

RENASANT CORP  
Form 10-Q  
May 08, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended March 31, 2013

Or

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

Commission file number 001-13253

**RENASANT CORPORATION**

(Exact name of registrant as specified in its charter)

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**Mississippi**  
(State or other jurisdiction of  
incorporation or organization)

**64-0676974**  
(I.R.S. Employer  
Identification No.)

**209 Troy Street, Tupelo, Mississippi**  
(Address of principal executive offices)

**38804-4827**  
(Zip Code)

**(662) 680-1001**

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer  Accelerated filer

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

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

As of April 30, 2013, 25,221,488 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, 2013

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## Renasant Corporation and Subsidiaries

## Consolidated Balance Sheets

*(In Thousands, Except Share Data)*

	(Unaudited) March 31, 2013	December 31, 2012
<b>Assets</b>		
Cash and due from banks	\$ 58,530	\$ 63,225
Interest-bearing balances with banks	131,498	69,195
Cash and cash equivalents	190,028	132,420
Securities held to maturity (fair value of \$358,672 and \$334,475, respectively)	344,599	317,766
Securities available for sale, at fair value	396,014	356,311
Mortgage loans held for sale, at fair value	26,286	34,845
Loans, net of unearned income:		
Covered under loss-share agreements	213,872	237,088
Not covered under loss-share agreements	2,594,438	2,573,165
Total loans, net of unearned income	2,808,310	2,810,253
Allowance for loan losses	(46,505)	(44,347)
Loans, net	2,761,805	2,765,906
Premises and equipment, net	67,823	66,752
Other real estate owned:		
Covered under loss-share agreements	35,095	45,534
Not covered under loss-share agreements	39,786	44,717
Total other real estate owned, net	74,881	90,251
Goodwill	184,779	184,859
Other intangible assets, net	5,742	6,066
FDIC loss-share indemnification asset	34,524	44,153
Other assets	181,177	179,287
<b>Total assets</b>	<b>\$ 4,267,658</b>	<b>\$ 4,178,616</b>
<b>Liabilities and shareholders equity</b>		
<b>Liabilities</b>		
Deposits		
Noninterest-bearing	\$ 567,065	\$ 568,214
Interest-bearing	2,988,110	2,893,007
Total deposits	3,555,175	3,461,221

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Short-term borrowings	6,848	5,254
Long-term debt	157,215	159,452
Other liabilities	46,045	54,481
<b>Total liabilities</b>	<b>3,765,283</b>	<b>3,680,408</b>
<b>Shareholders equity</b>		
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; 25,208,733 and 25,157,637 shares outstanding, respectively	133,579	133,579
Treasury stock, at cost	(24,933)	(25,626)
Additional paid-in capital	217,951	218,128
Retained earnings	183,902	180,628
Accumulated other comprehensive loss, net of taxes	(8,124)	(8,501)
<b>Total shareholders equity</b>	<b>502,375</b>	<b>498,208</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 4,267,658</b>	<b>\$ 4,178,616</b>

*See Notes to Consolidated Financial Statements.*

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## Renasant Corporation and Subsidiaries

## Consolidated Statements of Income (Unaudited)

*(In Thousands, Except Share Data)*

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Interest income</b>		
Loans	\$ 34,158	\$ 34,282
Securities		
Taxable	2,791	4,010
Tax-exempt	1,947	2,128
Other	49	85
<b>Total interest income</b>	<b>38,945</b>	<b>40,505</b>
<b>Interest expense</b>		
Deposits	4,080	5,419
Borrowings	1,484	2,243
<b>Total interest expense</b>	<b>5,564</b>	<b>7,662</b>
<b>Net interest income</b>	<b>33,381</b>	<b>32,843</b>
Provision for loan losses	3,050	4,800
<b>Net interest income after provision for loan losses</b>	<b>30,331</b>	<b>28,043</b>
<b>Noninterest income</b>		
Service charges on deposit accounts	4,500	4,525
Fees and commissions	4,831	3,928
Insurance commissions	818	898
Wealth management revenue	1,724	1,942
Gains on sales of securities	54	904
BOLI income	730	1,111
Gains on sales of mortgage loans held for sale	3,565	1,281
Other	1,113	1,798
<b>Total noninterest income</b>	<b>17,335</b>	<b>16,387</b>
<b>Noninterest expense</b>		
Salaries and employee benefits	21,274	18,649
Data processing	2,043	2,040
Net occupancy and equipment	3,604	3,615
Other real estate owned	2,049	3,999
Professional fees	1,173	971
Advertising and public relations	1,490	1,197
Intangible amortization	323	358
Communications	1,127	1,103
Extinguishment of debt		898
Other	4,474	3,791
<b>Total noninterest expense</b>	<b>37,557</b>	<b>36,621</b>

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Income before income taxes	10,109	7,809
Income taxes	2,538	1,835
<b>Net income</b>	<b>\$ 7,571</b>	<b>\$ 5,974</b>
<b>Basic earnings per share</b>	<b>\$ 0.30</b>	<b>\$ 0.24</b>
<b>Diluted earnings per share</b>	<b>\$ 0.30</b>	<b>\$ 0.24</b>
<b>Cash dividends per common share</b>	<b>\$ 0.17</b>	<b>\$ 0.17</b>

*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)*

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2013</b>	<b>2012</b>
Net income	\$ 7,571	\$ 5,974
Other comprehensive income, net of tax:		
Securities available for sale:		
Unrealized holding gains on securities	146	1,018
Reclassification adjustment for losses (gains) realized in net income	71	(558)
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(66)	(102)
Total securities available for sale	151	358
Derivative instruments:		
Unrealized holding gains (losses) on derivative instruments	207	(111)
Reclassification adjustment for gains realized in net income	(53)	(94)
Totals derivative instruments	154	(205)
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	72	66
Total defined benefit pension and post-retirement benefit plans	72	66
Other comprehensive income, net of tax	377	219
Comprehensive income	\$ 7,948	\$ 6,193

*See Notes to Consolidated Financial Statements.*



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## Renasant Corporation and Subsidiaries

## Condensed Consolidated Statements of Cash Flows (Unaudited)

*(In Thousands)*

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Operating activities</b>		
<b>Net cash provided by operating activities</b>	\$ 41,340	\$ 62,609
<b>Investing activities</b>		
Purchases of securities available for sale	(70,720)	(78,210)
Proceeds from sales of securities available for sale	9,013	22,685
Proceeds from call/maturities of securities available for sale	21,425	43,433
Purchases of securities held to maturity	(59,987)	(53,899)
Proceeds from sales of securities held to maturity	4,461	
Proceeds from call/maturities of securities held to maturity	28,590	27,975
Net increase in loans	(3,608)	(29,776)
Purchases of premises and equipment	(2,337)	(3,139)
Proceeds from sales of premises and equipment		45
<b>Net cash used in investing activities</b>	(73,163)	(70,886)
<b>Financing activities</b>		
Net (decrease) increase in noninterest-bearing deposits	(1,149)	4,045
Net increase in interest-bearing deposits	95,103	56,884
Net increase (decrease) in short-term borrowings	1,594	(3,655)
Repayment of long-term debt	(2,197)	(79,261)
Cash paid for dividends	(4,300)	(4,275)
Cash received on exercise of stock-based compensation	225	200
Excess tax benefit from stock-based compensation	155	
<b>Net cash provided by (used in) financing activities</b>	89,431	(26,062)
<b>Net increase (decrease) in cash and cash equivalents</b>	57,608	(34,339)
<b>Cash and cash equivalents at beginning of period</b>	132,420	209,017
<b>Cash and cash equivalents at end of period</b>	\$ 190,028	\$ 174,678
<b>Supplemental disclosures</b>		
Noncash transactions:		
Transfers of loans to other real estate owned	\$ 5,828	\$ 7,481
<i>See Notes to Consolidated Financial Statements.</i>		

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note A Summary of Significant Accounting Policies**

**Nature of Operations:** Renasant Corporation (referred to herein as the Company) owns and operates Renasant Bank (Renasant Bank or the Bank) and Renasant Insurance, Inc. The Company offers a diversified range of financial, fiduciary and insurance services to its retail and commercial customers through its subsidiaries and full service offices located throughout north and north central Mississippi, Tennessee, north and central Alabama and north Georgia.

**Basis of Presentation:** The accompanying unaudited consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information regarding the Company's significant accounting policies, refer to the audited consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission on March 8, 2013.

**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, 2013 but prior to the issuance of these financial statements that would have a material impact on its Consolidated Financial Statements.

**Note B Securities**

(In Thousands)

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>March 31, 2013</b>				
Obligations of other U.S. Government agencies and corporations	\$ 125,046	\$ 149	\$ (263)	\$ 124,932
Obligations of states and political subdivisions	219,553	14,339	(152)	233,740
	\$ 344,599	\$ 14,488	\$ (415)	\$ 358,672
<b>December 31, 2012</b>				
Obligations of other U.S. Government agencies and corporations	\$ 90,045	\$ 116	\$ (232)	\$ 89,929
Obligations of states and political subdivisions	227,721	16,860	(35)	244,546
	\$ 317,766	\$ 16,976	\$ (267)	\$ 334,475

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

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classified as held to maturity during 2013. 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 \$4,292, and the Company recognized a net gain of \$169 on the sale during the three months ended March 31, 2013. No securities classified as held to maturity were sold during the three months ended March 31, 2012.

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note B Securities (continued)**

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>March 31, 2013</b>				
Obligations of other U.S. Government agencies and corporations	\$ 2,163	\$ 261	\$	\$ 2,424
Residential mortgage backed securities:				
Government agency mortgage backed securities	164,222	4,486	(529)	168,179
Government agency collateralized mortgage obligations	131,815	2,107	(620)	133,302
Commercial mortgage backed securities:				
Government agency mortgage backed securities	41,797	2,826	(3)	44,620
Government agency collateralized mortgage obligations	5,070	269		5,339
Trust preferred securities	27,829		(11,667)	16,162
Other debt securities	21,734	832	(12)	22,554
Other equity securities	2,355	1,079		3,434
	\$ 396,985	\$ 11,860	\$ (12,831)	\$ 396,014

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

Gross realized gains and gross realized losses on sales of securities available for sale for the three months ended March 31, 2013 and 2012 were as follows:

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	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2013</b>	<b>2012</b>
Gross gains on sales of securities available for sale	\$	\$ 904
Gross losses on sales of securities available for sale	(115)	
(Loss) Gain on sales of securities available for sale, net	\$ (115)	\$ 904

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note B Securities (continued)**

At March 31, 2013 and December 31, 2012, securities with a carrying value of \$402,092 and \$308,362, respectively, were pledged to secure government, public and trust deposits. Securities with a carrying value of \$14,984 and \$19,006 were pledged as collateral for short-term borrowings and derivative instruments at March 31, 2013 and December 31, 2012, respectively.

The amortized cost and fair value of securities at March 31, 2013 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because issuers may call or prepay obligations with or without call or prepayment penalties.

	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	\$ 9,001	\$ 9,063	\$	\$
Due after one year through five years	35,213	36,388		
Due after five years through ten years	167,113	170,582	2,163	2,424
Due after ten years	133,272	142,639	27,829	16,162
Residential mortgage backed securities:				
Government agency mortgage backed securities			164,222	168,179
Government agency collateralized mortgage obligations			131,815	133,302
Commercial mortgage backed securities:				
Government agency mortgage backed securities			41,797	44,620
Government agency collateralized mortgage obligations			5,070	5,339
Other debt securities			21,734	22,554
Other equity securities			2,355	3,434
	\$ 344,599	\$ 358,672	\$ 396,985	\$ 396,014

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note B Securities (continued)**

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

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>Held to Maturity:</b>						
<b>March 31, 2013</b>						
Obligations of other U.S. Government agencies and corporations	\$ 65,161	\$ (263)	\$	\$	\$ 65,161	\$ (263)
Obligations of states and political subdivisions	9,183	(151)	125	(1)	9,308	(152)
<b>Total</b>	<b>\$ 74,344</b>	<b>\$ (414)</b>	<b>\$ 125</b>	<b>\$ (1)</b>	<b>74,469</b>	<b>\$ (415)</b>
<b>December 31, 2012</b>						
Obligations of other U.S. Government agencies and corporations	\$ 35,224	\$ (232)	\$	\$	\$ 35,224	\$ (232)
Obligations of states and political subdivisions	2,861	(34)	126	(1)	2,987	(35)
<b>Total</b>	<b>\$ 38,085</b>	<b>\$ (266)</b>	<b>\$ 126</b>	<b>\$ (1)</b>	<b>\$ 38,211</b>	<b>\$ (267)</b>
<b>Available for Sale:</b>						
<b>March 31, 2013</b>						
Obligations of other U.S. Government agencies and corporations	\$	\$	\$	\$	\$	\$
Residential mortgage backed securities:						
Government agency mortgage backed securities	39,867	(529)			39,867	(529)
Government agency collateralized mortgage obligations	67,740	(620)			67,740	(620)
Commercial mortgage backed securities:						
Government agency mortgage backed securities	879	(3)			879	(3)
Government agency collateralized mortgage obligations						
Trust preferred securities			16,162	(11,667)	16,162	(11,667)
Other debt securities	3,054	(10)	2,163	(2)	5,217	(12)
<b>Total</b>	<b>\$ 111,540</b>	<b>\$ (1,162)</b>	<b>\$ 18,325</b>	<b>\$ (11,669)</b>	<b>\$ 129,865</b>	<b>\$ (12,831)</b>
<b>December 31, 2012</b>						
Obligations of other U.S. Government agencies and corporations	\$	\$	\$	\$	\$	\$
Residential mortgage backed securities:						
Government agency mortgage backed securities	15,431	(91)			15,431	(91)
Government agency collateralized mortgage obligations	44,616	(389)	1,605	(10)	46,221	(399)
Commercial mortgage backed securities:						

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Government agency mortgage backed securities						
Government agency collateralized mortgage obligations						
Trust preferred securities			15,068	(13,544)	15,068	(13,544)
Other debt securities			2,188	(1)	2,188	(1)
Other equity securities						
Total	\$ 60,047	\$ (480)	\$ 18,861	\$ (13,555)	\$ 78,908	\$ (14,035)



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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note B 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. Impairment is considered to be other-than-temporary if the Company intends to sell the investment security or if the Company does not expect to recover the entire amortized cost basis of the security before the Company is required to sell the security or before the security's maturity.

The Company holds investments in pooled trust preferred securities that had an amortized cost basis of \$27,829 and \$28,612 and a fair value of \$16,162 and \$15,068, at March 31, 2013 and December 31, 2012, respectively. The investments in pooled trust preferred securities consist of four securities representing interests in various tranches of trusts collateralized by debt issued by over 340 financial institutions. Management's determination of the fair value of each of its holdings in pooled trust preferred securities is based on the current credit ratings, the known deferrals and defaults by the underlying issuing financial institutions and the degree to which future deferrals and defaults would be required to occur before the cash flow for the Company's tranches is negatively impacted. In addition, management continually monitors key credit quality and capital ratios of the issuing institutions. This determination is further supported by quarterly valuations, which are performed by third parties, of each security obtained by the Company. The Company does not intend to sell the investments, and it is not more likely than not that the Company will be required to sell the investments before recovery of the investments' amortized cost, which may be maturity. At March 31, 2013, management did not, and does not currently, believe such securities will be settled at a price less than the amortized cost of the investment, but the Company previously concluded that it was probable that there had been an adverse change in estimated cash flows for all four trust preferred securities and recognized credit related impairment losses on these securities in 2010 and 2011. No additional impairment was recognized during the three months ended March 31, 2013.

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, 2013. Investment interest is recorded on the cash-basis method until qualifying for return to accrual status.

The following table provides information regarding the Company's investments in pooled trust preferred securities at March 31, 2013:

Name	Single/ Pooled	Class/ Tranche	Amortized Cost	Fair Value	Unrealized Loss	Lowest Credit Rating	Issuers Currently in Deferral or Default
XIII	Pooled	B-2	\$ 1,216	\$ 1,193	\$ (23)	Ca	35%
XXIII	Pooled	B-2	8,969	6,011	(2,958)	Ca	22%
XXIV	Pooled	B-2	12,076	5,867	(6,209)	Ca	35%
XXVI	Pooled	B-2	5,568	3,091	(2,477)	Ca	33%
			\$ 27,829	\$ 16,162	\$ (11,667)		

The following table provides a summary of the cumulative credit related losses recognized in earnings for which a portion of OTTI has been recognized in other comprehensive income:

	2013	2012
Balance at January 1	\$ (3,337)	\$ (3,337)

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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)	\$ (3,337)
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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

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

The following is a summary of loans as of the dates presented:

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
Commercial, financial, agricultural	\$ 308,169	\$ 317,050
Lease financing	165	195
Real estate construction	111,132	105,706
Real estate 1-4 family mortgage	899,694	903,423
Real estate commercial mortgage	1,431,754	1,426,643
Installment loans to individuals	57,399	57,241
<b>Gross loans</b>	<b>2,808,313</b>	<b>2,810,258</b>
Unearned income	(3)	(5)
<b>Loans, net of unearned income</b>	<b>2,808,310</b>	<b>2,810,253</b>
Allowance for loan losses	(46,505)	(44,347)
<b>Net loans</b>	<b>\$ 2,761,805</b>	<b>\$ 2,765,906</b>

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note C 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, as of the dates presented:

	Accruing Loans				Nonaccruing Loans				
	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans	Total Loans
<b>March 31, 2013</b>									
Commercial, financial, agricultural	\$ 730	\$	\$ 303,975	\$ 304,705	\$ 71	\$ 3,205	\$ 188	\$ 3,464	\$ 308,169
Lease financing			165	165					165
Real estate construction			109,484	109,484		1,648		1,648	111,132
Real estate 1-4 family mortgage	8,598	1,487	865,825	875,910	1,250	9,071	13,463	23,784	899,694
Real estate commercial mortgage	4,990	1,069	1,381,482	1,387,541	2,899	32,185	9,129	44,213	1,431,754
Installment loans to individuals	223	45	56,886	57,154	1	243	1	245	57,399
Unearned income			(3)	(3)					(3)
<b>Total</b>	<b>\$ 14,541</b>	<b>\$ 2,601</b>	<b>\$ 2,717,814</b>	<b>\$ 2,734,956</b>	<b>\$ 4,221</b>	<b>\$ 46,352</b>	<b>\$ 22,781</b>	<b>\$ 73,354</b>	<b>\$ 2,808,310</b>
<b>December 31, 2012</b>									
Commercial, financial, agricultural	\$ 484	\$ 15	\$ 312,943	\$ 313,442	\$ 215	\$ 3,131	\$ 262	\$ 3,608	\$ 317,050
Lease financing			195	195					195
Real estate construction	80		103,978	104,058		1,648		1,648	105,706
Real estate 1-4 family mortgage	6,685	1,992	867,053	875,730	1,249	13,417	13,027	27,693	903,423
Real estate commercial mortgage	5,084	1,250	1,373,470	1,379,804	325	38,297	8,217	46,839	1,426,643
Installment loans to individuals	197	50	56,715	56,962	7	265	7	279	57,241
Unearned income			(5)	(5)					(5)
<b>Total</b>	<b>\$ 12,530</b>	<b>\$ 3,307</b>	<b>\$ 2,714,349</b>	<b>\$ 2,730,186</b>	<b>\$ 1,796</b>	<b>\$ 56,758</b>	<b>\$ 21,513</b>	<b>\$ 80,067</b>	<b>\$ 2,810,253</b>

Restructured loans contractually 90 days past due totaled \$646 at December 31, 2012. There were no restructured loans contractually 90 days past due at March 31, 2013. The outstanding balance of restructured loans on nonaccrual status was \$9,280 and \$11,420 at March 31, 2013 and

December 31, 2012, respectively.

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note C 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, consumer and construction loans above a minimum dollar amount threshold by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent. Large groups of smaller balance homogeneous loans are evaluated collectively for impairment. When the ultimate collectability of an impaired loan's principal is in doubt, wholly or partially, all cash receipts are applied to principal. Once the recorded balance has been reduced to zero, future cash receipts are applied to interest income, to the extent any interest has been foregone, and then they are recorded as recoveries of any amounts previously charged-off. For impaired loans, a specific reserve is established to adjust the carrying value of the loan to its estimated net realizable value.

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

	Unpaid Contractual Principal Balance	Recorded Investment With Allowance	Recorded Investment With No Allowance	Total Recorded Investment	Related Allowance
<b>March 31, 2013</b>					
Commercial, financial, agricultural	\$ 4,243	\$ 1,524	\$ 1,593	\$ 3,117	\$ 699
Lease financing					
Real estate construction	2,447		1,648	1,648	
Real estate 1-4 family mortgage	73,810	30,147	6,718	36,865	8,641
Real estate commercial mortgage	112,680	36,004	37,323	73,327	8,194
Installment loans to individuals					
Total	\$ 193,180	\$ 67,675	\$ 47,282	\$ 114,957	\$ 17,534
<b>December 31, 2012</b>					
Commercial, financial, agricultural	\$ 5,142	\$ 1,620	\$ 1,620	\$ 3,240	\$ 708
Lease financing					
Real estate construction	2,447		1,648	1,648	
Real estate 1-4 family mortgage	80,022	28,848	10,094	38,942	9,201
Real estate commercial mortgage	118,167	34,400	39,450	73,850	7,688
Installment loans to individuals					
Totals	\$ 205,778	\$ 64,868	\$ 52,812	\$ 117,680	\$ 17,597

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

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	Three Months Ended March 31, 2013		Three Months Ended March 31, 2012	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized <sup>(1)</sup>
Commercial, financial, agricultural Lease financing	\$ 3,758	\$	\$ 5,910	\$ 8
Real estate construction	1,650		6,474	
Real estate 1-4 family mortgage	43,097	183	51,005	324
Real estate commercial mortgage Installment loans to individuals	79,940	343	97,938	519
<b>Total</b>	<b>\$ 128,445</b>	<b>\$ 526</b>	<b>\$ 161,327</b>	<b>\$ 851</b>

<sup>(1)</sup> Includes interest income recognized using the cash-basis method of income recognition of \$214. No interest income was recognized using the cash-basis method of income recognition during the three months ended March 31, 2013.

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note C 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 and which are performing in accordance with the new terms. Such concessions may include reduction in interest rates or deferral of interest or principal payments. In evaluating whether to restructure a loan, management analyzes the long-term financial condition of the borrower, including guarantor and collateral support, to determine whether the proposed concessions will increase the likelihood of repayment of principal and interest. Restructured loans that are not performing in accordance with their restructured terms that are either contractually 90 days past due or placed on nonaccrual status are reported as nonperforming loans. The following table presents restructured loans segregated by class as of the dates presented:

	Number of Loans	Pre- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment
<b>March 31, 2013</b>			
Commercial, financial, agricultural		\$	\$
Lease financing			
Real estate construction			
Real estate 1-4 family mortgage	23	20,713	11,110
Real estate commercial mortgage	18	20,113	19,104
Installment loans to individuals	1	184	173
<b>Total</b>	<b>42</b>	<b>\$ 41,010</b>	<b>\$ 30,387</b>
<b>December 31, 2012</b>			
Commercial, financial, agricultural		\$	\$
Lease financing			
Real estate construction			
Real estate 1-4 family mortgage	19	18,450	10,853
Real estate commercial mortgage	16	18,985	18,409
Installment loans to individuals	1	184	174
<b>Total</b>	<b>36</b>	<b>\$ 37,619</b>	<b>\$ 29,436</b>

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

	Number of Loans	Recorded Investment
Totals at January 1, 2013	36	\$ 29,436



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Additional loans with concessions	6	1,275
Reductions due to:		
Reclassified as nonperforming		
Charge-offs		
Transfer to other real estate owned		
Principal paydowns		(324)
Lapse of concession period		
Totals at March 31, 2013	42	\$ 30,387

The allocated allowance for loan losses attributable to restructured loans was \$4,061 and \$3,969 at March 31, 2013 and December 31, 2012, respectively. The Company had \$289 and \$288 in remaining availability under commitments to lend additional funds on these restructured loans at March 31, 2013 and December 31, 2012, respectively.

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

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

For loans originated for commercial purposes, internal risk-rating grades are assigned by lending, credit administration or loan review personnel, based on an analysis of the financial and collateral strength and other credit attributes underlying each loan. Management analyzes the resulting ratings, as well as other external statistics and factors such as delinquency, to track the migration performance of the portfolio balances of these loans. Loan grades range between 1 and 9, with 1 being loans with the least credit risk. Loans that migrate toward the Pass grade (those with a risk rating between 1 and 4) or within the Pass grade generally have a lower risk of loss and therefore a lower risk factor. The Watch grade (those with a risk rating of 5) is utilized on a temporary basis for Pass grade loans where a significant risk-modifying action is anticipated in the near term. Loans that migrate toward the Substandard grade (those with a risk rating between 6 and 9) generally have a higher risk of loss and therefore a higher risk factor applied to those related loan balances. The following table presents the Company's loan portfolio by risk-rating grades as of the dates presented:

	Pass	Watch	Substandard	Total
<b>March 31, 2013</b>				
Commercial, financial, agricultural	\$ 223,166	\$ 2,216	\$ 1,962	\$ 227,344
Real estate construction	78,948	772		79,720
Real estate 1-4 family mortgage	98,816	17,132	32,038	147,986
Real estate commercial mortgage	999,221	43,856	41,445	1,084,522
Installment loans to individuals	1			1
<b>Total</b>	<b>\$ 1,400,152</b>	<b>\$ 63,976</b>	<b>\$ 75,445</b>	<b>\$ 1,539,573</b>
<b>December 31, 2012</b>				
Commercial, financial, agricultural	\$ 226,540	\$ 1,939	\$ 3,218	\$ 231,697
Real estate construction	71,633	651		72,284
Real estate 1-4 family mortgage	96,147	24,138	32,589	152,874
Real estate commercial mortgage	989,095	46,148	37,996	1,073,239
Installment loans to individuals	7			7
<b>Total</b>	<b>\$ 1,383,422</b>	<b>\$ 72,876</b>	<b>\$ 73,803</b>	<b>\$ 1,530,101</b>

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

	Performing	Non-Performing	Total
<b>March 31, 2013</b>			
Commercial, financial, agricultural	\$ 70,121	\$ 165	\$ 70,286
Lease financing	165		165
Real estate construction	29,764		29,764

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Real estate 1-4 family mortgage	678,363	5,444	683,807
Real estate commercial mortgage	202,517	1,023	203,540
Installment loans to individuals	55,295	94	55,389
Total	\$ 1,036,225	\$ 6,726	\$ 1,042,951

**December 31, 2012**

Commercial, financial, agricultural	\$ 74,003	\$ 210	\$ 74,213
Lease financing	195		195
Real estate construction	31,774		31,774
Real estate 1-4 family mortgage	670,074	5,328	675,402
Real estate commercial mortgage	195,086	449	195,535
Installment loans to individuals	54,918	91	55,009
Total	\$ 1,026,050	\$ 6,078	\$ 1,032,128

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note C 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 as of the dates presented:

	<b>Impaired Covered Loans</b>	<b>Other Covered Loans</b>	<b>Not Covered Loans</b>	<b>Total</b>
<b>March 31, 2013</b>				
Commercial, financial, agricultural	\$	\$ 10,157	\$ 382	\$ 10,539
Lease financing				
Real estate construction		1,648		1,648
Real estate 1-4 family mortgage	1,999	63,490	2,412	67,901
Real estate commercial mortgage	25,204	111,337	7,151	143,692
Installment loans to individuals		37	1,972	2,009
Total	\$ 27,203	\$ 186,669	\$ 11,917	\$ 225,789
<b>December 31, 2012</b>				
Commercial, financial, agricultural	\$	\$ 10,800	\$ 340	\$ 11,140
Lease financing				
Real estate construction		1,648		1,648
Real estate 1-4 family mortgage	6,122	67,326	1,699	75,147
Real estate commercial mortgage	25,782	125,379	6,708	157,869
Installment loans to individuals		31	2,194	2,225
Total	\$ 31,904	\$ 205,184	\$ 10,941	\$ 248,029

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, 2013:

	<b>Impaired Covered Loans</b>	<b>Other Covered Loans</b>	<b>Not Covered Loans</b>	<b>Total</b>
Contractually-required principal and interest	\$ 73,565	\$ 220,553	\$ 14,215	\$ 308,333
Nonaccretable difference <sup>(1)</sup>	(46,357)	(29,998)	(1,187)	(77,542)
Cash flows expected to be collected	27,208	190,555	13,028	230,791
Accretable yield <sup>(2)</sup>	(5)	(3,886)	(1,111)	(5,002)

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Fair value	\$ 27,203	\$ 186,669	\$ 11,917	\$ 225,789
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(1) Represents contractual principal and interest cash flows of \$68,453 and \$9,088, respectively, not expected to be collected.

(2) Represents contractual interest payments of \$3,723 expected to be collected and purchase discount of \$1,279.

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

	<b>Impaired Covered Loans</b>	<b>Other Covered Loans</b>	<b>Not Covered Loans</b>	<b>Total</b>
Balance at January 1, 2013	\$ (13)	\$ (6,705)	\$ (1,130)	\$ (7,848)
Reclasses from nonaccretable difference	(71)	(309)	(179)	(559)
Accretion	79	3,128	198	3,405
Balance at March 31, 2013	\$ (5)	\$ (3,886)	\$ (1,111)	\$ (5,002)

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

**Note C 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.

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

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

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 <sup>(1)</sup>	Total
<b>Three Months Ended March 31, 2013</b>						
Allowance for loan losses:						
Beginning balance	\$ 3,307	\$ 711	\$ 18,347	\$ 21,416	\$ 566	\$ 44,347
Charge-offs	(234)		(614)	(593)	(64)	(1,505)
Recoveries	157	16	339	91	10	613
Net charge-offs	(77)	16	(275)	(502)	(54)	(892)
Provision for loan losses	(53)	(52)	1,197	1,825	542	3,459
Benefit attributable to FDIC loss-share agreements	(247)		(261)	(661)		(1,169)
Recoveries payable to FDIC	12	1	729	18		760
Provision for loan losses charged to operations	(288)	(51)	1,665	1,182	542	3,050
Ending balance	\$ 2,942	\$ 676	\$ 19,737	\$ 22,096	\$ 1,054	\$ 46,505
<b>Period-End Amount Allocated to:</b>						
Individually evaluated for impairment	\$ 699	\$	\$ 8,641	\$ 8,194	\$	\$ 17,534
Collectively evaluated for impairment	2,243	676	11,096	13,902	1,054	28,971
Acquired with deteriorated credit quality						
Ending balance	\$ 2,942	\$ 676	\$ 19,737	\$ 22,096	\$ 1,054	\$ 46,505
<b>Three Months Ended March 31, 2012</b>						
Allowance for loan losses:						
Beginning balance	\$ 4,197	\$ 1,073	\$ 17,191	\$ 20,979	\$ 900	\$ 44,340
Charge-offs	(1,388)	(4)	(1,874)	(1,882)	(71)	(5,219)
Recoveries	22		161	52	20	255
Net charge-offs	(1,366)	(4)	(1,713)	(1,830)	(51)	(4,964)
Provision for loan losses	604	(170)	4,943	3,283	(46)	8,614
Benefit attributable to FDIC loss-share agreements	(217)	(17)	(1,549)	(2,076)		(3,859)
Recoveries payable to FDIC	2		20	23		45
Provision for loan losses charged to operations	389	(187)	3,414	1,230	(46)	4,800

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Ending balance	\$ 3,220	\$ 882	\$ 18,892	\$ 20,379	\$ 803	\$ 44,176
<b>Period-End Amount Allocated to:</b>						
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

<sup>(1)</sup> Includes lease financing receivables.



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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

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

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

	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other <sup>(1)</sup>	Total
<b>March 31, 2013</b>						
Individually evaluated for impairment	\$ 1,524	\$	\$ 30,147	\$ 36,004	\$	\$ 67,675
Collectively evaluated for impairment	296,106	109,484	801,646	1,252,058	55,552	2,514,846
Acquired with deteriorated credit quality	10,539	1,648	67,901	143,692	2,009	225,789
Ending balance	\$ 308,169	\$ 111,132	\$ 899,694	\$ 1,431,754	\$ 57,561	\$ 2,808,310
<b>December 31, 2012</b>						
Individually evaluated for impairment	\$ 1,620	\$	\$ 28,848	\$ 34,400	\$	\$ 64,868
Collectively evaluated for impairment	304,290	104,058	799,428	1,234,374	55,206	2,497,356
Acquired with deteriorated credit quality	11,140	1,648	75,147	157,869	2,225	248,029
Ending balance	\$ 317,050	\$ 105,706	\$ 903,423	\$ 1,426,643	\$ 57,431	\$ 2,810,253

<sup>(1)</sup> Includes lease financing receivables.

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note D Other Real Estate Owned***(In Thousands)*

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

	Covered OREO	Not Covered OREO	Total OREO
<b>March 31, 2013</b>			
Residential real estate	\$ 6,692	\$ 5,559	\$ 12,251
Commercial real estate	10,098	7,288	17,386
Residential land development	3,495	20,428	23,923
Commercial land development	14,810	6,126	20,936
Other		385	385
<b>Total</b>	<b>\$ 35,095</b>	<b>\$ 39,786</b>	<b>\$ 74,881</b>
<b>December 31, 2012</b>			
Residential real estate	\$ 8,778	\$ 7,842	\$ 16,620
Commercial real estate	14,368	7,779	22,147
Residential land development	5,005	22,490	27,495
Commercial land development	17,383	6,221	23,604
Other		385	385
<b>Total</b>	<b>\$ 45,534</b>	<b>\$ 44,717</b>	<b>\$ 90,251</b>

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, 2013	\$ 45,534	\$ 44,717	\$ 90,251
Transfers of loans	4,262	1,566	5,828
Capitalized improvements		129	129
Impairments <sup>(1)</sup>	(3,115)	(363)	(3,478)
Dispositions	(11,559)	(6,263)	(17,822)
Other	(27)		(27)
<b>Balance at March 31, 2013</b>	<b>\$ 35,095</b>	<b>\$ 39,786</b>	<b>\$ 74,881</b>

(1)

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Of the total impairment charges of \$3,115 recorded for covered OREO, \$623 was included in the Consolidated Statements of Income for the three months ended March 31, 2013, while the remaining \$2,492 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,	
	2013	2012
Repairs and maintenance	\$ 353	\$ 579
Property taxes and insurance	353	449
Impairments	986	2,098
Net losses on OREO sales	470	998
Rental income	(113)	(125)
Total	\$ 2,049	\$ 3,999

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

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

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

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

Balance at January 1, 2013	\$ 44,153
Realized losses in excess of initial estimates on:	
Loans	1,169
OREO	2,492
Reimbursable expenses	619
Accretion	(731)
Reimbursements received from the FDIC	(13,178)
Balance at March 31, 2013	\$ 34,524

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note F Mortgage Servicing Rights***(In Thousands)*

The Company retains the right to service certain mortgage loans that it sells to secondary market investors. These mortgage servicing rights, included in Other assets on the Consolidated Balance Sheets, are recognized as a separate asset on the date the corresponding mortgage loan is sold. Mortgage servicing rights are amortized in proportion to and over the period of estimated net servicing income. These servicing rights are carried at the lower of amortized cost or fair value. Fair value is determined using an income approach with various assumptions including expected cash flows, prepayment speeds, market discount rates, servicing costs, and other factors. Mortgage servicing rights were carried at amortized cost at March 31, 2013 and December 31, 2012.

Impairment losses on mortgage servicing rights are recognized to the extent by which the unamortized cost exceeds fair value. No impairment losses on mortgage servicing rights were recognized in earnings for the three months ended March 31, 2013 and 2012.

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

Carrying value at January 1, 2013	\$ 4,233
Capitalization	1,556
Amortization	(146)
Carrying value at March 31, 2013	\$ 5,643

Data and key economic assumptions related to the Company's mortgage servicing rights as of March 31, 2013 are as follows:

Unpaid principal balance	\$ 536,501
Weighted-average prepayment speed (CPR)	3.81%
Estimated impact of a 10% increase	\$ (249)
Estimated impact of a 20% increase	(288)
Discount rate	11.27%
Estimated impact of a 10% increase	\$ (197)
Estimated impact of a 20% increase	(380)
Weighted-average coupon interest rate	3.22%
Weighted-average servicing fee (basis points)	25.09
Weighted-average remaining maturity (in months)	284.0

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

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

The plan expense for the Company-sponsored noncontributory defined benefit pension plan ( Pension Benefits ) and post-retirement health and life plans ( Other Benefits ) for the periods presented was as follows:

	Pension Benefits		Other Benefits	
	Three Months Ended		Three Months Ended	
	March 31,		March 31,	
	2013	2012	2013	2012
Service cost	\$	\$	\$ 7	\$ 6
Interest cost	188	215	12	16
Expected return on plan assets	(311)	(298)		
Prior service cost recognized				
Recognized actuarial loss	97	89	19	18
Net periodic benefit cost	\$ (26)	\$ 6	\$ 38	\$ 40

In January 2013 and 2012, 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 2013 and 2012 for the three month periods ended March 31, 2013 and 2012:

	2013 Grant	2012 Grant
Shares granted	37,500	172,000
Dividend yield	3.55%	4.55%
Expected volatility	37%	37%
Risk-free interest rate	0.76%	0.79%
Expected lives	6 years	6 years
Weighted average exercise price	\$ 19.14	\$ 14.96
Weighted average fair value	\$ 4.47	\$ 3.10

In addition, the Company awarded 10,000 shares of time-based restricted stock and 59,850 shares of performance-based restricted stock in January 2013. The time-based restricted stock is earned 100% upon completion of one year 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 \$19.14 per share.

In April 2012, an amendment to the Company's long-term incentive compensation plan was adopted that allows non-employee members of the Board of Directors to participate in the plan. Under this provision, on April 24, 2012, the Company awarded 9,684 shares of time-based restricted stock to non-employee directors which are earned 100% upon the completion of one year of service measured from the grant date. The fair value of the restricted stock grants on the date of the grant was \$15.49 per share. In January 2013, 646 shares were forfeited due to the service requirement not being met.

During the three months ended March 31, 2013, the Company reissued 51,096 shares from treasury in connection with the exercise of stock options and issuance of fully vested restricted stock. The Company recorded total stock-based compensation expense of \$478 and \$292 for the

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three months ended March 31, 2013 and 2012, respectively.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

**Note H Segment Reporting**

*(In Thousands)*

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

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

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

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

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



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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note H Segment Reporting (continued)**

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

	Community Banks	Insurance	Wealth Management	Other	Consolidated
<b>Three Months Ended March 31, 2013</b>					
Net interest income	\$ 33,677	\$ 23	\$ 295	\$ (614)	\$ 33,381
Provision for loan losses	2,917		133		3,050
Noninterest income	14,977	1,033	1,304	21	17,335
Noninterest expense	35,059	813	1,581	104	37,557
Income before income taxes	10,678	243	(115)	(697)	10,109
Income taxes	2,723	94		(279)	2,538
Net income (loss)	\$ 7,955	\$ 149	\$ (115)	\$ (418)	\$ 7,571
Total assets	\$ 4,205,826	\$ 10,214	\$ 39,673	\$ 11,945	\$ 4,267,658
Goodwill	181,996	2,783			184,779
<b>Three Months Ended March 31, 2012</b>					
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

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

**Note I Fair Value Measurements**

*(In Thousands)*

*Fair Value Measurements and the Fair Level Hierarchy*

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

*Recurring Fair Value Measurements*

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

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

**Securities available for sale:** Securities available for sale consist primarily of debt securities, such as obligations of U.S. Government agencies and corporations, mortgage-backed securities, trust preferred securities, and other debt and equity securities. Where quoted market prices in active markets are available, securities are classified within Level 1 of the fair value hierarchy. If quoted prices from active markets are not available, fair values are based on quoted market prices for similar instruments traded in active markets, quoted market prices for identical or similar instruments traded in markets that are not active, or model-based valuation techniques where all significant assumptions are observable in the market. Such instruments are classified within Level 2 of the fair value hierarchy. When assumptions used in model-based valuation techniques are not observable in the market, the assumptions used by management reflect estimates of assumptions used by other market participants in determining fair value. When there is limited transparency around the inputs to the valuation, the instruments are classified within Level 3 of the fair value hierarchy.

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

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

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note I Fair Value Measurements (continued)**

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

	Level 1	Level 2	Level 3	Totals
<b>March 31, 2013</b>				
Financial assets:				
Securities available for sale:				
Obligations of other U.S. Government agencies and corporations	\$	\$ 2,424	\$	\$ 2,424
Residential mortgage-backed securities:				
Government agency mortgage backed securities		168,179		168,179
Government agency collateralized mortgage obligations		133,302		133,302
Commercial mortgage-backed securities:				
Government agency mortgage backed securities		44,620		44,620
Government agency collateralized mortgage obligations		5,339		5,339
Trust preferred securities			16,162	16,162
Other debt securities		22,554		22,554
Other equity securities		3,434		3,434
Total securities available for sale		379,852	16,162	396,014
Derivative instruments:				
Interest rate contracts		2,796		2,796
Interest rate lock commitments		1,755		1,755
Total derivative instruments		4,551		4,551
Mortgage loans held for sale		26,286		26,286
Total financial assets	\$	\$ 410,689	\$ 16,162	\$ 426,851
Financial liabilities:				
Derivative instruments:				
Interest rate swaps	\$	\$ 1,830	\$	\$ 1,830
Interest rate contracts		2,773		2,773
Forward commitments		381		381
Total derivative instruments		4,984		4,984
Total financial liabilities	\$	\$ 4,984	\$	\$ 4,984

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note I Fair Value Measurements (continued)**

	Level 1	Level 2	Level 3	Totals
<b>December 31, 2012</b>				
Financial assets:				
Securities available for sale:				
Obligations of other U.S. Government agencies and corporations	\$	\$ 2,442	\$	\$ 2,442
Residential mortgage-backed securities:				
Government agency mortgage backed securities		144,817		144,817
Government agency collateralized mortgage obligations		117,521		117,521
Commercial mortgage-backed securities:				
Government agency mortgage backed securities		45,058		45,058
Government agency collateralized mortgage obligations		5,407		5,407
Trust preferred securities			15,068	15,068
Other debt securities		22,930		22,930
Other equity securities		3,068		3,068
Total securities available for sale		341,243	15,068	356,311
Derivative instruments:				
Interest rate contracts		3,083		3,083
Interest rate lock commitments		1,571		1,571
Total derivative instruments		4,654		4,654
Mortgage loans held for sale		34,845		34,845
Total financial assets	\$	\$ 380,742	\$ 15,068	\$ 395,810
Financial liabilities:				
Derivative instruments:				
Interest rate swaps	\$	\$ 2,164	\$	\$ 2,164
Interest rate contracts		3,152		3,152
Forward commitments		198		198
Total derivative instruments		5,514		5,514
Total financial liabilities	\$	\$ 5,514	\$	\$ 5,514

The Company reviews fair value hierarchy classifications on a quarterly basis. Changes in the Company's ability to observe inputs to the valuation may cause reclassification of certain assets or liabilities within the fair value hierarchy. Transfers between levels of the hierarchy are deemed to have occurred at the end of period. There were no such transfers between levels of the fair value hierarchy during the three months ended March 31, 2013.

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note I Fair Value Measurements (continued)**

The following tables provide a reconciliation for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs, or Level 3 inputs, during the three months ended March 31, 2013 and 2012, respectively:

Three Months Ended March 31, 2013	Securities available for sale		
	Trust preferred securities	Other equity securities	Total
Balance at January 1, 2013	\$ 15,068	\$	\$ 15,068
Realized gains (losses) included in net income			
Unrealized gains (losses) included in other comprehensive income	1,878		1,878
Purchases			
Sales			
Issues			
Settlements	(784)		(784)
Transfers into Level 3			
Transfers out of Level 3			
Balance at March 31, 2013	\$ 16,162	\$	\$ 16,162

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
Realized gains (losses) included in net income			
Unrealized gains (losses) included in other comprehensive income	1,033	423	1,456
Reclassification adjustment	(952)		(952)
Purchases			
Sales			
Issues			
Settlements			
Transfers into Level 3			
Transfers out of Level 3			
Balance at March 31, 2012	\$ 12,866	\$ 2,660	\$ 15,526

For the three months ended March 31, 2013 and 2012, there were no gains or losses included in earnings that were attributable to the change in unrealized gains or losses related to assets or liabilities held at the end of each respective period that were measured on a recurring basis using significant unobservable inputs.

The following table presents information as of March 31, 2013 about significant unobservable inputs (Level 3) used in the valuation of assets and liabilities measured at fair value on a recurring basis:

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<b>Financial instrument</b>	<b>Fair Value</b>	<b>Valuation Technique</b>	<b>Significant Unobservable Inputs</b>	<b>Range of Inputs</b>
Trust preferred securities	\$ 16,162	Discounted cash flows	Default rate	0-100%

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note I Fair Value Measurements (continued)***Nonrecurring Fair Value Measurements*

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

March 31, 2013	Level 1	Level 2	Level 3	Totals
Impaired loans	\$	\$	\$ 7,462	\$ 7,462
OREO			14,773	14,773
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$ 22,235</b>	<b>\$ 22,235</b>

December 31, 2012	Level 1	Level 2	Level 3	Totals
Impaired loans	\$	\$	\$ 20,178	\$ 20,178
OREO			33,761	33,761
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$ 53,939</b>	<b>\$ 53,939</b>

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

**Impaired loans:** Loans considered impaired are reserved for at the time the loan is identified as impaired taking into account the fair value of the collateral less estimated selling costs. Collateral may be real estate and/or business assets including but not limited 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, 2013 and 2012, respectively. Impaired loans not covered under loss-share agreements that were measured or re-measured at fair value had a carrying value of \$8,699 and \$27,149 at March 31, 2013 and December 31, 2012, respectively, and a specific reserve for these loans of \$1,237 and \$6,971 was included in the allowance for loan losses for the same respective periods ended.

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





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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note I Fair Value Measurements (continued)**

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

	March 31, 2013	December 31, 2012
<b>OREO covered under loss-share agreements:</b>		
Carrying amount prior to remeasurement	\$ 15,176	\$ 19,254
Impairment recognized in results of operations	(601)	(901)
Increase in FDIC loss-share indemnification asset	(2,406)	(3,602)
Receivable from other guarantor		(41)
Fair value	\$ 12,169	\$ 14,710
<b>OREO not covered under loss-share agreements:</b>		
Carrying amount prior to remeasurement	\$ 2,967	\$ 22,277
Impairment recognized in results of operations	(363)	(3,226)
Fair value	\$ 2,604	\$ 19,051

**Mortgage servicing rights:** The Company retains the right to service certain mortgage loans that it sells to secondary market investors. These servicing rights are carried at the lower of amortized cost or fair value. Fair value is determined using an income approach with various assumptions including expected cash flows, market discount rates, prepayment speeds, servicing costs, and other factors. Because these factors are not all observable and include management's assumptions, mortgage servicing rights are classified within Level 3 of the fair value hierarchy. Mortgage servicing rights were carried at amortized cost at March 31, 2013 and December 31, 2012, and no impairment charges were recognized in earnings for the three months ended March 31, 2013 and 2012.

The following table presents information as of March 31, 2013 about significant unobservable inputs (Level 3) used in the valuation of assets and liabilities measured at fair value on a nonrecurring basis:

Financial instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs
Impaired loans	\$ 7,462	Appraised value of collateral less estimated costs to sell	Estimated costs to sell	4-10%
OREO	14,773	Appraised value of property less estimated costs to sell	Estimated costs to sell	4-10%

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note I Fair Value Measurements (continued)***Fair Value Option*

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

Net losses of \$277 resulting from fair value changes of these mortgage loans were recorded in income during the three months ended March 31, 2013. The amount does not reflect changes in fair values of related derivative instruments used to hedge exposure to market-related risks associated with these mortgage loans. The change in fair value of both mortgage loans held for sale and the related derivative instruments are recorded in Gains on sales of mortgage loans held for sale in the Consolidated Statements of Income.

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

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

	Aggregate Fair Value	Aggregate Unpaid Principal Balance	Difference
<b>March 31, 2013</b>			
Mortgage loans held for sale measured at fair value	\$ 26,286	\$ 25,721	\$ 565
Past due loans of 90 days or more			
Nonaccrual loans			

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note I 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:

As of March 31, 2013	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Cash and cash equivalents	\$ 190,028	\$ 190,028	\$	\$	\$ 190,028
Securities held to maturity	344,599		358,672		358,672
Securities available for sale	396,014		379,852	16,162	396,014
Mortgage loans held for sale	26,286		26,286		26,286
Loans covered under loss-share agreements	213,872			212,258	212,258
Loans not covered under loss-share agreements, net	2,547,933			2,502,906	2,502,906
FDIC loss-share indemnification asset	34,524			34,524	34,524
Mortgage servicing rights	5,643			5,821	5,821
Derivative instruments	4,551		4,551		4,551
<b>Financial liabilities</b>					
Deposits	\$ 3,555,175	\$ 2,337,572	\$ 1,226,504	\$	\$ 3,564,076
Short-term borrowings	6,848	6,848			6,848
Federal Home Loan Bank advances	81,646		96,699		96,699
Junior subordinated debentures	75,569		27,816		27,816
Derivative instruments	4,984		4,984		4,984

As of December 31, 2012	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Cash and cash equivalents	\$ 132,420	\$ 132,420	\$	\$	\$ 132,420
Securities held to maturity	317,766		334,475		334,475
Securities available for sale	356,311		341,243	15,068	356,311
Mortgage loans held for sale	34,845		34,845		34,845
Loans covered under loss-share agreements	237,088			235,890	235,890
Loans not covered under loss-share agreements, net	2,528,818			2,452,937	2,452,937
FDIC loss-share indemnification asset	44,153			44,153	44,153
Mortgage servicing rights	4,233			4,259	4,259
Derivative instruments	4,654		4,654		4,654
<b>Financial liabilities</b>					
Deposits	\$ 3,461,221	\$ 2,268,568	\$ 1,200,785	\$	\$ 3,469,353
Short-term borrowings	5,254	5,254			5,254
Federal Home Loan Bank advances	83,843		99,870		99,870

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Junior subordinated debentures	75,609	27,985	27,985
Derivative instruments	5,514	5,514	5,514

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

**Note I Fair Value Measurements (continued)**

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 previously.

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

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

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

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

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

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

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

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

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



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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

**Note J - Derivative Instruments**

*(In Thousands)*

The Company utilizes derivative financial instruments, including interest rate contracts such as swaps, caps and/or floors, as part of its ongoing efforts to mitigate its interest rate risk exposure and to facilitate the needs of its customers. 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, 2013, the Company had notional amounts of \$79,303 on interest rate contracts with corporate customers and \$79,303 in offsetting interest rate contracts with other financial institutions to mitigate the Company's rate exposure on its corporate customers' contracts and certain fixed-rate loans.

In March and April 2012, the Company entered into two interest rate swap agreements effective March 30, 2014 and March 17, 2014, respectively. Beginning on the respective effective date, the Company will receive a variable rate of interest based on the three-month LIBOR plus a pre-determined spread and pay a fixed rate of interest. The agreements, which both terminate in March 2022, are accounted for as cash flow hedges to reduce the variability in cash flows resulting from changes in interest rates on \$32,000 of the Company's junior subordinated debentures. The interest rate swaps had a total fair value of \$(1,830) at March 31, 2013.

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, respectively. Deferred gains amortized into net interest income were \$85 and \$152 for the three months ended March 31, 2013 and 2012, 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 \$87,798 and \$72,757 at March 31, 2013 and December 31, 2012, 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 \$85,000 and \$100,000 at March 31, 2013 and December 31, 2012, respectively.

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note J - Derivative Instruments (continued)**

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

	Balance Sheet Location	Fair Value	
		March 31, 2013	December 31, 2012
<b>Derivative assets:</b>			
Not designated as hedging instruments:			
Interest rate contracts	Other Assets	\$ 2,796	\$ 3,083
Interest rate lock commitments	Other Assets	1,755	1,571
<b>Totals</b>		<b>\$ 4,551</b>	<b>\$ 4,654</b>
<b>Derivative liabilities:</b>			
Designated as hedging instruments:			
Interest rate swap	Other Liabilities	\$ 1,830	\$ 2,164
<b>Totals</b>		<b>\$ 1,830</b>	<b>\$ 2,164</b>
Not designated as hedging instruments:			
Interest rate contracts	Other Liabilities	\$ 2,773	\$ 3,152
Forward commitments	Other Liabilities	381	198
<b>Totals</b>		<b>\$ 3,154</b>	<b>\$ 3,350</b>

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,	
	2013	2012
Derivatives designated as hedging instruments:		
Interest rate swaps (terminated May 2010):		
Included in interest income on loans	\$ 85	\$ 152
<b>Total</b>	<b>\$ 85</b>	<b>\$ 152</b>
Derivatives not designated as hedging instruments:		
Interest rate contracts:		
Included in interest income on loans	\$ 799	\$ 334
Included in other noninterest expense	92	11



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Interest rate lock commitments:		
Included in gains on sales of mortgage loans held for sale	183	(401)
Forward commitments		
Included in gains on sales of mortgage loans held for sale	198	(55)
Total	\$ 1,272	\$ (111)

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note K Other Comprehensive Income***(In Thousands)*

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

	Pre-Tax	Tax Expense (Benefit)	Net of Tax
<b>Three Months Ended March 31, 2013</b>			
Securities available for sale:			
Unrealized holding gains on securities	\$ 236	\$ 90	\$ 146
Non-credit related portion of other-than-temporary impairment on securities			
Reclassification adjustment for losses realized in net income	115	44	71
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(106)	(40)	(66)
<b>Total securities available for sale</b>	<b>245</b>	<b>94</b>	<b>151</b>
Derivative instruments:			
Unrealized holding gains on derivative instruments	335	128	207
Reclassification adjustment for gains realized in net income	(85)	(32)	(53)
<b>Total derivative instruments</b>	<b>250</b>	<b>96</b>	<b>154</b>
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	116	44	72
<b>Total defined benefit pension and post-retirement benefit plans</b>	<b>116</b>	<b>44</b>	<b>72</b>
<b>Total other comprehensive income</b>	<b>\$ 611</b>	<b>\$ 234</b>	<b>\$ 377</b>
<b>Three Months Ended March 31, 2012</b>			
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)
<b>Total securities available for sale</b>	<b>579</b>	<b>221</b>	<b>358</b>
Derivative instruments:			
Unrealized holding losses on derivative instruments	(179)	(68)	(111)
Reclassification adjustment for gains realized in net income	(152)	(58)	(94)

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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

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## Renasant Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

**Note K Other Comprehensive Income (continued)**

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

	March 31, 2013	December 31, 2012
Unrealized gains on securities	\$ 17,579	\$ 17,428
Non-credit related portion of other-than-temporary impairment on securities	(17,474)	(17,474)
Unrealized (losses) gains on derivative instruments	(1,057)	(1,211)
Unrecognized defined benefit pension and post-retirement benefit plans obligations	(7,172)	(7,244)
<b>Total accumulated other comprehensive loss</b>	<b>\$ (8,124)</b>	<b>\$ (8,501)</b>

**Note L Net Income Per Common Share**

*(In Thousands, Except Share Data)*

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

	Three Months Ended March 31,	
	2013	2012
<b>Basic</b>		
Net income applicable to common stock	\$ 7,571	\$ 5,974
Average common shares outstanding	25,186,229	25,078,996
Net income per common share - basic	\$ 0.30	\$ 0.24
<b>Diluted</b>		
Net income applicable to common stock	\$ 7,571	\$ 5,974
Average common shares outstanding	25,186,229	25,078,996
Effect of dilutive stock-based compensation	102,556	59,217
Average common shares outstanding - diluted	25,288,785	25,138,213
Net income per common share - diluted	\$ 0.30	\$ 0.24

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

	Three Months Ended	
	March 31,	
	2013	2012
Number of shares	488,824	1,205,709
Range of exercise prices	\$19.14 - \$30.63	\$14.96 - \$30.63

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

**Note M Pending Acquisition**

On February 7, 2013, the Company announced the signing of a definitive merger agreement pursuant to which it will acquire First M&F Corporation ( First M&F ), a bank holding company headquartered in Kosciusko, Mississippi, and the parent of Merchants and Farmers Bank, a Mississippi banking corporation.

According to the terms of the merger agreement, each First M&F common shareholder will receive 0.6425 shares of Renasant common stock for each share of First M&F common stock, and the merger is expected to qualify as a tax-free reorganization for First M&F shareholders. Based on Renasant's 10-day average closing price of \$19.22 per share as of February 4, 2013, the latest practical date prior to the announcement, the aggregate transaction value is approximately \$118.8 million.

The acquisition is expected to close in the third quarter of 2013 and is subject to regulatory approval, the approval of the shareholders of both the Company and First M&F, and other customary conditions set forth in the merger agreement. Pursuant to the terms of the merger agreement, Merchants and Farmers Bank is expected to merge with and into Renasant Bank immediately after the merger of First M&F with and into the Company.

**Table of Contents****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. We are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties and that actual results may differ materially from those contemplated by such forward-looking statements.

Important factors currently known to management that could cause actual results to differ materially from those in forward-looking statements include (1) the Company's ability to efficiently integrate acquisitions, including the previously announced acquisition of First M&F Corporation, 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, 2013 was \$7,571, an increase of 26.73%, as compared to net income of \$5,974 for the three month period ended March 31, 2012. Basic and diluted earnings per share for the three month period ended March 31, 2013 were \$0.30 as compared to \$0.24 for the three month period ended March 31, 2012.

*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 to \$33,381 for the first quarter of 2013 compared to \$32,843 for the same period in 2012. On a tax equivalent basis, net interest income was \$34,808 for the first quarter of 2013 as compared to \$34,339 for the first quarter of 2012. With respect to the increase in net interest income for the first quarter of 2013 compared to the first quarter of 2012, a stronger mix of earning assets comprised of higher yielding loans funded by interest-bearing balances with banks and pay downs in the investment portfolio coupled with a shift to low cost deposits from higher costing borrowed funds more than offset the compression in the changing interest rate environment. Net interest margin, the tax equivalent net yield on earning assets, increased to 3.89% during the first quarter of 2013 from 3.85% for the same period in 2012.

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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,					
	2013			2012		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
<b>Assets</b>						
Interest-earning assets:						
Loans <sup>(1)</sup>	\$ 2,826,965	\$ 34,324	4.92%	\$ 2,614,000	\$ 34,431	5.30%
Securities:						
Taxable <sup>(2)</sup>	475,150	2,767	2.36	583,970	4,080	2.79
Tax-exempt	223,713	3,232	5.86	229,856	3,405	5.93
Interest-bearing balances with banks	104,931	49	0.19	156,131	85	0.22
Total interest-earning assets	3,630,759	40,372	4.51	3,583,957	42,001	4.71
Cash and due from banks	163,321			74,157		
Intangible assets	190,787			192,429		
FDIC loss-share indemnification asset	44,291			77,989		
Other assets	177,253			293,844		
Total assets	\$ 4,206,411			\$ 4,222,376		
<b>Liabilities and shareholders' equity</b>						
Interest-bearing liabilities:						
Deposits:						
Interest-bearing demand <sup>(3)</sup>	\$ 1,492,237	\$ 922	0.25%	\$ 1,369,244	\$ 1,149	0.34
Savings deposits	246,801	120	0.20	223,482	166	0.30
Time deposits	1,204,209	3,038	1.02	1,305,024	4,104	1.26
Total interest-bearing deposits	2,943,247	4,080	0.56	2,897,750	5,419	0.75
Borrowed funds	163,981	1,484	3.67	238,937	2,243	3.76
Total interest-bearing liabilities	3,107,228	5,564	0.73	3,136,687	7,662	0.98
Noninterest-bearing deposits	549,514			534,867		
Other liabilities	48,035			58,730		
Shareholders' equity	501,634			492,092		
Total liabilities and shareholders' equity	\$ 4,206,411			\$ 4,222,376		
Net interest income/net interest margin		\$ 34,808	3.89%		\$ 34,339	3.85%

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

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

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

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





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The following table sets forth a summary of the changes in interest earned, on a tax equivalent basis, and interest paid resulting from changes in volume and rates for the Company for the first quarter of 2013 compared to the first quarter of 2012:

	Volume	Rate	Net <sup>(1)</sup>
<b>Interest income:</b>			
Loans <sup>(2)</sup>	\$ 2,546	\$ (2,653)	\$ (107)
<b>Securities:</b>			
Taxable	(693)	(620)	(1,313)
Tax-exempt	(90)	(83)	(173)
Interest-bearing balances with banks	(25)	(11)	(36)
<b>Total interest-earning assets</b>	<b>1,738</b>	<b>(3,367)</b>	<b>(1,629)</b>
<b>Interest expense:</b>			
Interest-bearing demand deposits	94	(321)	(227)
Savings deposits	15	(61)	(46)
Time deposits	(307)	(759)	(1,066)
Borrowed funds	(689)	(70)	(759)
<b>Total interest-bearing liabilities</b>	<b>(887)</b>	<b>(1,211)</b>	<b>(2,098)</b>
Change in net interest income	\$ 2,625	\$ (2,156)	\$ 469

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

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

Our improvement in net interest income and net interest margin for the first quarter of 2013 as compared to the same period in 2012 was partly a result of a change in the mix of interest-earning assets, which included loan growth funded with the redeployment of interest-bearing balances with banks and accelerated prepayments within our investments portfolio. 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 \$40,372 for the first quarter of 2013 compared to \$42,001 for the same period in 2012. The decrease in interest income was driven primarily by a change in the mix of 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		Yield	
	Three Months Ended		Three Months Ended	
	2013	2012	2013	2012
Loans	77.86%	72.94%	4.92%	5.30%
Securities	19.25	22.71	3.48	3.68
Other	2.89	4.35	0.19	0.22
Total earning assets	100.00%	100.00%	4.51%	4.71%

Interest expense was \$5,564 for the first quarter of 2013, a decrease of \$2,098, or 27.38%, as compared to the same period in 2012. 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

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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 decreased \$14,647, or 2.74%, during the first quarter of 2013 as compared to the same period in 2012. These changes to our funding mix, coupled with a reduction in borrowed funds, reduced our total cost of funds 22 basis points to 0.62% for the first quarter of 2013 as compared to 0.84% for the first quarter of 2012.

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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		Cost of Funds	
	Three Months Ended		Three Months Ended	
	March 31,		March 31,	
	2013	2012	2013	2012
Noninterest-bearing demand	15.03%	14.57%	%	%
Interest-bearing demand	40.81	37.29	0.25	0.34
Savings	6.75	6.09	0.20	0.30
Time deposits	32.93	35.54	1.02	1.26
Federal Home Loan Bank advances	2.26	2.86	4.25	4.21
Other borrowed funds	2.22	3.65	3.08	3.41
<b>Total deposits and borrowed funds</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.62%</b>	<b>0.84%</b>

*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, 2013	Percentage of Total Loans	December 31, 2012	Percentage of Total Loans
Commercial, financial, agricultural	\$ 308,169	10.97%	\$ 317,050	11.28%
Lease financing	162	0.01	190	0.01
Real estate construction	111,132	3.96	105,706	3.76
Real estate 1-4 family mortgage	899,694	32.04	903,423	32.15
Real estate commercial mortgage	1,431,754	50.98	1,426,643	50.76
Installment loans to individuals	57,399	2.04	57,241	2.04
<b>Total loans, net of unearned income</b>	<b>\$ 2,808,310</b>	<b>100.00%</b>	<b>\$ 2,810,253</b>	<b>100.00%</b>

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, 2013, 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, 2013 were \$2,808,310, a decrease of \$1,943 from \$2,810,253 at December 31, 2012. Loans covered under loss-share agreements with the FDIC (referred to as covered loans) were \$213,872 at March 31, 2013, a decrease of \$23,216, compared to \$237,088 at December 31, 2012. For covered loans, the FDIC will reimburse Renasant Bank 80% of the losses incurred on these loans. Management intends to continue the Company's aggressive efforts to bring those covered loans that are commercial in nature to resolution and thus the balance of covered loans is expected to continue to decline. The loss-share agreements applicable to this portfolio provides reimbursement for five years from the acquisition date.

Loans not covered under loss-share agreements with the FDIC (sometimes referred to as not covered loans) at March 31, 2013 were \$2,594,438, an increase of \$21,273, compared to \$2,573,165 at December 31, 2012. The increase in loans not covered under loss-share agreements was attributable to growth in owner and non-owner occupied commercial real estate loans and commercial loans, as well as loan production generated by our de novo expansion. Loans from our de novo locations in Columbus and Starkville, Mississippi, Tuscaloosa and Montgomery, Alabama and Maryville, Bristol, Jonesborough and Johnson City, Tennessee contributed \$39,490 of the total increase in loans from December 31, 2012.

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During the first three months of 2013, loans in our Tennessee and Alabama markets increased \$21,657 and \$1,604, respectively, while loans in our Mississippi markets decreased \$6,856. Loans in our Georgia markets not covered under loss-share agreements increased \$4,868 from December 31, 2012.

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

	March 31, 2013			December 31, 2012		
	Covered Loans	Not Covered Loans	Total Loans	Covered Loans	Not Covered Loans	Total Loans
Commercial, financial, agricultural	\$ 10,157	\$ 298,012	\$ 308,169	\$ 10,800	\$ 306,250	\$ 317,050
Lease financing		162	162		190	190
Real estate construction:						
Residential	1,648	46,978	48,626	1,648	46,805	48,453
Commercial		62,366	62,366		56,201	56,201
Condominiums		140	140		1,052	1,052
Total real estate construction	1,648	109,484	111,132	1,648	104,058	105,706
Real estate 1-4 family mortgage:						
Primary	19,613	454,107	473,720	20,623	445,659	466,282
Home equity	15,199	185,539	200,738	15,622	183,159	198,781
Rental/investment	24,069	130,807	154,876	26,586	130,370	156,956
Land development	6,608	63,752	70,360	10,617	70,787	81,404
Total real estate 1-4 family mortgage	65,489	834,205	899,694	73,448	829,975	903,423
Real estate commercial mortgage:						
Owner-occupied	57,178	562,795	619,973	63,683	577,223	640,906
Non-owner occupied	46,293	617,285	663,578	50,879	587,607	638,486
Land development	33,070	115,133	148,203	36,599	110,652	147,251
Total real estate commercial mortgage	136,541	1,295,213	1,431,754	151,161	1,275,482	1,426,643
Installment loans to individuals	37	57,362	57,399	31	57,210	57,241
Total loans, net of unearned income	\$ 213,872	\$ 2,594,438	\$ 2,808,310	\$ 237,088	\$ 2,573,165	\$ 2,810,253

Mortgage loans held for sale were \$26,286 at March 31, 2013 compared to \$34,845 at December 31, 2012. Originations of mortgage loans to be sold totaled \$159,141 in the first three months of 2013 compared to \$111,641 for the same period in 2012. 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.

*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 as of the dates presented:

	March 31, 2013	Percentage of Portfolio	December 31, 2012	Percentage of Portfolio
Obligations of other U.S. Government agencies and corporations	\$ 127,470	17.21%	\$ 92,487	13.72%
Obligations of states and political subdivisions	219,553	29.65	312,803	46.40
Mortgage-backed securities	351,440	47.45	227,721	33.78
Trust preferred securities	16,162	2.18	15,068	2.24
Other debt securities	22,554	3.05	22,930	3.40

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Other equity securities	3,434	0.46	3,068	0.46
	\$ 740,613	100.00%	\$ 674,077	100.00%

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Investment income, on a tax equivalent basis, decreased \$1,486 to \$5,999 for the first quarter of 2013 from \$7,485 for the first quarter of 2012. The average balance in the investment portfolio for the first quarter of 2013 was \$698,863 compared to \$813,826 for the same period in 2012. The tax equivalent yield on the investment portfolio for the first quarter of 2013 was 3.48%, down 20 basis points from the same period in 2012. The decline in yield was a result of the cash flows generated by calls, maturities and sales in the Company's securities portfolio. These rates were lower due to the generally lower interest rate environment.

The balance of our securities portfolio at March 31, 2013 increased \$66,536 to \$740,613 from \$674,077 at December 31, 2012. During the first three months of 2013, we purchased \$130,707 in investment securities. Mortgage-backed securities and collateralized mortgage obligations (CMOs), included in the Mortgage-backed securities line item in the above table, comprised 54.11% 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 accounted for the remaining 45.89% of total securities purchased. The carrying value of securities sold during the first three months of 2013 totaled \$13,420, of which \$9,128 were CMOs. The remainder consisted of obligations of states and political subdivisions. Maturities and calls of securities during the first three months of 2013 totaled \$50,015.

The Company holds investments in pooled trust preferred securities. This portfolio had a cost basis of \$27,829 and \$28,612 and a fair value of \$16,162 and \$15,068 at March 31, 2013 and December 31, 2012, 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 340 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 2013 or the first three months of 2012. 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, 2013 and December 31, 2012. Investment interest income is recorded on the cash-basis method until qualifying for return to accrual status.

*Deposits and Deposit Interest Expense*

The Company relies on deposits as its major source of funds. Total deposits were \$3,555,175 and \$3,461,221, at March 31, 2013 and December 31, 2012, respectively. Noninterest-bearing deposits were \$567,065 and \$568,214 at March 31, 2013 and December 31, 2012, respectively, while interest-bearing deposits were \$2,988,110 and \$2,893,007 at March 31, 2013 and December 31, 2012, respectively. The balance of deposits at March 31, 2013 as compared to December 31, 2012 remained relatively unchanged and 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. Since public fund deposits are obtained through a bid process, these deposit balances may fluctuate as competitive and market forces change. The Company has focused on growing stable sources of deposits which has resulted in the Company relying less on public fund deposits. However, the Company continues to participate in the bidding process for public fund deposits. Our public fund transaction accounts are principally obtained from municipalities including school boards and utilities. Public fund deposits were \$373,258 and \$344,342 at March 31, 2013 and December 31, 2012, respectively.

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 \$30,989 and \$5,424, respectively, at March 31, 2013 from December 31, 2012. Deposits in our Mississippi and Tennessee markets increased \$92,374 and \$37,993, respectively, at March 31, 2013 from December 31, 2012.



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Interest expense on deposits was \$4,080 and \$5,419 for the first quarter of 2013 and 2012, respectively. The cost of interest-bearing deposits was 0.56% and 0.75% 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 \$1,484 and \$2,243 for the first quarter of 2013 and 2012, 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. Total FHLB advances were \$81,646 and \$83,843 at March 31, 2013 and December 31, 2012, respectively. The Company had no short-term FHLB advances outstanding at March 31, 2013 or December 31, 2012. The Company had \$1,030,203 of availability on unused lines of credit with the FHLB at March 31, 2013 compared to \$1,160,984 at December 31, 2012. The cost of our FHLB advances was 4.25% and 4.21% for the first quarter of 2013 and 2012, 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% for the first quarter of 2012.

*Noninterest Income***Noninterest Income to Average Assets**

(Excludes securities gains/losses)  
Three Months Ended March 31,

2013	2012
1.67%	1.47%

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 \$17,335 for the first quarter of 2013 as compared to \$16,387 for the same period in 2012.

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 \$4,500 and \$4,525 for the first quarter of 2013 and 2012, respectively. Overdraft fees, the largest component of service charges on deposits, were \$3,614 for the three months ended March 31, 2013 compared to \$3,963 for the same period in 2012. The decline in overdraft fees was primarily the result of regulations enacted which have restricted the Company's ability to impose overdraft fees.

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 22.99% to \$4,831 during the first quarter of 2013 as compared to \$3,928 for the same period in 2012. For the first quarter of 2013, fees associated with debit card usage were \$2,054 as compared to \$2,143 for the same period in 2012. We expect income from use of our debit cards to continue to grow as our customers use this convenient method of payment. As directed by the Durbin Debit Interchange Amendment to the Dodd-Frank Act that went into effect October 1, 2011, 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. Although these provisions apply only to financial institutions with more than \$10 billion in assets, we expect that all financial institutions, regardless of size, will have to adjust their rates in order to remain competitive as affected institutions lower their debit card fees. 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 \$438 to \$1,757 during the first quarter of 2013 as compared to \$1,319 for the same period in 2012. This is due to the increase in mortgage loan originations to be sold in the secondary market during the same period in 2013 as compared to 2012.

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Through Renasant Insurance, we offer a range of commercial and personal insurance products through major insurance carriers. Income earned on insurance products was \$818 and \$898 for the three months ended March 31, 2013 and 2012, respectively.

The Trust division within the Wealth Management segment operates on a custodial basis which includes administration of benefit plans, as well as accounting and money management for trust accounts. The division manages a number of trust accounts inclusive of personal and corporate benefit accounts, self-directed IRAs, and custodial accounts. Fees for managing these accounts are based on changes in market values of the assets under management in the account, with the amount of the fee depending on the type of account. Additionally, the Financial Services division within the Wealth Management segment provides specialized products and services to our customers, which include fixed and variable annuities, mutual funds, and stocks offered through a third party provider. Wealth Management revenue was \$1,724 for the first quarter of 2013 compared to \$1,942 for the same period in 2012. The decrease in Wealth Management revenue for the first quarter of 2013 as compared to the same period in 2012 was primarily attributable to the recognition of one-time income related to certain accounts acquired in connection with Renasant Bank's acquisition of the Alabama-based trust department of RBC Bank (USA). The acquisition occurred during the third quarter of 2011. The market value of trust assets under management was \$1,132,859 and \$1,090,908 at March 31, 2013 and December 31, 2012, respectively.

Gains on sales of securities for the first quarter of 2013 and 2012 were \$54 and \$904, respectively. These gains resulted from the sale of \$13,420 and \$21,781 in securities during the first quarter of 2013 and 2012, respectively.

Gains on the sale of mortgage loans held for sale were \$3,565 and \$1,281 for the three months ended March 31, 2013 and 2012, respectively. Originations of mortgage loans to be sold totaled \$159,141 for the first quarter of 2013 as compared to \$111,641 for the same period of 2012.

*Noninterest Expense*

**Noninterest Expense to Average Assets  
Three Months Ended March 31,**

<b>2013</b>	<b>2012</b>
3.62%	3.49%

Noninterest expense was \$37,557 and \$36,621 for the first quarter of 2013 and 2012, respectively.

Salaries and employee benefits increased \$2,625, or 14.08%, to \$21,274 for the first quarter of 2013 as compared to \$18,649 for the same period in 2012. The increase is primarily attributable to commissions related to the increase in mortgage production during the first quarter of 2013 as compared to the same period in 2012 as well as personnel costs associated with our de novo operations in eastern Tennessee.

Data processing costs increased slightly to \$2,043 for the first quarter of 2013 from \$2,040 for the same period in 2012. 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.

Net occupancy and equipment expense for the first quarter of 2013 was \$3,604, down from \$3,615 for the same period in 2012.

Expenses related to other real estate owned for the first quarter of 2013 were \$2,049 compared to \$3,999 for the same period in 2012. Expenses on other real estate owned for the first quarter of 2013 include write downs of \$986 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 \$17,822 was sold during the three months ended March 31, 2013, resulting in a net loss of \$470. Expenses on other real estate owned for the three months ended March 31, 2012 included a \$2,098 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 \$16,424 was sold during the three months ended March 31, 2012, resulting in a net loss of \$991.

Professional fees include fees for legal and accounting services. Professional fees were \$1,173 for the first quarter of 2013 as compared to \$971 for the same period in 2012. Professional fees attributable to legal fees associated with loan workouts and foreclosure proceedings remain at higher levels in correlation with the overall economic downturn and credit deterioration identified in our loan portfolio and the Company's efforts to bring these credits to resolution.

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Advertising and public relations expense was \$1,490 for the first quarter of 2013 compared to \$1,197 for the same period in 2012. This increase is attributable to advertising and marketing costs associated with the Company's expansion into new markets since the first quarter of 2012.

Amortization of intangible assets totaled \$323 and \$358 for the first quarter of 2013 and 2012, respectively. This amortization relates to finite-lived intangible assets which are being amortized over the useful lives as determined at acquisition. These finite-lived intangible assets have remaining estimated useful lives ranging from three to fifteen years.

Communication expenses, those expenses incurred for communication to clients and between employees, were \$1,127 for the first quarter of 2013 as compared to \$1,103 for the same period in 2012.

<b>Efficiency Ratio</b>	
<b>Three Months Ended March 31,</b>	
<b>2013</b>	<b>2012</b>
72.03%	72.19%

The efficiency ratio is one measure of productivity in the banking industry. This ratio is calculated to measure the cost of generating one dollar of revenue. That is, the ratio is designed to reflect the percentage of one dollar which must be expended to generate that dollar of revenue. The Company calculates this ratio by dividing noninterest expense by the sum of net interest income on a fully tax equivalent basis and noninterest income. We remain committed to aggressively managing our costs within the framework of our business model. The increase in noninterest expense coupled with net interest income and noninterest income remaining relatively flat resulted in the decrease in the Company's efficiency ratio for the first quarter of 2013 as compared to the same period in 2012.

*Income Taxes*

Income tax expense for the first quarter of 2013 and 2012 was \$2,538 and \$1,835, respectively. The effective tax rates for those periods were 25.11% and 23.50%, respectively. The increase in the effective tax rate for the first quarter of 2013 as compared to the same period in 2012 was attributable to higher levels of pre-tax income in 2013 compared to 2012 from taxable income sources.

**Risk Management**

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

**Table of Contents***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 is included in management's estimation and analysis of the allowance for loan losses. Other considerations in establishing the allowance for loan losses include economic conditions reflected within industry segments, the unemployment rate in our markets, loan segmentation and historical losses that are inherent in the loan portfolio. The allowance for loan losses is established after input from management, loan review and the loss management committee. An evaluation of the adequacy of the allowance is calculated quarterly based on the types of loans, an analysis of credit losses and risk in the portfolio, economic conditions and trends within each of these factors. In addition, on a regular basis, management and the Board of Directors review loan ratios. These ratios include the allowance for loan losses as a percentage of total loans, net charge-offs as a percentage of average loans, the provision for loan losses as a percentage of average loans, nonperforming loans as a percentage of total loans and the allowance coverage on nonperforming loans. Also, management reviews past due ratios by officer, community bank and the Company as a whole.

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

	<b>March 31, 2013</b>	<b>December 31, 2012</b>	<b>March 31, 2012</b>
Commercial, financial, agricultural	\$ 2,942	\$ 3,307	\$ 3,220
Lease financing	1	1	1
Real estate construction	676	711	882
Real estate 1-4 family mortgage	19,737	18,347	18,892
Real estate commercial mortgage	22,096	21,416	20,379
Installment loans to individuals	1,053	565	802
<b>Total</b>	<b>\$ 46,505</b>	<b>\$ 44,347</b>	<b>\$ 44,176</b>

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

	<b>March 31, 2013</b>	<b>December 31, 2012</b>	<b>March 31, 2012</b>
Specific reserves for impaired loans	\$ 17,534	\$ 17,597	\$ 13,474
Allocated reserves for remaining portfolio	28,971	26,750	30,702
<b>Total</b>	<b>\$ 46,505</b>	<b>\$ 44,347</b>	<b>\$ 44,176</b>

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The provision for loan losses charged to operating expense is an amount which, in the judgment of management, is necessary to maintain the allowance for loan losses at a level that is believed to be adequate to meet the inherent risks of losses in our loan portfolio. Factors considered by management in determining the amount of the provision for loan losses include the internal risk rating of individual credits, historical and current trends in net charge-offs, trends in nonperforming loans, trends in past due loans, trends in the market values of underlying collateral securing loans and the current economic conditions in the market in which we operate. The Company has recorded higher levels of provision for loan losses since 2008 to address credit deterioration resulting from the effects of the economic downturn on our borrowers' ability to make timely payments or repay their loans at maturity, especially in connection with the construction and land development segment of the loan portfolio. This deterioration was reflected in the increase in nonperforming loans, as well as the decline in market values of underlying collateral securing loans, primarily real estate, which peaked in 2010. In addition, the increase in the provision for loan losses during these periods is attributable to management identifying potential credit deterioration through the internal loan grading system and increasing the allowance for loan losses in response. Lower levels of classified loans and nonperforming loans in 2013 as compared to 2012 in combination with improving credit quality measures has resulted in a decrease in the provision for loan losses for the first quarter of 2013 as compared to the same periods in 2012. The provision for loan losses was \$3,050 and \$4,800 for the first quarter of 2013 and 2012, respectively.

All of the loans acquired in the Company's FDIC-assisted acquisitions and certain loans acquired in previous acquisitions that are accounted for under ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality (ASC 310-30) are carried at values which, in management's opinion, reflect the estimated future cash flows, based on the facts and circumstances surrounding each respective loan at the date of acquisition. The Company continually monitors these loans as part of our normal credit review and monitoring procedures for changes in the estimated future cash flows; to the extent future cash flows deteriorate below initial projections, the Company may be required to reserve for these loans in the allowance for loan losses through future provision for loan losses. The Company did not increase the allowance for loan losses for loans accounted for under ASC 310-30 during the three months ended March 31, 2013 or 2012. The provision for loan losses charged to operating expense attributable to loans accounted for under ASC 310-30 totaled \$121 and \$643 during the first quarter of 2013 and 2012, respectively.

Charge-offs reflect the realization of losses in the portfolio that were recognized previously through the provision for loan losses. Net charge-offs were \$892 and \$4,964 for the first quarter of 2013 and 2012, respectively. The current levels of net charge-offs are a direct result of the prolonged effects of the economic downturn in our markets on borrowers' ability to repay their loans coupled with the decline in market values of the underlying collateral securing loans, particularly real estate secured loans. Although many of the markets in which we operate did not experience the extreme appreciation in real estate values as experienced in other national markets over the past few years, the real estate market in all of our markets began to slow down significantly in 2008. The large inventories of both completed residential homes and land that had been developed for future residential home construction, coupled with declining consumer demand for residential real estate, caused a severe decline in the values of both homes and developed land. As a result, the credit quality of some of our loans in the construction and land development portfolios deteriorated. The ongoing effects of these conditions continued to exist throughout 2013 and our levels of charge-offs are reflective of bringing these credits to resolution.

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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,	
	2013	2012
Balance at beginning of period	\$ 44,347	\$ 44,340
Charge-offs		
Commercial, financial, agricultural	234	1,388
Lease financing		
Real estate construction		4
Real estate 1-4 family mortgage	614	1,874
Real estate commercial mortgage	593	1,882
Installment loans to individuals	64	71
<b>Total charge-offs</b>	<b>1,505</b>	<b>5,219</b>
Recoveries		
Commercial, financial, agricultural	157	22
Lease financing		
Real estate construction	16	
Real estate 1-4 family mortgage	339	161
Real estate commercial mortgage	91	52
Installment loans to individuals	10	20
<b>Total recoveries</b>	<b>613</b>	<b>255</b>
Net charge-offs	892	4,964
Provision for loan losses	3,050	4,800
Balance at end of period	\$ 46,505	\$ 44,176
Net charge-offs (annualized) to average loans	0.13%	0.76%
Allowance for loan losses to:		
Total loans not covered under loss share agreements	1.79%	1.94%
Nonperforming loans not covered under loss share agreements	166.19%	145.15%

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

	Three Months Ended March 31,	
	2013	2012
Real estate construction:		
Residential	\$ (16)	\$
Commercial		4
Condominiums		
<b>Total real estate construction</b>	<b>(16)</b>	<b>4</b>
Real estate 1-4 family mortgage:		
Primary	126	294
Home equity	240	572
Rental/investment	62	238
Land development	(153)	609

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Total real estate 1-4 family mortgage	275	1,713
Real estate commercial mortgage:		
Owner-occupied	58	331
Non-owner occupied	439	1,162
Land development	5	337
Total real estate commercial mortgage	502	1,830
Total net charge-offs of loans secured by real estate	\$ 761	\$ 3,547

**Table of Contents***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 is 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 as of the dates presented:

	Covered Assets	Not Covered Assets	Total Assets
<b>March 31, 2013</b>			
Nonaccruing loans	\$ 47,972	\$ 25,382	\$ 73,354
Accruing loans past due 90 days or more		2,601	2,601
Total nonperforming loans	47,972	27,983	75,955
Other real estate owned	35,095	39,786	74,881
Total nonperforming loans and OREO	83,067	67,769	150,836
Nonaccruing securities available-for-sale, at fair value		16,162	16,162
Total nonperforming assets	\$ 83,067	\$ 83,931	\$ 166,998
Nonperforming loans to total loans			2.70%
Nonperforming assets to total assets			3.91%
Allowance for loan losses to total loans			1.66%
<b>December 31, 2012</b>			
Nonaccruing loans	\$ 53,186	\$ 26,881	\$ 80,067
Accruing loans past due 90 days or more		3,307	3,307
Total nonperforming loans	53,186	30,188	83,374
Other real estate owned	45,534	44,717	90,251
Total nonperforming loans and OREO	98,720	74,905	173,625
Nonaccruing securities available-for-sale, at fair value		15,068	15,068
Total nonperforming assets	\$ 98,720	\$ 89,973	\$ 188,693
Nonperforming loans to total loans			2.97%
Nonperforming assets to total assets			4.52%
Allowance for loan losses to total loans			1.58%



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

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

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, 2013	December 31, 2012	March 31, 2012
Nonaccruing loans	\$ 25,382	\$ 26,881	\$ 26,999
Accruing loans past due 90 days or more	2,601	3,307	3,435
<b>Total nonperforming loans</b>	<b>27,983</b>	<b>30,188</b>	<b>30,434</b>
Restructured loans in compliance with modified terms	30,387	29,436	35,721
<b>Total nonperforming and restructured loans</b>	<b>\$ 58,370</b>	<b>\$ 59,624</b>	<b>\$ 66,155</b>

Nonperforming loans to:

Loans period-end	1.08%	1.17%	1.33%
Loans average	1.09%	1.11%	1.16%

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

	March 31, 2013	December 31, 2012	March 31, 2012
Commercial, financial, agricultural	\$ 1,553	\$ 1,641	\$ 2,889
Real estate construction:			
Residential			149
Commercial			
Condominiums			
<b>Total real estate construction</b>			<b>149</b>
Real estate 1-4 family mortgage:			
Primary	6,254	6,708	3,683
Home equity	811	860	1,898
Rental/investment	3,530	4,100	5,444
Land development	3,906	4,260	1,069
<b>Total real estate 1-4 family mortgage</b>	<b>14,501</b>	<b>15,928</b>	<b>12,094</b>
Real estate commercial mortgage:			
Owner-occupied	2,458	2,313	2,035
Non-owner occupied	7,411	8,665	10,542
Land development	1,771	1,313	2,265
<b>Total real estate commercial mortgage</b>	<b>11,640</b>	<b>12,291</b>	<b>14,842</b>
Installment loans to individuals	289	328	460

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Total nonperforming loans	\$ 27,983	\$ 30,188	\$ 30,434
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The decrease in nonperforming loans at March 31, 2013 as compared to December 31, 2012 is attributable to the Company's continued efforts to bring problem credits to resolution. Nonperforming loans as a percentage of total loans were 1.08% as of March 31, 2013 compared to 1.17% as of December 31, 2012 and 1.33% as of March 31, 2012. The Company's coverage ratio, or its allowance for loan losses as a percentage of nonperforming loans, was 166.19% as of March 31, 2013 as compared to 146.90% as of December 31, 2012 and 145.15% as of March 31, 2012.

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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, 2013. Management also continually monitors past due loans for potential credit quality deterioration. Total loans 30-89 days past due were \$8,302 at March 31, 2013 compared to \$8,044 at December 31, 2012 and \$13,426 at March 31, 2012.

As shown above, restructured loans totaled \$30,387 at March 31, 2013 compared to \$29,436 at December 31, 2012 and \$35,721 at March 31, 2012. At March 31, 2013, total loans restructured through interest rate concessions represented 67.62% 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 in compliance with their modified terms as of the dates presented:

	March 31, 2013	December 31, 2012	March 31, 2012
Commercial, financial, agricultural	\$	\$	\$
Real estate construction:			
Residential			
Commercial			
Condominiums			
Total real estate construction			
Real estate 1-4 family mortgage:			
Primary	1,459	1,469	4,407
Home equity			
Rental/investment	2,379	1,923	2,046
Land development	7,272	7,461	10,341
Total real estate 1-4 family mortgage	11,110	10,853	16,794
Real estate commercial mortgage:			
Owner-occupied	11,327	11,138	12,283
Non-owner occupied	6,896	6,934	5,895
Land development	881	337	572
Total real estate commercial mortgage	19,104	18,409	18,750
Installment loans to individuals	173	174	177
Total restructured loans in compliance with modified terms	\$ 30,387	\$ 29,436	\$ 35,721

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

	2013	2012
Balance at January 1	\$ 29,436	\$ 36,311
Additional loans with concessions	1,275	2,620
Reductions due to:		
Reclassified as nonperforming		(686)
Charge-offs		(183)
Transfer to other real estate owned		(419)
Paydowns	(324)	(1,243)
Lapse of concession period		(679)
Balance at March 31	\$ 30,387	\$ 35,721



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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 \$6,263 was sold during the three months ended March 31, 2013, resulting in a net loss of \$481, while 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.

The following table provides details of the Company's other real estate owned as of the dates presented:

	March 31, 2013	December 31, 2012	March 31, 2012
Residential real estate	\$ 5,559	\$ 7,842	\$ 11,733
Commercial real estate	7,288	7,779	11,571
Residential land development	20,428	22,490	34,092
Commercial land development	6,126	6,221	7,355
Other	385	385	180
<b>Total other real estate owned</b>	<b>\$ 39,786</b>	<b>\$ 44,717</b>	<b>\$ 64,931</b>

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

	2013	2012
Balance at January 1	\$ 44,717	\$ 70,079
Additions	1,566	3,631
Capitalized improvements	129	353
Impairments	(363)	(1,565)
Dispositions	(6,263)	(7,551)
Other		(16)
<b>Balance at March 31</b>	<b>\$ 39,786</b>	<b>\$ 64,931</b>

**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 dates presented:

Change in Interest Rates <sup>(1)</sup>  (In Basis Points)	Percentage Change In:			
	Net Interest Income <sup>(2)</sup>		Economic Value of Equity <sup>(3)</sup>	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
+400	3.64%	2.75%	16.07%	19.35%
+300	2.94%	2.35%	14.62%	17.86%
+200	1.77%	1.44%	11.43%	14.80%
+100	0.71%	0.62%	7.78%	10.98%
-100	(3.78%)	(4.08%)	(5.14%)	(2.54%)

- (1) On account of the present position of the target federal funds rate, the Company did not perform an analysis assuming a downward movement in rates of more than 100 bps.
- (2) The percentage change in this column represents the projected net interest income for 12 months on a flat balance sheet in a stable interest rate environment versus the projected net interest income in the various rate scenarios.
- (3) The percentage change in this column represents our EVE in a stable interest rate environment versus EVE in the various rate scenarios. The net interest income simulation rate shocks as of March 31, 2013 compared to December 31, 2012 were slightly more asset sensitive due to the increased level of variable rate deposits. The reduction in percentage variances in the EVE versus flat in all scenarios, when compared to December 31, 2012, was due to the mix and increase in investments offset somewhat by the increase in variable rate deposits.

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

The Company utilizes derivative financial instruments, including interest rate contracts such as swaps, caps and/or floors, as part of its ongoing efforts to mitigate its interest rate risk exposure and to facilitate the needs of its customers. The Company enters into derivative instruments that are not designated as hedging instruments to help its commercial customers manage their exposure to interest rate fluctuations. To mitigate the interest rate risk associated with these customer contracts, the Company enters into an offsetting derivative contract position. The Company manages its credit risk, or potential risk of default by its commercial customers, through credit limit approval and monitoring procedures. At March 31, 2013, the Company had notional amounts of \$79,303 on interest rate contracts with corporate customers and \$79,303 in offsetting interest rate contracts with other financial institutions to mitigate the Company's rate exposure on its corporate customers' contracts and certain fixed-rate loans.

In March and April 2012, the Company entered into two interest rate swap agreements effective September 30, 2014 and March 17, 2014, respectively. Beginning on the respective effective date, the Company will receive a variable rate of interest based on the three-month LIBOR plus a pre-determined spread and pay a fixed rate of interest. The agreements, which both terminate in March 2022, are accounted for as cash flow hedges to reduce the variability in cash flows resulting from changes in interest rates on \$32,000 of the Company's junior subordinated debentures.





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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 J, Derivative Instruments, in the Notes to Consolidated Financial Statements of the Company in Item 1, Financial Statements, in this report.

**Liquidity and Capital Resources**

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

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 24.73% 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, 2013, securities with a carrying value of \$417,076 were pledged to secure public fund deposits and as collateral for short-term borrowings and derivative instruments as compared to \$327,368 at December 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, 2013 or December 31, 2012. Funds obtained from the FHLB are used primarily to match-fund fixed rate loans in order to minimize interest rate risk and also be used to meet day to day liquidity needs, particularly when the cost of such borrowing compares favorably to the rates that we would be required to pay to attract deposits. At March 31, 2013, the balance of our outstanding advances with the FHLB was \$81,646. The total amount of the remaining credit available to us from the FHLB at March 31, 2013 was \$1,030,203. We also maintain lines of credit with other commercial banks totaling \$87,000. 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, 2013 or December 31, 2012.

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% for the first three months of 2012.

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		Cost of Funds Three Months Ended		
	March 31,		March 31,		
	2013	2012	2013	2012	
Noninterest-bearing demand	15.03%	14.57%	%	%	
Interest-bearing demand	40.81	37.29	0.25	0.34	
Savings	6.75	6.09	0.20	0.30	
Time deposits	32.93	35.54	1.02	1.26	
FHLB advances	2.26	2.86	4.25	4.21	
Other borrowed funds	2.22	3.65	3.08	3.41	
<b>Total deposits and borrowed funds</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.62%</b>	<b>0.84%</b>	



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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 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 that various funding sources have on our financial position. Our cost of funds decreased for the three months ended March 31, 2013 as compared to the same period in 2012 as management used lower costing deposits and repaid higher costing funding sources.

Cash and cash equivalents were \$190,028 at March 31, 2013 compared to \$174,678 at March 31, 2012. Cash used investing activities for the three months ended March 31, 2013 was \$73,163 compared to \$70,886 for the three months ended March 31, 2012. Proceeds from the sale, maturity or call of securities within our investment portfolio were \$63,489 for the first three months of 2013. These proceeds were primarily reinvested in the securities portfolio. Purchases of investment securities were \$130,707 for the first three months of 2013 compared to \$132,109 for the same period in 2012.

Cash provided by financing activities for the three months ended March 31, 2013 was \$89,431 compared to cash used in financing activities of \$26,062 for the same period in 2012. Deposits increased \$93,954 and \$60,929 for the three months ended March 31, 2013 and 2012, respectively. 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. There were no prepayments of long term debt during the first quarter of 2013.

*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, 2013, the maximum amount available for transfer from Renasant Bank to the Company in the form of loans was \$41,521. The Company maintains a line of credit collateralized by cash with Renasant Bank totaling \$3,000. Amounts outstanding under this line of credit totaled \$1,500 at March 31, 2013. These restrictions did not have any impact on the Company's ability to meet its cash obligations in the first three months of 2013, 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 essentially the same credit risk 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, 2013	December 31, 2012
Loan commitments	\$ 463,269	\$ 463,684
Standby letters of credit	33,796	34,391

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 \$502,375 at March 31, 2013 compared to \$498,208 at December 31, 2012. Book value per share was \$19.93 and \$19.80 at March 31, 2013 and December 31, 2012, respectively. The growth in shareholders' equity was attributable to earnings retention offset by dividends declared and changes in accumulated other comprehensive income.

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

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, 2013, Renasant Bank met all capital adequacy requirements to which it is subject. Also, as of March 31, 2013, 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 as of the dates presented:

	Actual		Minimum Capital Requirement to be Well Capitalized		Minimum Capital Requirement to be Adequately Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>March 31, 2013</b>						
Renasant Corporation:						
Tier 1 Capital to Average Assets	\$ 392,752	9.79%	\$ 200,465	5.00%	\$ 160,372	4.00%
Tier 1 Capital to Risk-Weighted Assets	392,752	12.86%	183,166	6.00%	122,111	4.00%
Total Capital to Risk-Weighted Assets	431,321	14.13%	305,277	10.00%	244,222	8.00%
Renasant Bank:						
Tier 1 Capital to Average Assets	\$ 383,715	9.59%	\$ 200,062	5.00%	\$ 160,050	4.00%
Tier 1 Capital to Risk-Weighted Assets	383,715	12.61%	182,550	6.00%	121,700	4.00%
Total Capital to Risk-Weighted Assets	421,851	13.87%	304,250	10.00%	243,400	8.00%
<b>December 31, 2012</b>						
Renasant Corporation:						
Tier 1 Capital to Average Assets	\$ 388,362	9.86%	\$ 196,871	5.00%	\$ 157,497	4.00%
Tier 1 Capital to Risk-Weighted Assets	388,362	12.74%	182,964	6.00%	121,976	4.00%
Total Capital to Risk-Weighted Assets	426,877	14.00%	304,940	10.00%	243,952	8.00%
Renasant Bank:						
Tier 1 Capital to Average Assets	\$ 379,602	9.67%	\$ 196,192	5.00%	\$ 156,954	4.00%
Tier 1 Capital to Risk-Weighted Assets	379,602	12.47%	182,580	6.00%	121,720	4.00%
Total Capital to Risk-Weighted Assets	417,717	13.73%	304,300	10.00%	243,440	8.00%

In June 2012, the Federal Reserve, the FDIC and the Office of the Comptroller of the Currency issued notices of proposed rulemaking ( NPRs ) that would call for broad and comprehensive revision of regulatory capital standards for U.S. banking organizations.

In the Basel III Capital NPR, the agencies are proposing to revise their risk-based and leverage capital requirements consistent with agreements reached by the Basel Committee on Banking Supervision ( BCBS ) in Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems ( Basel III ). The proposed revisions would include implementation of a new common equity Tier 1 minimum capital requirement, a higher minimum Tier 1 capital requirement and other items that would affect the calculation of the numerator of a banking organization's risk-based capital ratios. Additionally, consistent with Basel III, the agencies are proposing to apply limits on a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a specified amount of common equity Tier 1 capital in addition to the amount necessary to meet its minimum risk-based capital requirements. The revisions set forth in this NPR are consistent with section 171 of the Dodd-Frank Act, which requires the agencies to establish minimum risk-based and leverage capital requirements.

The new common equity Tier 1 capital ratio includes common equity as defined under GAAP and does not include any other type of non-common equity under GAAP. The Basel III capital requirements would require banks to have common equity Tier 1 capital of 4.5% of average assets, Tier 1 capital of 6% of average assets, as compared to the current 4%, and total capital of 8% of risk-weighted assets to be categorized as adequately capitalized. The Basel III final capital framework also requires the phase-out of trust preferred securities as Tier 1 capital of bank holding companies of the Company's size in equal installments between 2013 and 2022.

The Standardized Approach NPR includes proposed changes to the agencies' general risk-based capital requirements for determining risk-weighted assets that would affect the calculation of the denominator of a banking organization's risk-based capital ratios. The proposed changes would revise the agencies' rules for calculating risk-weighted assets to enhance risk sensitivity and would incorporate certain international capital standards of the BCBS set forth in the standardized approach of the International Convergence of Capital Measurement and Capital Standards: A Revised Framework ( Basel II ). This notice also proposes alternatives to credit ratings for calculating risk-weighted assets for certain assets, consistent with section 939A of the Dodd-Frank Act.



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

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

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

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

An assessment of the Basel III proposed rulemaking on the Company and Renasant Bank is not provided in this quarterly report because such proposals are subject to change through the comment and review process. Therefore, the effects of the Basel III proposed rulemaking on the Company and Renasant Bank cannot be meaningfully assessed. The final rules resulting from the Basel III proposed rulemaking could impact the Company's and Renasant Bank's capital ratios.

### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes in our market risk since December 31, 2012. For additional information regarding our market risk, see our Annual Report on Form 10-K for the year ended December 31, 2012.

### **Item 4. CONTROLS AND PROCEDURES**

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



**Table of Contents****Part II. OTHER INFORMATION****Item 1. LEGAL PROCEEDINGS**

On March 5, 2013, a putative class action complaint captioned *Zeng v. Potts, et al.*, was filed in the United States District Court for the Northern District of Mississippi, Greenville Division, against First M&F Corporation ( First M&F ), its directors, Merchants and Farmers Bank, the Company and the Bank. This lawsuit is purportedly brought on behalf of a putative class of First M&F s shareholders and seeks a declaration that it is properly maintainable as a class action. The complaint, which was amended on April 8, 2013, alleges that the Company and the Bank violated Sections 14(a) and 20(a) of the Securities Exchange Act of 1934, as amended, and also aided and abetted breaches of fiduciary duties committed by the First M&F directors by, among other things, (a) making material misstatements or omissions in the Form S-4 Registration Statement of the Company filed with the SEC on March 29, 2013, (b) agreeing to consideration that undervalues First M&F, (c) failing to engage in, and agreeing to deal protection devices that preclude, a fair sales process, and (d) engaging in self-dealing.

On April 5, 2013, a putative class action complaint captioned *Silverii v. Potts, et al.*, was filed in the Circuit Court of Attala County of the State of Mississippi, Fifth Judicial District, against First M&F, its directors, Merchants and Farmers Bank, the Company and the Bank. This lawsuit is purportedly brought on behalf of a putative class of First M&F s shareholders and seeks a declaration that it is properly maintainable as a class action. The complaint, which was amended in April of 2013, contains substantially the same allegations of improper actions by the Company and the Bank as described above with regards to the *Zeng* lawsuit and alleges that the Company and the Bank aided and abetted breaches of fiduciary duties committed by the First M&F directors by, among other things, (a) making material misstatements or omissions in the Form S-4 Registration Statement of the Company filed with the SEC on March 29, 2013, (b) agreeing to consideration that undervalues First M&F, (c) failing to engage in, and agreeing to deal protection devices that preclude, a fair sales process, and (d) engaging in self-dealing.

Both lawsuits seek, among other things, to enjoin completion of the Company s acquisition of First M&F and an award of costs and attorneys fees. The defendants believe these actions are without merit and intend to defend vigorously against the claims.

**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, 2012. 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, 2013.

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.

**Item 5. OTHER INFORMATION**

Effective as of May 8, 2013, the Board of Directors of the Company approved an amendment to the Restated Bylaws of the Company ( the Bylaws ) to provide that special meetings of the shareholders of the Company could be held at locations in addition to the principal office of the Company (which was the only permitted location prior to the amendment to the Bylaws), as determined at the discretion of the Board of Directors.

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**Item 6. EXHIBITS**

Exhibit Number	Description
(2)(i)	Agreement and Plan of Merger by and among Renasant Corporation, Renasant Bank, First M&F Corporation and Merchants and Farmers Bank dated as of February 6, 2013(1)
(3)(i)	Articles of Incorporation of Renasant Corporation, as amended(2)
(3)(ii)	Restated Bylaws of Renasant Corporation
(4)(i)	Articles of Incorporation of Renasant Corporation, as amended(2)
(4)(ii)	Restated Bylaws of Renasant Corporation
(31)(i)	Certification of the Principal Executive Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31)(ii)	Certification of the Principal Financial Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32)(i)	Certification of the Principal Executive Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(32)(ii)	Certification of the Principal Financial Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(101)	The following materials from Renasant Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 were formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements (Unaudited).

(1) Filed as exhibit 2.1 to the Form 8-K of the Company filed with the Securities and Exchange Commission on February 11, 2013 and incorporated herein by reference.

(2) Filed as exhibit 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.

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

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**SIGNATURES**

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

RENASANT CORPORATION  
(Registrant)

Date: May 8, 2013

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

Date: May 8, 2013

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

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**EXHIBIT INDEX**

Exhibit Number	Description
(3)(ii)	Restated Bylaws of Renasant Corporation.
(4)(ii)	Restated Bylaws of Renasant Corporation.
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(32)(i)	Certification of the Principal Executive Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(32)(ii)	Certification of the Principal Financial Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(101)	The following materials from Renasant Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 were formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements (Unaudited).