounts reported on the business s financial statements. Appraised and reported values may be adjusted based on changes in market conditions from the time of valuation and management s knowledge of the client and the client s business. Since not all valuation inputs are observable, these nonrecurring fair value determinations are classified as Level 3. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors previously identified. Impaired loans covered under loss-share agreements were recorded at their fair value upon the acquisition date, and no fair value adjustments were necessary for the three months ended March 31, 2012 and 2011, respectively. The following table presents impaired loans measured at fair value on a nonrecurring basis:

	March 31, 2012	December 31, 2011
Impaired loans	$ 65,015	$ 66,018
Specific reserve included in allowance for loan losses	$ 13,474	$ 15,410

The allocated allowance for loan losses for impaired loans is based on the carrying value of the impaired loan and the fair value of the underlying collateral less estimated costs to sell.

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

	March 31, 2012	December 31, 2011
OREO covered under loss-share agreements:		
Carrying amount prior to remeasurement	$ 14,594	$ 7,111
Impairment recognized in results of operations	(459)	(305)
Increase in FDIC loss-share indemnification asset	(1,838)	(1,221)
Fair value	$ 12,297	$ 5,585

OREO not covered under loss-share agreements:		
Carrying amount prior to remeasurement	$ 23,186	$ 25,252
Impairment recognized in results of operations	(993)	(6,892)
Fair value	$ 22,193	$ 18,360

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note H Fair Value Measurements (continued)

Fair Value of Financial Instruments

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

	March 31, 2012		December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	$ 174,678	$ 174,678	$ 209,017	$ 209,017
Securities held to maturity	358,039	370,205	332,410	344,618
Securities available for sale	476,380	476,380	463,931	463,931
Mortgage loans held for sale	25,216	25,216	28,222	28,222
Loans covered under loss-share agreements	318,089	323,137	339,462	351,318
Loans not covered under loss-share agreements, net	2,281,957	2,248,015	2,197,282	2,220,159
FDIC loss-share indemnification asset	64,195	64,195	107,754	107,754
Derivative instruments	2,676	2,676	3,329	3,329
Financial liabilities				
Deposits	$ 3,473,166	$ 3,480,704	$ 3,412,237	$ 3,420,775
Short-term borrowings	7,830	7,830	11,485	11,485
Federal Home Loan Bank advances	88,193	97,280	117,454	127,976
Junior subordinated debentures	75,730	28,134	75,770	28,832
TLGP Senior Note			50,000	50,384
Derivative instruments	2,115	2,115	2,490	2,490

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

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

<u>Securities held to maturity</u>: For 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.

<u>Loans covered under loss-share agreements</u>: 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.

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

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

Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note H Fair Value Measurements (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 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 (FHLB) advances is determined by discounting the future cash flows using the current market rate.

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

TLGP Senior Note: The fair value for the Company s senior note guaranteed by the FDIC under the Temporary Liquidity Guarantee Program (TLGP) is determined by discounting the future cash flows using the current market rate. The outstanding balance of the Company s TLGP note was paid in full in March 2012.

Note I Derivative Instruments

(In Thousands)

The Company utilizes derivative financial instruments, including interest rate contracts such as swaps, caps and/or floors, as part of its ongoing efforts to mitigate its interest rate risk exposure and to facilitate the needs of its customers.

In the first quarter of 2011, the Company began entering into derivative instruments that are not designated as hedging instruments to help its commercial customers manage their exposure to interest rate fluctuations. To mitigate the interest rate risk associated with these customer contracts, the Company enters into an offsetting derivative contract position. The Company manages its credit risk, or potential risk of default by its commercial customers, through credit limit approval and monitoring procedures. At March 31, 2012, the Company had notional amounts of $45,919 on interest rate contracts with corporate customers and $45,919 in offsetting interest rate contracts with other financial institutions to mitigate the Company s rate exposure on its corporate customers contracts and certain fixed-rate loans.

In March 2012, the Company entered into an interest rate swap agreement effective March 31, 2014. Beginning on the effective date, the Company will receive a variable rate of interest based on the three-month LIBOR plus 150 basis points and pay a fixed rate of interest of 4.42%. The agreement, which terminates March 30, 2022, is accounted for as a cash flow hedge to reduce the variability in cash flows resulting from changes in interest rates on $12,000 of the Company s junior subordinated debentures. The interest rate swap had a fair value of $(179) at March 31, 2012.

In May 2010, the Company terminated two interest rate swaps, each designated as a cash flow hedge, designed to convert the variable interest rate on an aggregate of $75,000 of loans to a fixed rate. As of the termination date, there were $1,679 of deferred gains related to the swaps, which are being amortized into interest income over the designated hedging periods ending in August 2012 and August 2013. Deferred gains related to the swaps of $152 and $150 were amortized into net interest income for the three months ended March 31, 2012 and 2011, respectively.

The Company enters into interest rate lock commitments with its customers to mitigate the interest rate risk associated with the commitments to fund fixed-rate residential mortgage loans. The notional amount of commitments to fund fixed-rate mortgage loans was $43,051 and $56,217 at

March 31, 2012 and December 31, 2011, respectively. The Company also enters into forward commitments to sell residential mortgage loans to secondary market investors. The notional amount of commitments to sell residential mortgage loans to secondary market investors was $40,195 and $42,074 at March 31, 2012 and December 31, 2011, respectively.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note I Derivative Instruments (continued)

The following table provides details on the Company s derivative financial instruments:

	March 31, 2012		December 31, 2011	
	Balance Sheet Location	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Derivative assets:				
Not designated as hedging instruments:				
Interest rate contracts	Other Assets	$ 1,881	Other Assets	$ 2,132
Interest rate lock commitments	Other Assets	795	Other Assets	1,197
Totals		$ 2,676		$ 3,329
Derivative liabilities:				
Designated as hedging instruments:				
Interest rate swap	Other Liabilities	$ 179	Other Liabilities	$
Totals		$ 179		$
Not designated as hedging instruments:				
Interest rate contracts	Other Liabilities	$ 1,870	Other Liabilities	$ 2,063
Forward commitments	Other Liabilities	66	Other Liabilities	427
Totals		$ 1,936		$ 2,490

Gains (losses) included in the Consolidated Statements of Income related to the Company s derivative financial instruments were as follows:

	Three Months Ended March 31,	
	2012	**2011**
Derivatives designated as hedging instruments:		
Interest rate swaps (terminated May 2010):		
Included in interest income on loans	$ 152	$ 150
Total	$ 152	$ 150
Derivatives not designated as hedging instruments:		
Interest rate contracts:		
Included in interest income on loans	$ 334	$ 49
Included in other noninterest expense	11	
Interest rate lock commitments:		

Included in gains on sales of mortgage loans held for sale	(401)	(200)
Forward commitments		
Included in gains on sales of mortgage loans held for sale	(55)	
Total	$ (111)	$ (151)

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note J Other Comprehensive Income

(In Thousands)

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

	Pre-Tax	Tax Expense (Benefit)	Net of Tax
Three Months Ended March 31, 2012			
Securities available for sale:			
Unrealized holding gains on securities	$ 1,648	$ 630	$ 1,018
Non-credit related portion of other-than-temporary impairment on securities			
Reclassification adjustment for gains realized in net income	(904)	(346)	(558)
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(165)	(63)	(102)
Total securities available for sale	579	221	358
Derivative instruments:			
Unrealized holding losses on derivative instruments	(179)	(68)	(111)
Reclassification adjustment for gains realized in net income	(152)	(58)	(94)
Total derivative instruments	(331)	(126)	(205)
Defined benefit pension and post-retirement benefit plans:			
Net gain (loss) arising during the period			
Amortization of net actuarial loss recognized in net periodic pension cost	107	41	66
Total defined benefit pension and post-retirement benefit plans	107	41	66
Total other comprehensive income	$ 355	$ 136	$ 219
Three Months Ended March 31, 2011			
Securities available for sale:			
Unrealized holding gains on securities	$ 449	$ 172	$ 277
Non-credit related portion of other-than-temporary impairment on securities			
Reclassification adjustment for gains realized in net income	(12)	(5)	(7)
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(274)	(105)	(169)
Total securities available for sale	163	62	101
Derivative instruments:			
Reclassification adjustment for gains realized in net income	(150)	(57)	(93)
Total derivative instruments	(150)	(57)	(93)

Defined benefit pension and post-retirement benefit plans:			
Net gain (loss) arising during the period			
Amortization of net actuarial loss recognized in net periodic pension cost	115	44	71
Total defined benefit pension and post-retirement benefit plans	115	44	71
Total other comprehensive income	$ 128	$ 49	$ 79

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note J Other Comprehensive Income (continued)

The accumulated balances for each component of other comprehensive income, net of tax, were as follows:

	March 31, 2012	December 31, 2011
Unrealized gains on securities	$ 16,001	$ 15,643
Non-credit related portion of other-than-temporary impairment on securities	(17,474)	(17,474)
Unrealized gains on derivative instruments	231	436
Unrecognized defined benefit pension and post-retirement benefit plans obligations	(6,686)	(6,752)
Total accumulated other comprehensive loss	$ (7,928)	$ (8,147)

Note K Net Income Per Common Share

(In Thousands, Except Share Data)

Basic and diluted net income per common share calculations are as follows:

	Three Months Ended March 31,	
	2012	2011
Basic		
Net income applicable to common stock	$ 5,974	$ 7,553
Average common shares outstanding	25,078,996	25,052,126
Net income per common share - basic	$ 0.24	$ 0.30
Diluted		
Net income applicable to common stock	$ 5,974	$ 7,553
Average common shares outstanding	25,078,996	25,052,126
Effect of dilutive stock-based compensation	59,217	120,284
Average common shares outstanding - diluted	25,138,213	25,172,410
Net income per common share - diluted	$ 0.24	$ 0.30

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

(In Thousands, Except Share Data)

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

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

Financial Condition and Results of Operations

Net Income

Net income for the three month period ended March 31, 2012 was $5,974 compared to net income of $7,553 for the three month period ended March 31, 2011. Basic and diluted earnings per share for the three month period ended March 31, 2012 were $0.24 as compared to $0.30 for the three month period ended March 31, 2011. The higher earnings per share for the first quarter of 2011 as compared to 2012 was due primarily to the acquisition of American Trust Bank and the related one-time gain the Company recorded in connection with the acquisition.

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Net Interest Income

Net interest income, the difference between interest earned on assets and the cost of interest-bearing liabilities, is the largest component of our net income. The primary concerns in managing net interest income are the mix and the repricing of rate-sensitive assets and liabilities. Net interest income increased 5.48% to $32,843 for the first three months of 2012 compared to $31,136 for the same period in 2011. On a tax equivalent basis, net interest income was $34,339 for the first three months of 2012 as compared to $32,664 for the first three months of 2011. Net interest margin, the tax equivalent net yield on earning assets, increased to 3.85% during the first three months of 2012 from 3.55% for the same period in 2011.

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

	Three Months Ended March 31,					
	2012			2011		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Assets						
Interest-earning assets:						
Loans[(1)]	$ 2,614,000	$ 34,431	5.30%	$ 2,556,572	$ 36,061	5.72%
Securities:						
Taxable[(2)]	583,970	4,080	2.79	660,119	5,686	3.45
Tax-exempt	229,856	3,405	5.93	221,689	3,418	6.17
Interest-bearing balances with banks	156,131	85	0.22	284,039	206	0.29
Total interest-earning assets	3,583,957	42,001	4.71	3,722,419	45,371	4.93
Cash and due from banks	74,157			64,249		
Intangible assets	192,429			191,740		
FDIC loss-share indemnification asset	77,989			161,121		
Other assets	293,844			283,559		
Total assets	$ 4,222,376			$ 4,423,088		
Liabilities and shareholders equity						
Interest-bearing liabilities:						
Deposits:						
Interest-bearing demand[(3)]	$ 1,369,244	$ 1,149	0.34	$ 1,367,955	$ 2,988	0.89
Savings deposits	223,482	166	0.30	204,322	246	0.49
Time deposits	1,305,024	4,104	1.26	1,576,204	6,848	1.76
Total interest-bearing deposits	2,897,750	5,419	0.75	3,148,481	10,082	1.30
Borrowed funds	238,937	2,243	3.76	290,201	2,625	3.63
Total interest-bearing liabilities	3,136,687	7,662	0.98	3,438,682	12,707	1.50
Noninterest-bearing deposits	534,867			476,115		
Other liabilities	58,730			37,416		
Shareholders equity	492,092			470,875		
Total liabilities and shareholders equity	$ 4,222,376			$ 4,423,088		
Net interest income/net interest margin		$ 34,339	3.85%		$ 32,664	3.55%

(1) Includes mortgage loans held for sale and shown net of unearned income.
(2) U.S. Government and some U.S. Government Agency securities are tax-exempt in the states in which we operate.
(3) Interest-bearing demand deposits include interest-bearing transactional accounts and money market deposits.

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

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Our improvement in net interest income and net interest margin for the first three months of 2012 as compared to the same period in 2011 was partly a result of a change in the mix of interest-earning assets, which included loan growth, a decrease in nonaccrual loans, and a decrease in interest-bearing balances with banks. Changes in the mix of interest-earning liabilities, which included growth in lower costing core deposits offset by a decline in time deposits and borrowed funds, also contributed to the improvement in net interest income and net interest margin.

Interest income, on a tax equivalent basis, was $42,001 for the first three months of 2012 compared to $45,371 for the same period in 2011. The decrease in interest income was driven primarily by a decrease in the average balance of interest-earning assets and a decline in the yield on interest-earning assets. The following table presents the percentage of total average earning assets, by type and yield, for the periods presented:

	Percentage of Total Three Months Ended March 31,		Yield Three Months Ended March 31,	
	2012	2011	2012	2011
Loans	72.94%	68.68%	5.30%	5.72%
Securities	22.71	23.69	3.68	4.13
Other	4.35	7.63	0.22	0.29
Total earning assets	100.00%	100.00%	4.71%	4.93%

Interest expense was $7,662 for the first three months of 2012, a decrease of $5,045, or 39.70%, as compared to the same period in 2011. The decrease in interest expense was due to the decrease in the cost of interest-bearing liabilities as a result of the declining interest rate environment and a change in the mix of our interest-bearing liabilities in which we utilized lower cost deposits to replace higher costing liabilities, specifically time deposits and borrowed funds. In addition, the average balance of noninterest-bearing deposits increased $58,752, or 12.34%, during the first three months of 2012 as compared to the same period in 2011. These changes to our funding mix, coupled with a reduction in borrowed funds, reduced our total cost of funds 47 basis points to 0.84% for the first three months of 2012 as compared to 1.31% for the first three months of 2011.

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

	Percentage of Total Three Months Ended March 31,		Cost of Funds Three Months Ended March 31,	
	2012	2011	2012	2011
Noninterest-bearing demand	14.57%	12.16%	%	%
Interest-bearing demand	37.29	34.94	0.34	0.89
Savings	6.09	5.22	0.30	0.49
Time deposits	35.54	40.26	1.26	1.76
Federal Home Loan Bank advances	2.86	3.84	4.21	4.05
Other borrowed funds	3.65	3.58	3.41	3.18
Total deposits and borrowed funds	100.00%	100.00%	0.84%	1.31%

Loans and Loan Interest Income

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

	March 31, 2012	Percentage of Total Loans	December 31, 2011	Percentage of Total Loans
Commercial, financial, agricultural	$ 278,926	10.73%	$ 278,091	10.77%

Lease financing	302	0.01	328	0.01
Real estate construction	73,425	2.82	81,235	3.15
Real estate 1-4 family mortgage	838,534	32.25	824,627	31.95
Real estate commercial mortgage	1,350,177	51.93	1,336,635	51.79
Installment loans to individuals	58,682	2.26	60,168	2.33
Total loans, net of unearned income	$ 2,600,046	100.00%	$ 2,581,084	100.00%

Loan concentrations are considered to exist when there are amounts loaned to a number of borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. At March 31, 2012, there were no concentrations of loans exceeding 10% of total loans which are not disclosed as a category of loans separate from the categories listed above.

Total loans at March 31, 2012 were $2,600,046, an increase of $18,962 from $2,581,084 at December 31, 2011. Loans covered under loss-share agreements with the FDIC (referred to as covered loans) were $318,089 at March 31, 2012, a decrease of $21,373, compared to $339,462 at December 31, 2011. For covered loans, the FDIC will reimburse Renasant Bank 80% of the losses incurred on these loans. The covered loans will continue to decline through the Company s aggressive efforts to bring those covered loans that are commercial in nature to resolution as the loss-share agreements applicable to this portfolio provides reimbursement for five years.

Loans not covered under loss-share agreements at March 31, 2012 were $2,281,957, an increase of $40,335, compared to $2,241,622 at December 31, 2011. The increase in loans not covered under loss-share agreements was attributable to growth in 1-4 family residential mortgages, owner and non-owner occupied commercial real estate loans and commercial and industrial loans, as well as loan production generated by our de novo expansion. Loans from our de novo locations in Starkville, Mississippi and Tuscaloosa and Montgomery, Alabama increased $27,699 from December 31, 2011.

During the first three months of 2012, loans in our Alabama and Mississippi markets increased $17,648 and $16,755, respectively, while loans in our Tennessee markets decreased $7,831 from December 31, 2011. Loans in our Georgia markets not covered under loss-share agreements increased $16,811 from December 31, 2011.

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

	March 31, 2012			December 31, 2011		
	Covered Loans	Not Covered Loans	Total Loans	Covered Loans	Not Covered Loans	Total Loans
Commercial, financial, agricultural	$ 15,206	$ 263,720	$ 278,926	$ 17,803	$ 260,288	$ 278,091
Lease financing		302	302		328	328
Real estate construction:						
Residential	2,302	28,854	31,156	3,158	28,644	31,802
Commercial	3,900	36,304	40,204	3,918	43,702	47,620
Condominiums		2,065	2,065		1,813	1,813
Total real estate construction	6,202	67,223	73,425	7,076	74,159	81,235
Real estate 1-4 family mortgage:						
Primary	20,537	375,845	396,382	21,447	351,702	373,149
Home equity	20,899	169,688	190,587	23,048	170,092	193,140
Rental/investment	39,456	126,376	165,832	42,261	125,147	167,408
Land development	18,877	66,856	85,733	21,167	69,763	90,930
Total real estate 1-4 family mortgage	99,769	738,765	838,534	107,923	716,704	824,627
Real estate commercial mortgage:						
Owner-occupied	97,763	548,406	646,169	101,448	539,772	641,220
Non-owner occupied	46,433	495,672	542,105	48,939	480,585	529,524
Land development	52,558	109,345	161,903	56,105	109,786	165,891
Total real estate commercial mortgage	196,754	1,153,423	1,350,177	206,492	1,130,143	1,336,635
Installment loans to individuals	158	58,524	58,682	168	60,000	60,168
Total loans, net of unearned income	$ 318,089	$ 2,281,957	$ 2,600,046	$ 339,462	$ 2,241,622	$ 2,581,084

Mortgage loans held for sale were $25,216 at March 31, 2012 compared to $28,222 at December 31, 2011. Originations of mortgage loans to be sold totaled $111,641 in the first three months of 2012 compared to $96,510 for the same period in 2011. Gains and losses are realized at the time consideration is received and all other criteria for sales treatment have been met. These loans are typically sold within thirty days after the loan is funded. Although loan fees and some interest income are derived from mortgage loans held for sale, the main source of income is gains from the sale of these loans in the secondary market.

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Investments and Investment Interest Income

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

	March 31, 2012	Percentage of Portfolio	December 31, 2011	Percentage of Portfolio
Obligations of other U.S. Government agencies and corporations	$ 123,533	14.81%	$ 125,055	15.70%
Mortgage-backed securities	436,982	52.37	409,639	51.44
Obligations of states and political subdivisions	236,896	28.39	224,750	28.22
Trust preferred securities	12,866	1.54	12,785	1.61
Other debt securities	21,482	2.57	21,875	2.75
Other equity securities	2,660	0.32	2,237	0.28
	$ 834,419	100.00%	$ 796,341	100.00%

Investment income, on a tax equivalent basis, decreased $1,619 to $7,485 for the first three months of 2012 from $9,104 for the first three months of 2011. The average balance in the investment portfolio for the first three months of 2012 was $813,826 compared to $881,808 for the same period in 2011. The tax equivalent yield on the investment portfolio for the first three months of 2012 was 3.68%, down 45 basis points from the same period in 2011. The decline in yield was a result of the call of securities within the Company s portfolio that had higher rates than the rates on the securities that the Company purchased with the proceeds of such calls. These rates were lower due to the generally lower interest rate environment.

The balance of our securities portfolio at March 31, 2012 increased $38,078 to $834,419 from $796,341 at December 31, 2011. During the first three months of 2012, we purchased $132,109 in investment securities. Mortgage-backed securities and collateralized mortgage obligations (CMOs), included in the Mortgage-backed securities line item in the above table, comprised 59.20% of the purchases. The mortgage-backed securities and CMOs held in our securities portfolio are primarily issued by government sponsored entities. U.S. Government agency securities and municipal securities accounted for 29.50% and 11.30%, respectively, of the remainder of total securities purchased. The carrying value of securities sold during the first three months of 2012 totaled $21,781, consisting solely of mortgage-backed securities. Maturities and calls of securities during the first three months of 2012 totaled $71,408. Unrealized losses of $17,057 were recorded on investment securities with a carrying value of $83,123 at March 31, 2012, compared to unrealized losses of $17,864 recorded on investment securities with a carrying value of $40,191 at December 31, 2011.

The Company holds investments in pooled trust preferred securities. This portfolio had a cost basis of $29,459 and $30,410 and a fair value of $12,866 and $12,785 at March 31, 2012 and December 31, 2011, 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 345 financial institutions. Management s determination of the fair value of each of its holdings is based on the current credit ratings, the known deferrals and defaults by the underlying issuing financial institutions and the degree to which future deferrals and defaults would be required to occur before the cash flow for our tranches is negatively impacted. Management has determined that there has been an adverse change in estimated cash flows for each of the four pooled trust preferred securities. The Company s quarterly evaluation of these investments for other-than-temporary-impairment resulted in no additional write-downs during the first three months of 2012 or 2011. Furthermore, based on the qualitative factors discussed above, each of the four pooled trust preferred securities was classified as a nonaccruing asset at March 31, 2012 and December 31, 2011. Investment interest income is recorded on the cash-basis method until qualifying for return to accrual status.

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Deposits and Deposit Interest Expense

The Company relies on deposits as its major source of funds. Total deposits were $3,473,166 and $3,412,237, at March 31, 2012 and December 31, 2011, respectively. Noninterest-bearing deposits were $535,955 and $531,910 at March 31, 2012 and December 31, 2011, respectively, while interest-bearing deposits were $2,937,211 and $2,880,327 at March 31, 2012 and December 31, 2011, respectively. The increase in deposits at March 31, 2012 as compared to December 31, 2011 is primarily attributable to management s focus on growing and maintaining a stable source of funding, specifically core deposits, and allowing more costly deposits, including certain time deposits, to mature. The source of funds that we select depends on the terms and how those terms assist us in mitigating interest rate risk and maintaining our net interest margin. Accordingly, funds are only acquired when needed and at a rate that is prudent under the circumstances.

Public fund deposits are those of counties, municipalities, or other political subdivisions and may be readily obtained based on the Company s pricing bid in comparison with competitors. Generally, public fund time deposits are higher costing due to the volume of the deposits and because they are obtained through a bid process. Our public fund transaction accounts are principally obtained from municipalities including school boards and utilities. Public fund deposits at March 31, 2012 increased to $390,912 from $338,273 at December 31, 2011.

Following management s emphasis on growing a stable source of funding through core deposits and allowing more costly deposits to mature or expire, deposits in our Alabama and Georgia markets decreased $38,015 and $19,556, respectively, at March 31, 2012 from December 31, 2011. Deposits in our Tennessee markets increased $8,728 at March 31, 2012 from December 31, 2011 primarily due to an increase in core deposits. Deposits in our Mississippi markets increased $109,772 at March 31, 2012 from December 31, 2011 primarily due to an increase in public fund deposits for which contracts previously existed.

Interest expense on deposits was $5,419 and $10,082 for the first three months for 2012 and 2011, respectively. The cost of interest-bearing deposits was 0.75% and 1.30% for the same periods. A more detailed discussion of the cost of our deposits is set forth below under the heading Liquidity and Capital Resources in this item.

Borrowed Funds and Interest Expense on Borrowings

Total borrowings include federal funds purchased, securities sold under agreements to repurchase, advances from the Federal Home Loan Bank (the FHLB) and junior subordinated debentures. Interest expense on total borrowings was $2,243 and $2,625 for the first three months of 2012 and 2011, respectively. Funds are borrowed from the FHLB primarily to match-fund against certain loans, negating interest rate exposure when rates rise. Such match-funded loans are typically large commercial or real estate loans. In addition, short-term FHLB advances and federal funds purchased are used, as needed, to meet day to day liquidity needs. FHLB advances were $88,193 and $117,454 at March 31, 2012 and December 31, 2011, respectively. The Company repaid $24,000 of long-term FHLB borrowings during the first three months of 2012 and incurred prepayment penalties of $898. In comparison, the Company repaid $50,000 of long-term FHLB borrowings during the first three months of 2011 and incurred prepayment penalties of $1,903. The Company had no short-term FHLB advances outstanding at March 31, 2012 or December 31, 2011. The Company had $1,025,789 of availability on unused lines of credit with the FHLB at March 31, 2012 compared to $983,950 at December 31, 2011. The cost of our FHLB advances was 4.21% and 4.05% for the first three months of 2012 and 2011, respectively.

In March 2012, the Company repaid $50,000 of qualifying senior debt securities issued under the Temporary Liquidity Guaranty Program (TLGP) at maturity. The cost of the TLGP debt was 3.91% and 3.83% for the first three months of 2012 and 2011, respectively.

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Noninterest Income

Noninterest Income to Average Assets (Excludes securities gains/losses) Three Months Ended March 31,	
2012	**2011**
1.47%	1.92%

Total noninterest income includes fees generated from deposit services, mortgage loan originations, insurance products, trust and other wealth management products and services, security gains and all other noninterest income. Our focus is to develop and enhance our products that generate noninterest income in order to diversify our revenue sources.

Noninterest income was $16,387 for the three months ended March 31, 2012, a decrease of $4,608, or 21.95%, as compared to $20,995 for the same period in 2011. The bargain purchase gain of $8,774 resulting from the acquisition of American Trust in the first three months of 2011 was the primary driver for the fluctuation in noninterest income.

Service charges on deposit accounts, the primary contributor to noninterest income, include maintenance fees on accounts, per item charges, account enhancement charges for additional packaged benefits and overdraft fees. Service charges on deposit accounts were $4,525 and $4,841 for the first three months of 2012 and 2011, respectively. Overdraft fees, the largest component of service charges on deposits, were $3,963 for the three months ended March 31, 2012 compared to $4,248 for the same period in 2011.

Fees and commissions include fees related to deposit services, such as interchange fees on debit card transactions, as well as fees charged on mortgage loans originated to be sold, such as origination, underwriting, documentation and other administrative fees. Fees and commissions increased 34.02% to $3,928 during the first three months of 2012 as compared to $2,931 for the same period in 2011. For the first three months of 2012, fees associated with debit card usage were $2,143, an increase of 26.36% as compared to $1,696 for the same period in 2011. We expect income from use of our debit cards to continue to grow as our customers use this convenient method of payment. However, the Durbin Debit Interchange Amendment to the Dodd-Frank Act that went into effect October 1, 2011 could have a negative impact on the Company s income derived from this effort. As directed by statute, the Federal Reserve enacted regulations governing the reasonableness of certain fees associated with our debit cards and also placed restrictions on the rates charged for interchange fees on debit card transactions. The provisions apply only to financial institutions with more than $10 billion in assets. As affected institutions lower their debit card fees, we expect that all financial institutions, regardless of size, will have to adjust their rates in order to remain competitive. Management believes these restrictions could have an adverse impact on these interchange fees in the future, but is unable at this time to predict the extent or timing of such impact. Mortgage loan fees increased $575 to $1,319 during the first three months of 2012 as compared to $744 for the same period in 2011. This is due to the increase in mortgage loan originations to be sold in the secondary market during the same period in 2012 as compared to 2011.

Through Renasant Insurance, we offer a range of commercial and personal insurance products through major insurance carriers. Income earned on insurance products was $898 and $837 for the three months ended March 31, 2012 and 2011, respectively. Contingency income is a bonus received from the insurance underwriters and is based both on commission income and claims experience on our client s policies during the previous year. Increases and decreases in contingency income are reflective of corresponding increases and decreases in the amount of claims paid by insurance carriers. Contingency income, which is included in Other noninterest income in the Consolidated Statements of Income, was $231 and $308 for the three months ended March 31, 2012 and 2011, respectively.

The Trust division within the Wealth Management segment operates on a custodial basis which includes administration of benefit plans, as well as accounting and money management for trust accounts. The division manages a number of trust accounts inclusive of personal and corporate benefit accounts, self-directed IRA s, and custodial accounts. Fees for managing these accounts are based on changes in market values of the assets under management in the account, with the amount of the fee depending on the type of account. Additionally, the Company provides specialized products and services to our customers through our Financial Services division. Specialized products include fixed and variable annuities, mutual funds, and stocks offered through a third party provider. Wealth Management revenue was $1,942 for the first three months of 2012 compared to $1,056 for the same period in 2011. The increase in Wealth Management revenue for the first three months of 2012 as compared

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to the same period in 2011 was primarily attributable to the acquisition of the Birmingham, Alabama-based trust department of RBC Bank (USA) in the third quarter of 2011. The market value of trust assets under management was $1,012,004 and $1,024,585 at March 31, 2012 and December 31, 2011, respectively.

Gains on sales of securities for the first three months of 2012 were $904, resulting from the sale of $21,781 in securities. Gains on sales of securities for the first three months of 2011 were $12, resulting from the sale of $5,029 in securities.

Gains on the sale of mortgage loans held for sale were $1,281 and $1,151 for the three months ended March 31, 2012 and 2011, respectively. Originations of mortgage loans to be sold totaled $111,641 for the first three months of 2012 as compared to $96,510 for the same period of 2011.

Noninterest Expense

Noninterest Expense to Average Assets Three Months Ended March 31,	
2012	**2011**
3.49%	3.30%

Noninterest expense was $36,621 and $35,993 for the first three months of 2012 and 2011, respectively. Noninterest expense for the first three months of 2012 includes $898 in prepayment penalties associated with paying off $24,000 of FHLB borrowings. In comparison, noninterest expense for the first three months of 2011 includes $1,325 of acquisition related costs associated with the American Trust acquisition and $1,903 in prepayment penalties associated with paying off $50,000 of FHLB borrowings.

During the first three months of 2012, salaries and employee benefits increased $2,412, or 14.85%, to $18,649 as compared to $16,237 for the same period in 2011. The increase is attributable to our acquisitions of American Trust and the RBC Bank (USA) trust department and expansion of our franchise by opening de novo locations in Starkville, Mississippi, and Tuscaloosa and Montgomery, Alabama, during the second half of 2011. Also contributing to the increase was higher-than-anticipated health insurance costs incurred during the first three months of 2012.

Data processing costs increased to $2,040, or 14.09%, for the first three months of 2012 from $1,788 for the same period in 2011. The increase in data processing costs over this period is reflective of increased loan and deposit processing from growth in the number of loans and deposits. The inclusion of data processing costs from American Trust and Wealth Management operations since the first and third quarters of 2011, respectively, also contributed to the increase.

Net occupancy and equipment expense for the first three months of 2012 was $3,615, up $397 from the same period in 2011. This increase is attributable to occupancy costs and depreciation expense associated with the operations of the Company s banking expansions beginning in the latter half of 2011.

Expenses related to other real estate owned for the first three months of 2012 were $3,999, an increase of $488 compared to the same period in 2011. Expenses on other real estate owned for the first three months of 2012 include write downs of $2,098 of the carrying value to fair value on certain pieces of property held in other real estate owned. Other real estate owned with a cost basis of $16,424 was sold during the first three months of 2012, resulting in a net loss of $991. Expenses on other real estate owned for the three months ended March 31, 2011 included a $969 write down of the carrying value to fair value on certain pieces of property held in other real estate owned. Other real estate owned with a cost basis of $14,340 was sold during the first three months of 2011, resulting in a net loss of $1,631.

Professional fees include fees for legal and accounting services. Professional fees were $971 for the first three months of 2012 as compared to $814 for the same period in 2011. Professional fees attributable to legal fees associated with loan workouts and foreclosure proceedings remain at higher levels in correlation with the overall economic downturn and credit deterioration identified in our loan portfolio and the Company s efforts to bring these credits to resolution.

Advertising and public relations expense was $1,197 for the first three months of 2012 compared to $996 for the same period in 2011. This increase is attributable to advertising and marketing costs associated with the Company s expansion into new markets since the first quarter of 2011.

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Amortization of intangible assets totaled $358 for the first three months of 2012 compared to $515 for the first three months of 2011. This amortization relates to finite-lived intangible assets recorded in prior mergers which are being amortized over the useful lives as determined at acquisition. These finite-lived intangible assets have remaining estimated useful lives ranging from three to fifteen years. During 2011, the Company amortized the remaining core deposit intangible recorded in connection with the Renasant Bancshares acquisition, which contributed $163 to total intangible amortization expense for the first three months of 2011. This reduction was offset by amortization expense related to finite-lived intangible assets recorded in association with the American Trust and the RBC Trust (USA) trust department acquisitions.

Communication expenses, those expenses incurred for communication to clients and between employees, were $1,103 for the first three months of 2012 as compared to $1,162 for the same period in 2011.

Efficiency Ratio Three Months Ended March 31,	
2012	**2011**
72.19%	67.08%

The efficiency ratio is one measure of productivity in the banking industry. This ratio is calculated to measure the cost of generating one dollar of revenue. That is, the ratio is designed to reflect the percentage of one dollar which must be expended to generate that dollar of revenue. The Company calculates this ratio by dividing noninterest expense by the sum of net interest income on a fully taxable equivalent basis and noninterest income. The efficiency ratio for the first three months of 2011 includes the $8,774 gain associated with the American Trust acquisition. We remain committed to aggressively managing our costs within the framework of our business model.

Income Taxes

Income tax expense for the first three months of 2012 and 2011 was $1,835 and $3,085, respectively. The effective tax rates for those periods were 23.50% and 29.00%, respectively. The decrease in the effective tax rate for the first three months of 2012 as compared to the same period in 2011 was attributable to consistent levels of tax-exempt interest income and higher income from bank-owned life insurance in the first three months of 2012 as compared to the same period in 2011.

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Risk Management

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

Credit Risk and Allowance for Loan Losses

The allowance for loan losses is available to absorb probable credit losses inherent in the entire loan portfolio. The appropriate level of the allowance is based on an ongoing analysis of the loan portfolio and represents an amount that management deems adequate to provide for inherent losses, including collective impairment as recognized under the Financial Accounting Standards Board Accounting Standards Codification Topic (ASC) 450, Contingencies. Collective impairment is calculated based on loans grouped by grade. Another component of the allowance is losses on loans assessed as impaired under ASC 310, Receivables. The balance of these loans and their related allowance are included in management s estimation and analysis of the allowance for loan losses. Other considerations in establishing the allowance for loan losses include economic conditions reflected within industry segments, the unemployment rate in our markets, loan segmentation and historical losses that are inherent in the loan portfolio.

The provision for loan losses charged to operating expense is an amount which, in the judgment of management, is necessary to maintain the allowance for loan losses at a level that is believed to be adequate to meet the inherent risks of losses in our loan portfolio. Factors considered by management in determining whether the amount of the allowance for loan losses is adequate include the internal risk rating of individual credits, historical and current trends in net charge-offs, trends in nonperforming loans, trends in past due loans, trends in the market values of underlying collateral securing loans and the current economic conditions in the market in which we operate.

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

	March 31, 2012	December 31, 2011
Specific reserves for impaired loans	$ 13,474	$ 15,410
Allocated reserves for remaining portfolio	30,702	28,930
Total	$ 44,176	$ 44,340

All of the loans acquired in the American Trust and Crescent acquisitions and certain loans acquired in previous acquisitions that are accounted for under ASC 310-30 are carried at values which, in management s opinion, reflect the estimated future cash flows, based on the facts and circumstances surrounding each respective loan at the date of acquisition. The Company continually monitors these loans as part of our normal credit review and monitoring procedures for changes in the estimated future cash flows; to the extent future cash flows deteriorate below initial projections, the Company may be required to reserve for these loans in the allowance for loan losses through future provision for loan losses. The Company did not increase the provision for loan losses for loans accounted for under ASC 310-30 during the three months ended March 31, 2012 or 2011. Management believes that as of March 31, 2012 the estimated cash flows of the loans accounted for under ASC 310-30 has not deteriorated further since the date of acquisition and, thus, the carrying value of these loans at March 31, 2012 continues to reflect the future cash flows.

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

	Three Months Ended March 31,	
	2012	2011
Balance at beginning of period	$ 44,340	$ 45,415
Provision for loan losses	4,800	5,500
Charge-offs		
Commercial, financial, agricultural	1,388	145
Lease financing		
Real estate construction	4	229
Real estate 1-4 family mortgage	1,874	3,531
Real estate commercial mortgage	1,882	551
Installment loans to individuals	71	56
Total charge-offs	5,219	4,512
Recoveries		
Commercial, financial, agricultural	22	142
Lease financing		
Real estate construction		
Real estate 1-4 family mortgage	161	116
Real estate commercial mortgage	52	817
Installment loans to individuals	20	27
Total recoveries	255	1,102
Net charge-offs	4,964	3,410
Balance at end of period	$ 44,176	$ 47,505
Net charge-offs (annualized) to average loans	0.76%	0.54%
Allowance for loan losses to:		
Total loans	1.94%	2.17%
Nonperforming loans	145.15%	82.99%

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

	Three Months Ended March 31,	
	2012	2011
Real estate construction:		
Residential	$	$ 229
Commercial	4	
Condominiums		
Total real estate construction	4	229
Real estate 1-4 family mortgage:		
Primary	294	443
Home equity	572	80
Rental/investment	238	430
Land development	609	2,462

Total real estate 1-4 family mortgage	1,713	3,415
Real estate commercial mortgage:		
Owner-occupied	331	200
Non-owner occupied	1,162	(715)
Land development	337	249
Total real estate commercial mortgage	1,830	(266)
Total net charge-offs of loans secured by real estate	$ 3,547	$ 3,378

Nonperforming Assets

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

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

The following table provides details of the Company s nonperforming assets covered by loss-share agreements with the FDIC (covered assets) and not covered under loss-share agreements:

	Covered Assets	Not Covered Assets	Total Assets
March 31, 2012			
Nonaccruing loans	$ 78,418	$ 26,999	$ 105,417
Accruing loans past due 90 days or more	1,397	3,435	4,832
Total nonperforming loans	79,815	30,434	110,249
Other real estate owned	35,461	64,931	100,392
Total nonperforming loans and OREO	115,276	95,365	210,641
Nonaccruing securities available-for-sale, at fair value		12,866	12,866
Total nonperforming assets	$ 115,276	$ 108,231	$ 223,507
Nonperforming loans to total loans			4.24%
Nonperforming assets to total assets			5.35%
Allowance for loan losses to total loans			1.70%
December 31, 2011			
Nonaccruing loans	$ 88,034	$ 31,154	$ 119,188
Accruing loans past due 90 days or more	1,134	3,760	4,894
Total nonperforming loans	89,168	34,914	124,082
Other real estate owned	43,156	70,079	113,235
Total nonperforming loans and OREO	132,324	104,993	237,317
Nonaccruing securities available-for-sale, at fair value		12,785	12,785
Total nonperforming assets	$ 132,324	$ 117,778	$ 250,102
Nonperforming loans to total loans			4.81%
Nonperforming assets to total assets			5.95%
Allowance for loan losses to total loans			1.72%

Due to the significant difference in the accounting for the loans and other real estate owned covered by loss-share agreements and loss mitigation offered under the loss-share agreements with the FDIC, the Company believes that excluding the covered assets from its asset quality measures provides a more meaningful presentation of the Company s asset quality. Purchased impaired loans had evidence of deterioration in credit quality prior to acquisition, and thus the fair value of these loans as of the acquisition date included an estimate of credit losses. These loans, as well as acquired loans with no evidence of credit deterioration at acquisition, are accounted for on a pool basis, and these pools are considered to be performing. Purchased impaired loans were not classified as nonperforming assets at March 31, 2012 or December 31, 2011 as the loans are considered to be performing under ASC 310-30. As a result, interest income, through the accretion of the difference between the carrying value of the loans and the expected cash flows, is being recognized on all purchased loans accounted for under ASC 310-30.

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The asset quality measures surrounding the Company s nonperforming loans and nonperforming assets discussed in the remainder of this section exclude covered assets relating to the Company s FDIC-assisted acquisitions.

Although not technically nonperforming assets, another category of assets which contribute to our credit risk are 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 shows the principal amounts of nonperforming and restructured loans as of the dates presented. All loans where information exists about possible credit problems that would cause us to have serious doubts about the borrower s ability to comply with the current repayment terms of the loan have been reflected in the table below.

	March 31, 2012	December 31, 2011	March 31, 2011
Nonaccruing loans	$ 26,999	$ 31,154	$ 46,606
Accruing loans past due 90 days or more	3,435	3,760	10,839
Total nonperforming loans	30,434	34,914	57,245
Restructured loans	35,721	36,311	33,816
Total nonperforming and restructured loans	$ 66,155	$ 71,225	$ 91,061
Nonperforming loans to:			
Loans period-end	1.33%	1.56%	2.61%
Loans average	1.16%	1.35%	2.24%

The following table presents nonperforming loans, not covered by loss-share agreements, by loan category as of the dates presented.

	March 31, 2012	December 31, 2011	March 31, 2011
Commercial, financial, agricultural	$ 2,889	$ 3,505	$ 3,185
Real estate construction:			
Residential	149	489	108
Commercial			
Condominiums			
Total real estate construction	149	489	108
Real estate 1-4 family mortgage:			
Primary	3,683	5,242	4,615
Home equity	1,898	1,013	1,433
Rental/investment	5,444	5,757	13,105
Land development	1,069	1,739	11,996
Total real estate 1-4 family mortgage	12,094	13,751	31,149
Real estate commercial mortgage:			
Owner-occupied	2,035	2,342	10,876
Non-owner occupied	10,542	11,741	7,131
Land development	2,265	2,413	3,767
Total real estate commercial mortgage	14,842	16,496	21,774
Installment loans to individuals	460	673	1,029

Total nonperforming loans	$ 30,434	$ 34,914	$ 57,245

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The decrease in nonperforming loans at March 31, 2012 as compared to December 31, 2011 was attributable to the Company s continued aggressive efforts to bring problem credits to resolution, primarily in our residential land development loan portfolio. Nonperforming loans as a percentage of total loans were 1.33% as of March 31, 2012, which is its lowest level since the second quarter of 2007, compared to 1.56% as of December 31, 2011 and 2.61% as of March 31, 2011. The Company s coverage ratio, or its allowance for loan losses as a percentage of nonperforming loans, was 145.15% as of March 31, 2012, which is its highest level since the fourth quarter of 2007, as compared to 127.00% as of December 31, 2011 and 82.99% as of March 31, 2011.

Management has evaluated the aforementioned loans and other loans classified as nonperforming and believes that all nonperforming loans have been adequately reserved for in the allowance for loan losses at March 31, 2012. Management also continually monitors past due loans for potential credit quality deterioration. Total loans 30-89 days past due were $13,426 at March 31, 2012 compared to $15,804 at December 31, 2011 and $18,875 at March 31, 2011, respectively.

As shown above, restructured loans totaled $35,721 at March 31, 2012 compared to $36,311 at December 31, 2011 and $33,816 at March 31, 2011. At March 31, 2012, total loans restructured through interest rate concessions represented 70.74% of total restructured loans, while loans restructured by a concession in payment terms represented the remainder. The following table provides further details of the Company s restructured loans for the periods presented:

	March 31, 2012	December 31, 2011	March 31, 2011
Commercial, financial, agricultural	$	$	$ 125
Real estate construction:			
Residential			
Commercial			2,316
Condominiums			
Total real estate construction			2,316
Real estate 1-4 family mortgage:			
Primary	4,407	5,106	5,276
Home equity			
Rental/investment	2,046	2,060	1,630
Land development	10,341	10,923	13,932
Total real estate 1-4 family mortgage	16,794	18,089	20,838
Real estate commercial mortgage:			
Owner-occupied	12,283	11,226	3,107
Non-owner occupied	5,895	6,232	5,410
Land development	572	585	1,839
Total real estate commercial mortgage	18,750	18,043	10,356
Installment loans to individuals	177	179	181
Total restructured loans	$ 35,721	$ 36,311	$ 33,816

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

	2012	2011
Balance at January 1	$ 36,311	$ 32,615
Additional loans with concessions	2,620	4,518
Reductions due to:		
Reclassified as nonperforming	(686)	(2,546)
Charge-offs	(183)	

Transfer to other real estate owned	(419)	
Paydowns	(1,243)	(139)
Lapse of concession period	(679)	(632)
Balance at March 31	$ 35,721	$ 33,816

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Other real estate owned consists of properties acquired through foreclosure or acceptance of a deed in lieu of foreclosure. These properties are carried at the lower of cost or fair market value based on appraised value less estimated selling costs. Losses arising at the time of foreclosure of properties are charged against the allowance for loan losses. Reductions in the carrying value subsequent to acquisition are charged to earnings and are included in Other real estate owned in the Consolidated Statements of Income. Other real estate owned with a cost basis of $7,551 was sold during the three months ended March 31, 2012, resulting in a net loss of $772, while other real estate owned with a cost basis of $10,363 was sold during the three months ended March 31, 2011, resulting in a net loss of $1,373.

The following table provides details of the Company s other real estate owned for the periods presented:

	March 31, 2012	December 31, 2011	March 31, 2011
Residential real estate	$ 11,733	$ 15,364	$ 13,858
Commercial real estate	11,571	11,479	13,400
Residential land development	34,092	36,105	38,863
Commercial land development	7,355	7,131	4,999
Other	180		295
Total other real estate owned	$ 64,931	$ 70,079	$ 71,415

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

	2012	2011
Balance at January 1	$ 70,079	$ 71,833
Additions	3,631	10,255
Capitalized improvements	353	17
Impairments	(1,565)	(969)
Dispositions	(7,551)	(10,363)
Other	(16)	642
Balance at March 31	$ 64,931	$ 71,415

Interest Rate Risk

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

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

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

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

	Percentage Change In:			
	Net Interest Income[2]		Economic Value of Equity [3]	
Change in Interest Rates[1] (In Basis Points)	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
+200	0.66%	2.82%	11.75%	13.87%
+100	0.46%	1.83%	8.97%	10.30%
-100	(5.48%)	(2.40%)	(2.52%)	(5.09%)

(1) On account of the present position of the target federal funds rate, the Company did not perform an analysis assuming a downward movement in rates of 200 bps.

(2) The percentage change in this column represents the projected net interest income for 12 months on a flat balance sheet in a stable interest rate environment versus the projected net interest income in the various rate scenarios.

(3) The percentage change in this column represents our EVE in a stable interest rate environment versus EVE in the various rate scenarios.

The rate shock results for both the net interest income simulation and EVE are less asset sensitive as of March 31, 2012 as compared to December 31, 2011. This shift is due to our improved liability mix as higher cost fixed-rate borrowings and time deposits were replaced with variable, but much lower rate deposits. Additionally, on the asset side, lower-yielding overnight investments in interest-bearing balances with banks were shifted to the higher-yielding, longer-term portfolio.

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

The Company utilizes derivative financial instruments, including interest rate contracts such as swaps, caps and/or floors, as part of its ongoing efforts to mitigate its interest rate risk exposure and to facilitate the needs of its customers. In the first quarter of 2011, the Company began entering into derivative instruments that are not designated as hedging instruments to help its commercial customers manage their exposure to interest rate fluctuations. To mitigate the interest rate risk associated with these customer contracts, the Company enters into an offsetting derivative contract position. The Company manages its credit risk, or potential risk of default by its commercial customers, through credit limit approval and monitoring procedures. At March 31, 2012, the Company had notional amounts of $45,919 on interest rate contracts with corporate customers and $45,919 in offsetting interest rate contracts with other financial institutions to mitigate the Company s rate exposure on its corporate customers contracts and certain fixed-rate loans.

In March 2012, the Company entered into an interest rate swap agreement effective March 31, 2014. Beginning on the effective date, the Company will receive a variable rate of interest based on the three-month LIBOR plus 150 basis points and pay a fixed rate of interest of 4.42%. The agreement, which terminates March 30, 2022, is accounted for as a cash flow hedge to reduce the variability in cash flows resulting from changes in interest rates on $12,000 of the Company s junior subordinated debentures.

The Company also enters into interest rate lock commitments with its customers to mitigate the Company s interest rate risk associated with its commitments to fund fixed-rate residential mortgage loans. Under the interest rate lock commitments, interest rates for a mortgage loan are locked in with the customer for a period of time, typically thirty

days. Once an interest rate lock commitment is entered into with a customer, the Company also enters into a forward commitment to sell the residential mortgage loan to secondary market investors. Accordingly, the Company does not incur risk if the interest rate lock commitment in the pipeline fails to close.

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

Liquidity and Capital Resources

Liquidity management is the ability to meet the cash flow requirements of customers who may be either depositors wishing to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs.

Core deposits, which are deposits excluding time deposits and public fund deposits, are a major source of funds used by Renasant Bank to meet cash flow needs. Maintaining the ability to acquire these funds as needed in a variety of markets is the key to assuring Renasant Bank s liquidity. Management continually monitors the liquidity and non-core dependency ratios to ensure compliance with ALCO targets.

Our investment portfolio is another alternative for meeting liquidity needs. These assets generally have readily available markets that offer conversions to cash as needed. Within the next twelve months the securities portfolio is forecasted to generate cash flow through principal payments and maturities equal to 17.36% of the carrying value of the total securities portfolio. Securities within our investment portfolio are also used to secure certain deposit types and short-term borrowings. At March 31, 2012, securities with a carrying value of approximately $400,255 were pledged to secure public fund deposits and as collateral for short-term borrowings as compared to $325,952 at December 31, 2011. Higher levels of public fund deposits at March 31, 2012 as compared to December 31, 2011 resulted in the increase in the amount of pledged investment securities at March 31, 2012.

Other sources available for meeting liquidity needs include federal funds purchased and advances from the FHLB. Interest is charged at the prevailing market rate on federal funds purchased and FHLB advances. There were no outstanding federal funds purchased at March 31, 2012 or December 31, 2011. Funds obtained from the FHLB are used primarily to match-fund real estate loans and other longer-term fixed rate loans in order to minimize interest rate risk and may be used to meet day to day liquidity needs, primarily when the cost of such borrowing compares favorably to the rates that we would be required to pay to attract deposits. At March 31, 2012, the balance of our outstanding advances with the FHLB was $88,193. The total amount of the remaining credit available to us from the FHLB at March 31, 2012 was $1,025,789. We also maintain lines of credit with other commercial banks totaling $70,000. These are unsecured lines of credit maturing at various times within the next twelve months. There were no amounts outstanding under these lines of credit at March 31, 2012 or December 31, 2011.

In March 2012, the Company repaid $50,000 of qualifying senior debt securities issued under the TLGP at maturity. The cost of the TLGP debt was 3.91% and 3.83% for the first three months of 2012 and 2011, respectively.

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

	Percentage of Total Three Months Ended March 31,		Cost of Funds Three Months Ended March 31,	
	2012	2011	2012	2011
Noninterest-bearing demand	14.57%	12.16%	%	%
Interest-bearing demand	37.29	34.94	0.34	0.89
Savings	6.09	5.22	0.30	0.49
Time deposits	35.54	40.26	1.26	1.76
FHLB advances	2.86	3.84	4.21	4.05
Other borrowed funds	3.65	3.58	3.41	3.18
Total deposits and borrowed funds	100.00%	100.00%	0.84%	1.31%

Our strategy in choosing funds is focused on attempting to mitigate interest rate risk, and thus we utilize funding sources that are commensurate with the interest rate risk associated with the assets. Accordingly, management targets growth of non-interest bearing deposits. While we do not control the types of deposit instruments our clients

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choose, we do influence those choices with the rates and the deposit specials we offer. For example, we could obtain time deposits based on our aggressiveness in pricing and length of term. We constantly monitor our funds position and evaluate the effect various funding sources have on our financial position. Our cost of funds decreased for the three months ended March 31, 2012 as compared to the same period in 2011 as management used lower costing deposits and repaid higher costing funding sources.

Cash and cash equivalents were $174,678 at March 31, 2012 compared to $326,025 at March 31, 2011. Cash used in investing activities for the three months ended March 31, 2012 was $70,886 compared to cash provided by investing activities of $109,671 for the three months ended March 31, 2011. The net cash proceeds received from the acquisition of American Trust, which occurred during the first quarter of 2011, were $148,443. Purchases of investment securities were $132,109 for the first three months of 2012 compared to $85,133 for the same period in 2011. Proceeds from the sale, maturity or call of securities within our investment portfolio were $94,093 for the first three months of 2012 compared to proceeds of $46,408 for the first three months of 2011. A net increase in loans utilized funds of $29,776 during the first quarter of 2012 compared to a net decrease in loans during the first quarter of 2011 providing funds of $1,219.

Cash used in financing activities for the three months ended March 31, 2012 was $26,062 compared to $121,814 for the same period in 2011. Cash flows from the generation of deposits were $60,929 for the three months ended March 31, 2012 as compared to deposit runoff of $46,284 for the three months ended March 31, 2011. Cash provided from the sale of securities during the first quarter of 2012 was partially used to reduce FHLB borrowings by $24,000 prior to maturity. In addition, in March 2012, the Company repaid $50,000 of qualifying senior debt securities issued under the TLGP at maturity.

Restrictions on Bank Dividends, Loans and Advances

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

Federal Reserve regulations also limit the amount Renasant Bank may loan to the Company unless such loans are collateralized by specific obligations. At March 31, 2012, the maximum amount available for transfer from Renasant Bank to the Company in the form of loans was $40,579. There were no loans outstanding from Renasant Bank to the Company at March 31, 2012. These restrictions did not have any impact on the Company s ability to meet its cash obligations in the first three months of 2012, nor does management expect such restrictions to materially impact the Company s ability to meet its currently-anticipated cash obligations.

Off-Balance Sheet Transactions

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

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

	March 31, 2012	December 31, 2011
Loan commitments	$ 418,525	$ 401,132
Standby letters of credit	46,689	46,978

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

Shareholders Equity and Regulatory Matters

Total shareholders equity of the Company was $489,611 at March 31, 2012 compared to $487,202 at December 31, 2011. Book value per share was $19.50 and $19.44 at March 31, 2012 and December 31, 2011, respectively. The growth in shareholders equity was attributable to earnings retention offset by dividends declared and changes in accumulated other comprehensive income.

On July 8, 2009, the Company filed a shelf registration statement with the Securities and Exchange Commission (SEC). The shelf registration statement, which the SEC declared effective on July 13, 2009, allows the Company to raise capital from time to time, up to an aggregate of $150,000, through the sale of common stock, preferred stock, warrants and units, or a combination thereof, subject to market conditions. Specific terms and prices will be determined at the time of any offering under a separate prospectus supplement that the Company will be required to file with the SEC at the time of the specific offering. The proceeds of the sale of securities, if and when offered, will be used for general corporate purposes as described in any prospectus supplement and could include the expansion of the Company s banking, insurance and wealth management operations as well as other business opportunities. The shelf registration statement expires in July 2012, but the Company currently intends to file a new registration statement to carry forward the securities registered in 2009.

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

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

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

As of March 31, 2012, Renasant Bank met all capital adequacy requirements to which it is subject. Also, as of March 31, 2012, the most recent notification from the FDIC categorized Renasant Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed Renasant Bank s category.

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

	Actual		Minimum Capital Requirement to be Well Capitalized		Minimum Capital Requirement to be Adequately Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
March 31, 2012						
Tier 1 Capital to Average Assets						
Renasant Corporation	$ 378,043	9.38%	$ 201,494	5.00%	$ 161,195	4.00%
Renasant Bank	370,264	9.21%	200,963	5.00%	160,770	4.00%
Tier 1 Capital to Risk-Weighted Assets						
Renasant Corporation	$ 378,043	13.32%	$ 170,269	6.00%	$ 113,513	4.00%
Renasant Bank	370,264	13.07%	170,018	6.00%	113,345	4.00%
Total Capital to Risk-Weighted Assets						
Renasant Corporation	$ 413,634	14,57%	$ 283,867	10.00%	$ 227,093	8.00%
Renasant Bank	405,793	14.32%	283,364	10.00%	226,691	8.00%
December 31, 2011						
Tier 1 Capital to Average Assets						
Renasant Corporation	$ 375,829	9.44%	$ 199,000	5.00%	$ 159,200	4.00%
Renasant Bank	368,087	9.26%	198,683	5.00%	158,946	4.00%
Tier 1 Capital to Risk-Weighted Assets						
Renasant Corporation	$ 375,829	13.32%	$ 169,279	6.00%	$ 112,852	4.00%
Renasant Bank	368,087	13.07%	168,993	6.00%	112,662	4.00%
Total Capital to Risk-Weighted Assets						
Renasant Corporation	$ 411,208	14.58%	$ 282,131	10.00%	$ 225,705	8.00%
Renasant Bank	403,407	14.32%	281,655	10.00%	225,324	8.00%

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk since December 31, 2011. For additional information regarding our market risk, see our Annual Report on Form 10-K for the year ended December 31, 2011.

Item 4. CONTROLS AND PROCEDURES

Based on their evaluation as of the end of the period covered by this quarterly report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) are effective for ensuring that information the Company is required to disclose in reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms. There were no changes in the Company s internal control over financial reporting during the fiscal quarter covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

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Part II. OTHER INFORMATION

Item 1A. RISK FACTORS

Information regarding risk factors appears in Part I, Item 1A, Risk Factors, of the Company s Annual Report on Form 10-K for the year ended December 31, 2011. There have been no material changes in the risk factors disclosed in our Annual Report on Form 10-K.

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

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

The Company did not repurchase any shares of its outstanding stock during the three month period ended March 31, 2012.

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

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Item 6. EXHIBITS

Exhibit Number	Description
(3)(i)	Articles of Incorporation of Renasant Corporation, as amended(1)
(3)(ii)	Restated Bylaws of Renasant Corporation (2)
(4)(i)	Articles of Incorporation of Renasant Corporation, as amended(1)
(4)(ii)	Restated Bylaws of Renasant Corporation (2)
(10)(i)	Amendment No. 4 to the Renasant Corporation Deferred Stock Unit Plan (3)
(31)(i)	Certification of the Chief Executive Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31)(ii)	Certification of the Chief Financial Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31)(iii)	Certification of the Chief Financial Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32)(i)	Certification of the Chief Executive Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(32)(ii)	Certification of the Chief Financial Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(32)(iii)	Certification of the Chief Financial Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(101)	The following materials from Renasant Corporation s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 were formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011, (ii) Consolidated Statements of Income for the three months ended March 31, 2012 and 2011, (iii) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011 and (iv) Notes to Consolidated Financial Statements (Unaudited).

(1) Filed as exhibit 3.1 to the Company s Form 10-Q filed with the Securities and Exchange Commission on May 9, 2005 and incorporated herein by reference.

(2) Filed as exhibit 3(ii) to the Company s Form 8-K filed with the Securities and Exchange Commission on October 21, 2011 and incorporated herein by reference.

(3) Filed as exhibit 99.1 to the Company s Form 8-K filed with the Securities and Exchange Commission on January 23, 2012 and incorporated herein by reference.

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

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SIGNATURES

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

	RENASANT CORPORATION
	(Registrant)
Date: May 10, 2012	/s/ E. Robinson McGraw E. Robinson McGraw
	Chairman of the Board, Director,
	President and Chief Executive Officer
	(Principal Executive Officer)
Date: May 10, 2012	/s/ Kevin D. Chapman Kevin D. Chapman
	Executive Vice President and
	Chief Financial Officer
	(Co-Principal Financial Officer)
Date: May 10, 2012	/s/ Stuart R. Johnson Stuart R. Johnson
	Executive Vice President and
	Treasurer
	(Co-Principal Financial Officer)

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EXHIBIT INDEX

Exhibit Number	Description
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