RENASANT CORP
Form 10-Q
August 08, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

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

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

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

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

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

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

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

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

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

As of July 31, 2013, 25,240,960 shares of the registrant’s common stock, $5.00 par value per share, were outstanding. The registrant has no other classes of securities outstanding.

Table of Contents

Renasant Corporation and Subsidiaries
Form 10-Q
For the Quarterly Period Ended June 30, 2013
CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
Renasant Corporation and Subsidiaries
Consolidated Balance Sheets
(In Thousands, Except Share Data)

	(Unaudited) June 30, 2013	December 31, 2012
Assets		
Cash and due from banks	$45,002	$ 63,225
Interest-bearing balances with banks	34,013	69,195
Cash and cash equivalents	79,015	132,420
Securities held to maturity (fair value of $347,155 and $334,475, respectively)	348,340	317,766
Securities available for sale, at fair value	398,190	356,311
Mortgage loans held for sale, at fair value	50,268	34,845
Loans, net of unearned income:		
Covered under loss-share agreements	201,494	237,088
Not covered under loss-share agreements	2,683,017	2,573,165
Total loans, net of unearned income	2,884,511	2,810,253
Allowance for loan losses	(47,034)	(44,347)
Loans, net	2,837,477	2,765,906
Premises and equipment, net	70,117	66,752
Other real estate owned:		
Covered under loss-share agreements	27,835	45,534
Not covered under loss-share agreements	33,247	44,717
Total other real estate owned, net	61,082	90,251
Goodwill	184,779	184,859
Other intangible assets, net	5,429	6,066
FDIC loss-share indemnification asset	30,698	44,153
Other assets	183,886	179,287
Total assets	$4,249,281	$ 4,178,616
Liabilities and shareholders’ equity		
Liabilities		
Deposits		
Noninterest-bearing	$560,965	$ 568,214
Interest-bearing	2,944,193	2,893,007
Total deposits	3,505,158	3,461,221
Short-term borrowings	42,819	5,254
Long-term debt	152,970	159,452
Other liabilities	47,656	54,481
Total liabilities	3,748,603	3,680,408
Shareholders’ equity		
Preferred stock, $.01 par value – 5,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $5.00 par value – 75,000,000 shares authorized, 26,715,797 shares issued; 25,231,074 and 25,157,637 shares outstanding, respectively	133,579	133,579
Treasury stock, at cost	(24,814)	(25,626)
Additional paid-in capital	218,466	218,128
Retained earnings	187,618	180,628

Accumulated other comprehensive loss, net of taxes	(14,171)	(8,501)
Total shareholders' equity	500,678	498,208
Total liabilities and shareholders' equity	$4,249,281	$4,178,616

See Notes to Consolidated Financial Statements.

1

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Interest income				
Loans	$34,565	$34,016	$68,723	$68,298
Securities				
Taxable	3,431	3,813	6,222	7,890
Tax-exempt	1,896	2,095	3,843	4,156
Other	53	54	102	139
Total interest income	39,945	39,978	78,890	80,483
Interest expense				
Deposits	4,095	4,969	8,175	10,388
Borrowings	1,446	1,599	2,930	3,842
Total interest expense	5,541	6,568	11,105	14,230
Net interest income	34,404	33,410	67,785	66,253
Provision for loan losses	3,000	4,700	6,050	9,500
Net interest income after provision for loan losses	31,404	28,710	61,735	56,753
Noninterest income				
Service charges on deposit accounts	4,509	4,495	9,009	9,020
Fees and commissions	4,848	4,322	9,679	8,250
Insurance commissions	951	882	1,812	1,821
Wealth management revenue	1,715	1,551	3,439	3,493
Gains on sales of securities	—	869	54	1,773
BOLI income	635	654	1,365	1,765
Gains on sales of mortgage loans held for sale	3,870	2,390	7,435	3,671
Other	789	1,115	1,902	2,913
Total noninterest income	17,317	16,278	34,695	32,706
Noninterest expense				
Salaries and employee benefits	21,906	19,871	43,180	38,520
Data processing	2,045	2,211	4,088	4,251
Net occupancy and equipment	3,668	3,585	7,276	7,204
Other real estate owned	1,773	3,370	3,822	7,369
Professional fees	1,304	1,015	2,477	1,986
Advertising and public relations	1,246	1,302	2,736	2,499
Intangible amortization	314	349	637	707
Communications	1,135	926	2,262	2,029
Extinguishment of debt	—	—	—	898
Merger-related expenses	385	—	385	—
Other	3,958	4,121	8,471	7,949
Total noninterest expense	37,734	36,750	75,334	73,412
Income before income taxes	10,987	8,238	21,096	16,047
Income taxes	2,968	1,893	5,506	3,728
Net income	$8,019	$6,345	$15,590	$12,319
Basic earnings per share	$0.32	$0.25	$0.62	$0.49
Diluted earnings per share	$0.32	$0.25	$0.62	$0.49

Cash dividends per common share	$0.17	$0.17	$0.34	$0.34

See Notes to Consolidated Financial Statements.

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	$8,019	$6,345	$15,590	$12,319
Other comprehensive income, net of tax:				
Securities:				
Unrealized holding (losses) gains on securities	(7,019)	1,090	(6,873)	2,108
Reclassification adjustment for (gains) losses realized in net income	—	(537)	71	(1,095)
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(54)	(91)	(120)	(193)
Total securities	(7,073)	462	(6,922)	820
Derivative instruments:				
Unrealized holding gains (losses) on derivative instruments	992	(1,027)	1,199	(1,138)
Reclassification adjustment for gains realized in net income	(51)	(94)	(104)	(188)
Totals derivative instruments	941	(1,121)	1,095	(1,326)
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	85	66	157	132
Total defined benefit pension and post-retirement benefit plans	85	66	157	132
Other comprehensive loss, net of tax	(6,047)	(593)	(5,670)	(374)
Comprehensive income	$1,972	$5,752	$9,920	$11,945

See Notes to Consolidated Financial Statements.

Table of Contents

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

	Six Months Ended June 30, 2013	2012
Operating activities		
Net cash provided by operating activities	$57,975	$101,300
Investing activities		
Purchases of securities available for sale	(106,521)	(83,426)
Proceeds from sales of securities available for sale	9,015	86,850
Proceeds from call/maturities of securities available for sale	42,898	74,681
Purchases of securities held to maturity	(70,075)	(69,564)
Proceeds from sales of securities held to maturity	4,459	—
Proceeds from call/maturities of securities held to maturity	34,670	111,391
Net increase in loans	(86,810)	(128,965)
Purchases of premises and equipment	(5,908)	(6,012)
Proceeds from sales of premises and equipment	—	45
Net cash used in investing activities	(178,272)	(15,000)
Financing activities		
Net (decrease) increase in noninterest-bearing deposits	(7,249)	7,327
Net increase (decrease) in interest-bearing deposits	51,186	(13,368)
Net increase (decrease) in short-term borrowings	37,565	(3,785)
Repayment of long-term debt	(6,401)	(80,864)
Cash paid for dividends	(8,603)	(8,554)
Cash received on exercise of stock-based compensation	239	333
Excess tax benefit from stock-based compensation	155	—
Net cash provided by (used in) financing activities	66,892	(98,911)
Net decrease in cash and cash equivalents	(53,405)	(12,611)
Cash and cash equivalents at beginning of period	132,420	209,017
Cash and cash equivalents at end of period	$79,015	$196,406
Supplemental disclosures		
Noncash transactions:		
Transfers of loans to other real estate owned	$10,914	$21,999

See Notes to Consolidated Financial Statements.

Table of Contents

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 June 30, 2013 but prior to the issuance of these financial statements that would have a material impact on its Consolidated Financial Statements.

Note B – Securities
(In Thousands)
The amortized cost and fair value of securities held to maturity were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value
June 30, 2013					
Obligations of other U.S. Government agencies and corporations	$126,052	$—	$(6,049	)	$120,003
Obligations of states and political subdivisions	222,288	7,216	(2,352	)	227,152
	$348,340	$7,216	$(8,401	)	$347,155
December 31, 2012					
Obligations of other U.S. Government agencies and corporations	$90,045	$116	$(232	)	$89,929
Obligations of states and political subdivisions	227,721	16,860	(35	)	244,546
	$317,766	$16,976	$(267	)	$334,475

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

2013. The securities sold showed significant credit deterioration in that an 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 six months ended June 30, 2013. No securities classified as held to maturity were sold during the six months ended June 30, 2012.

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

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2013				
Obligations of other U.S. Government agencies and corporations	$6,157	$156	$(193)	$6,120
Residential mortgage backed securities:				
Government agency mortgage backed securities	173,460	2,442	(4,000)	171,902
Government agency collateralized mortgage obligations	132,927	1,378	(2,949)	131,356
Commercial mortgage backed securities:				
Government agency mortgage backed securities	41,621	1,605	(473)	42,753
Government agency collateralized mortgage obligations	5,050	28	—	5,078
Trust preferred securities	27,711	—	(11,751)	15,960
Other debt securities	20,834	539	(93)	21,280
Other equity securities	2,775	966	—	3,741
	$410,535	$7,114	$(19,459)	$398,190

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012

Gross gains on sales of securities available for sale	$—	$946	$—	$1,850
Gross losses on sales of securities available for sale	—	(77)	(115)	(77)
(Loss) Gain on sales of securities available for sale, net	$—	$869	$(115)	$1,773

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

At June 30, 2013 and December 31, 2012, securities with a carrying value of $398,924 and $308,362, respectively, were pledged to secure government, public and trust deposits. Securities with a carrying value of $14,229 and $19,006 were pledged as collateral for short-term borrowings and derivative instruments at June 30, 2013 and December 31, 2012, respectively.
The amortized cost and fair value of securities at June 30, 2013 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because issuers may call or prepay obligations with or without call or prepayment penalties.

	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$9,446	$9,509	$—	$—
Due after one year through five years	32,811	33,950	—	—
Due after five years through ten years	167,412	163,309	6,157	6,120
Due after ten years	138,671	140,387	27,711	15,960
Residential mortgage backed securities:				
Government agency mortgage backed securities	—	—	173,460	171,902
Government agency collateralized mortgage obligations	—	—	132,927	131,356
Commercial mortgage backed securities:				
Government agency mortgage backed securities	—	—	41,621	42,753
Government agency collateralized mortgage obligations	—	—	5,050	5,078
Other debt securities	—	—	20,834	21,280
Other equity securities	—	—	2,775	3,741
	$348,340	$347,155	$410,535	$398,190

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

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

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Held to Maturity:						
June 30, 2013						
Obligations of other U.S. Government agencies and corporations	$119,503	$(6,049)	$—	$—	$119,503	$(6,049)
Obligations of states and political subdivisions	45,312	(2,352)	—	—	45,312	(2,352)
Total	$164,815	$(8,401)	$—	$—	164,815	$(8,401)
December 31, 2012						
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)
Total	$38,085	$(266)	$126	$(1)	$38,211	$(267)
Available for Sale:						
June 30, 2013						
Obligations of other U.S. Government agencies and corporations	$3,807	$(193)	$—	$—	$3,807	$(193)
Residential mortgage backed securities:						
Government agency mortgage backed securities	—	—	103,728	(4,000)	103,728	(4,000)
Government agency collateralized mortgage obligations	87,325	(2,930)	3,686	(19)	91,011	(2,949)
Commercial mortgage backed securities:						
Government agency mortgage backed securities	—	—	16,808	(473)	16,808	(473)
Government agency collateralized mortgage obligations	—	—	—	—	—	—
Trust preferred securities	—	—	15,960	(11,751)	15,960	(11,751)
Other debt securities	2,883	(91)	2,140	(2)	5,023	(93)
Total	$94,015	$(3,214)	$142,322	$(16,245)	$236,337	$(19,459)
December 31, 2012						
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:						
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)

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

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 $27,711 and $28,612 and a fair value of $15,960 and $15,068, at June 30, 2013 and December 31, 2012, respectively. The investments in pooled trust preferred securities consist of four securities representing interests in various tranches of trusts collateralized by debt issued by over 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 June 30, 2013, management did not, and does not currently, believe such securities will be settled at a price less than the amortized cost of the investment, but the Company previously concluded that it was probable that there had been an adverse change in estimated cash flows for all four trust preferred securities and recognized credit related impairment losses on these securities in 2010 and 2011. No additional impairment was recognized during the three or six months ended June 30, 2013.

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

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

Name	Single/ Pooled	Class/ Tranche	Amortized Cost	Fair Value	Unrealized Loss	Lowest Credit Rating	Issuers Currently in Deferral or Default
XIII	Pooled	B-2	$1,179	$1,109	$(70)	Ca	30%
XXIII	Pooled	B-2	8,889	5,449	(3,440)	B1	25%
XXIV	Pooled	B-2	12,076	6,274	(5,802)	Ca	35%
XXVI	Pooled	B-2	5,567	3,128	(2,439)	Ca	30%
			$27,711	$15,960	$(11,751)		

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

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

Balance at June 30	$(3,337)	$(3,337)

Table of Contents
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:

	June 30, 2013	December 31, 2012
Commercial, financial, agricultural	$318,001	$317,050
Lease financing	105	195
Real estate – construction	118,987	105,706
Real estate – 1-4 family mortgage	920,293	903,423
Real estate – commercial mortgage	1,464,522	1,426,643
Installment loans to individuals	62,605	57,241
Gross loans	2,884,513	2,810,258
Unearned income	(2)	(5)
Loans, net of unearned income	2,884,511	2,810,253
Allowance for loan losses	(47,034)	(44,347)
Net loans	$2,837,477	$2,765,906

Past Due and Nonaccrual Loans
Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Generally, the recognition of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Consumer and other retail loans are typically charged-off no later than the time the loan is 120 days past due. In all cases, loans are placed on nonaccrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful. Loans may be placed on nonaccrual regardless of whether or not such loans are considered past due. All interest accrued for the current year, but not collected, for loans that are placed on nonaccrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

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

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

	Accruing Loans				Nonaccruing Loans				
	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans	Total Loans
June 30, 2013									
Commercial, financial, agricultural	$405	$—	$313,942	$314,347	$390	$3,094	$170	$3,654	$318,001
Lease financing	—	—	105	105	—	—	—	—	105
Real estate – construction	—	—	117,339	117,339	—	1,648	—	1,648	118,987
Real estate – 1-4 family mortgage	6,497	943	891,322	898,762	1,827	8,184	11,520	21,531	920,293
Real estate – commercial mortgage	2,068	1,075	1,420,485	1,423,628	222	32,521	8,151	40,894	1,464,522
Installment loans to individuals	280	91	62,126	62,497	—	108	—	108	62,605
Unearned income	—	—	(2)	(2)	—	—	—	—	(2)
Total	$9,250	$2,109	$2,805,317	$2,816,676	$2,439	$45,555	$19,841	$67,835	$2,884,511
December 31, 2012									
Commercial, financial, agricultural	$484	$15	$312,943	$313,442	$215	$3,131	$262	$3,608	$317,050
Lease financing	—	—	195	195	—	—	—	—	195
Real estate – construction	80	—	103,978	104,058	—	1,648	—	1,648	105,706
Real estate – 1-4 family mortgage	6,685	1,992	867,053	875,730	1,249	13,417	13,027	27,693	903,423
Real estate – commercial mortgage	5,084	1,250	1,373,470	1,379,804	325	38,297	8,217	46,839	1,426,643
Installment loans to individuals	197	50	56,715	56,962	7	265	7	279	57,241
Unearned income	—	—	(5)	(5)	—	—	—	—	(5)
Total	$12,530	$3,307	$2,714,349	$2,730,186	$1,796	$56,758	$21,513	$80,067	$2,810,253

Restructured loans contractually 90 days past due totaled $646 at December 31, 2012. There were no restructured loans contractually 90 days past due at June 30, 2013. The outstanding balance of restructured loans on nonaccrual status was $9,580 and $11,420 at June 30, 2013 and December 31, 2012, respectively.

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Impairment is measured on a loan-by-loan basis for commercial, consumer and construction loans above a minimum dollar amount threshold by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent. Large groups of smaller balance homogeneous loans are evaluated collectively for impairment. When the ultimate collectability of an impaired loan's principal is in doubt, wholly or partially, all cash receipts are applied to principal. Once the recorded balance has been reduced to zero, future cash receipts are applied to interest income, to the extent any interest has been foregone, and then they are recorded as recoveries of any amounts previously charged-off. For impaired loans, a specific reserve is established to adjust the carrying value of the loan to its estimated net realizable value.

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

Impaired loans recognized in conformity with Financial Accounting Standards Board Accounting Standards Codification Topic ("ASC") 310, “Receivables” (“ASC 310”), segregated by class, were as follows as of the dates presented:

	Unpaid Contractual Principal Balance	Recorded Investment With Allowance	Recorded Investment With No Allowance	Total Recorded Investment	Related Allowance
June 30, 2013					
Commercial, financial, agricultural	$6,895	$1,515	$2,120	$3,635	$834
Lease financing	—	—	—	—	—
Real estate – construction	2,447	—	1,648	1,648	—
Real estate – 1-4 family mortgage	42,185	26,596	6,172	32,768	7,843
Real estate – commercial mortgage	101,581	25,275	36,266	61,541	7,267
Installment loans to individuals	—	—	—	—	—
Total	$153,108	$53,386	$46,206	$99,592	$15,944
December 31, 2012					
Commercial, financial, agricultural	$5,142	$1,620	$1,620	$3,240	$708
Lease financing	—	—	—	—	—
Real estate – construction	2,447	—	1,648	1,648	—
Real estate – 1-4 family mortgage	80,022	28,848	10,094	38,942	9,201
Real estate – commercial mortgage	118,167	34,400	39,450	73,850	7,688
Installment loans to individuals	—	—	—	—	—
Totals	$205,778	$64,868	$52,812	$117,680	$17,597

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

	Three Months Ended June 30, 2013		Three Months Ended June 30, 2012	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized(1)
Commercial, financial, agricultural	$5,601	$—	$3,667	$7
Lease financing	—	—	—	—
Real estate – construction	1,650	—	6,093	—
Real estate – 1-4 family mortgage	34,732	108	48,109	274
Real estate – commercial mortgage	69,168	123	89,510	558
Installment loans to individuals	—	—	—	—
Total	$111,151	$231	$147,379	$839

(1) Includes interest income recognized using the cash-basis method of income recognition of $100. No interest income was recognized using the cash-basis method of income recognition during the three months ended June 30, 2013.

12

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

	Six Months Ended June 30, 2013		Six Months Ended June 30, 2012	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized[(1)]
Commercial, financial, agricultural	$5,551	$—	$3,730	$15
Lease financing	—	—	—	—
Real estate – construction	1,650	—	6,141	—
Real estate – 1-4 family mortgage	34,874	291	48,755	598
Real estate – commercial mortgage	69,579	466	90,995	1,077
Installment loans to individuals	—	—	—	—
Total	$111,654	$757	$149,621	$1,690

(1) Includes interest income recognized using the cash-basis method of income recognition of $314. No interest income was recognized using the cash-basis method of income recognition during the six months ended June 30, 2013.

Restructured Loans

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

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
June 30, 2013			
Commercial, financial, agricultural	—	$—	$—
Lease financing	—	—	—
Real estate – construction	—	—	—
Real estate – 1-4 family mortgage	20	18,353	9,929
Real estate – commercial mortgage	15	13,646	12,608
Installment loans to individuals	1	184	172
Total	36	$32,183	$22,709
December 31, 2012			
Commercial, financial, agricultural	—	$—	$—
Lease financing	—	—	—
Real estate – construction	—	—	—
Real estate – 1-4 family mortgage	19	18,450	10,853
Real estate – commercial mortgage	16	18,985	18,409
Installment loans to individuals	1	184	174

Total	36	$37,619	$29,436

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

	Number of Loans	Recorded Investment
Totals at January 1, 2013	36	$29,436
Additional loans with concessions	6	1,277
Reductions due to:		
Reclassified as nonperforming	1	(620)
Charge-offs	1	(374)
Transfer to other real estate owned	—	—
Principal paydowns		(1,269)
Lapse of concession period	4	(5,741)
Totals at June 30, 2013	36	$22,709

The allocated allowance for loan losses attributable to restructured loans was $3,330 and $3,969 at June 30, 2013 and December 31, 2012, respectively. The Company had $286 and $288 in remaining availability under commitments to lend additional funds on these restructured loans at June 30, 2013 and December 31, 2012, respectively.

Credit Quality

For loans originated for commercial purposes, internal risk-rating grades are assigned by lending, credit administration or loan review personnel, based on an analysis of the financial and collateral strength and other credit attributes underlying each loan. Management analyzes the resulting ratings, as well as other external statistics and factors such as delinquency, to track the migration performance of the portfolio balances of these loans. Loan grades range between 1 and 9, with 1 being loans with the least credit risk. Loans that migrate toward the “Pass” grade (those with a risk rating between 1 and 4) or within the “Pass” grade generally have a lower risk of loss and therefore a lower risk factor. The “Watch” grade (those with a risk rating of 5) is utilized on a temporary basis for “Pass” grade loans where a significant 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
June 30, 2013				
Commercial, financial, agricultural	$228,692	$3,086	$1,923	$233,701
Real estate – construction	84,121	659	11	84,791
Real estate – 1-4 family mortgage	102,217	13,716	31,419	147,352
Real estate – commercial mortgage	1,042,788	33,049	36,438	1,112,275
Installment loans to individuals	—	—	—	—
Total	$1,457,818	$50,510	$69,791	$1,578,119
December 31, 2012				
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
Total	$1,383,422	$72,876	$73,803	$1,530,101

14

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
June 30, 2013			
Commercial, financial, agricultural	$73,510	$386	$73,896
Lease financing	103	—	103
Real estate – construction	32,548	—	32,548
Real estate – 1-4 family mortgage	706,724	3,397	710,121
Real estate – commercial mortgage	215,780	931	216,711
Installment loans to individuals	60,766	166	60,932
Total	$1,089,431	$4,880	$1,094,311
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

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:

	Impaired Covered Loans	Other Covered Loans	Not Covered Loans	Total
June 30, 2013				
Commercial, financial, agricultural	$—	$10,282	$122	$10,404
Lease financing	—	—	—	—
Real estate – construction	—	1,648	—	1,648
Real estate – 1-4 family mortgage	1,046	59,364	2,410	62,820
Real estate – commercial mortgage	24,324	104,796	6,416	135,536
Installment loans to individuals	—	34	1,639	1,673
Total	$25,370	$176,124	$10,587	$212,081
December 31, 2012				
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

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

The references in the table above and elsewhere in these Notes to "covered loans" and "not covered loans" (as well as to "covered OREO" and "not covered OREO") refer to loans (or OREO, as applicable) covered and not covered, respectively, by loss-share agreements with the FDIC. See Note E, "FDIC Loss-Share Indemnification Asset," below for more information.

The following table presents the fair value of loans determined to be impaired at the time of acquisition and determined not to be impaired at the time of acquisition at June 30, 2013:

	Impaired Covered Loans	Other Covered Loans	Not Covered Loans	Total
Contractually-required principal and interest	$66,879	$209,442	$12,685	$289,006
Nonaccretable difference[(1)]	(41,507)	(29,413)	(1,095)	(72,015)
Cash flows expected to be collected	25,372	180,029	11,590	216,991
Accretable yield[(2)]	(2)	(3,905)	(1,003)	(4,910)
Fair value	$25,370	$176,124	$10,587	$212,081

(1) Represents contractual principal and interest cash flows of $276,704 and $12,302, respectively, not expected to be collected.
(2) Represents contractual interest payments of $3,980 expected to be collected and purchase discount of $930.

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

	Impaired Covered Loans	Other Covered Loans	Not Covered Loans	Total
Balance at January 1, 2013	$(13)	$(6,705)	$(1,130)	$(7,848)
Reclasses from nonaccretable difference	(87)	(3,021)	(529)	(3,637)
Accretion	98	5,821	656	6,575
Balance at June 30, 2013	$(2)	$(3,905)	$(1,003)	$(4,910)

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.

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

The following table provides a roll forward of the allowance for loan losses and a breakdown of the ending balance of the allowance based on the Company's impairment methodology for the periods presented:

	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other[1]	Total
Three Months Ended June 30, 2013						
Allowance for loan losses:						
Beginning balance	$2,942	$676	$19,737	$22,096	$1,054	$46,505
Charge-offs	(46)	—	(652)	(2,527)	(288)	(3,513)
Recoveries	90	47	132	756	17	1,042
Net recoveries (charge-offs)	44	47	(520)	(1,771)	(271)	(2,471)
Provision for loan losses	563	140	521	1,962	239	3,425
Benefit attributable to FDIC loss-share agreements	(83)	—	(369)	(50)	—	(502)
Recoveries payable to FDIC	12	—	63	2	—	77
Provision for loan losses charged to operations	492	140	215	1,914	239	3,000
Ending balance	$3,478	$863	$19,432	$22,239	$1,022	$47,034
Six Months Ended June 30, 2013						
Allowance for loan losses:						
Beginning balance	$3,307	$711	$18,347	$21,416	$566	$44,347
Charge-offs	(280)	—	(1,266)	(3,120)	(352)	(5,018)
Recoveries	247	63	471	847	27	1,655
Net (charge-offs) recoveries	(33)	63	(795)	(2,273)	(325)	(3,363)
Provision for loan losses	510	88	1,718	3,787	781	6,884
Benefit attributable to FDIC loss-share agreements	(330)	—	(630)	(711)	—	(1,671)
Recoveries payable to FDIC	24	1	792	20	—	837
Provision for loan losses charged to operations	204	89	1,880	3,096	781	6,050
Ending balance	$3,478	$863	$19,432	$22,239	$1,022	$47,034
Period-End Amount Allocated to:						
Individually evaluated for impairment	$834	$—	$7,843	$7,267	$—	$15,944
Collectively evaluated for impairment	2,644	863	11,589	14,972	1,022	31,090
Acquired with deteriorated credit quality	—	—	—	—	—	—
Ending balance	$3,478	$863	$19,432	$22,239	$1,022	$47,034

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

	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other[(1)]	Total
Three Months Ended June 30, 2012						
Allowance for loan losses:						
Beginning balance	$3,220	$ 882	$ 18,892	$ 20,379	$ 803	$ 44,176
Charge-offs	(645)	(38)	(2,674)	(1,144)	(132)	(4,633)
Recoveries	156	3	172	172	33	536
Net charge-offs	(489)	(35)	(2,502)	(972)	(99)	(4,097)
Provision for loan losses	613	119	6,900	2,475	124	10,231
Benefit attributable to FDIC loss-share agreements	(164)	—	(4,505)	(1,456)	—	(6,125)
Recoveries payable to FDIC	55	—	195	339	5	594
Provision for loan losses charged to operations	504	119	2,590	1,358	129	4,700
Ending balance	$3,235	$ 966	$ 18,980	$ 20,765	$ 833	$ 44,779
Six Months Ended June 30, 2012						
Allowance for loan losses:						
Beginning balance	$4,197	$ 1,073	$ 17,191	$ 20,979	$ 900	$ 44,340
Charge-offs	(2,033)	(42)	(4,548)	(3,026)	(203)	(9,852)
Recoveries	178	3	333	224	53	791
Net charge-offs	(1,855)	(39)	(4,215)	(2,802)	(150)	(9,061)
Provision for loan losses	1,217	(51)	11,843	5,758	78	18,845
Benefit attributable to FDIC loss-share agreements	(381)	(17)	(6,054)	(3,532)	—	(9,984)
Recoveries payable to FDIC	57	—	215	362	5	639
Provision for loan losses charged to operations	893	(68)	6,004	2,588	83	9,500
Ending balance	$3,235	$ 966	$ 18,980	$ 20,765	$ 833	$ 44,779
Period-End Amount Allocated to:						
Individually evaluated for impairment	$727	$ —	$ 5,666	$ 7,296	$—	$ 13,689
Collectively evaluated for impairment	2,508	966	13,314	13,469	833	31,090
Acquired with deteriorated credit quality	—	—	—	—	—	—
Ending balance	$3,235	$ 966	$ 18,980	$ 20,765	$ 833	$ 44,779

(1) Includes lease financing receivables.

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(1)	Total
June 30, 2013						
Individually evaluated for impairment	$1,515	$—	$26,596	$25,275	$—	$53,386
Collectively evaluated for impairment	306,082	117,339	830,877	1,303,711	61,035	2,619,044
Acquired with deteriorated credit quality	10,404	1,648	62,820	135,536	1,673	212,081
Ending balance	$318,001	$118,987	$920,293	$1,464,522	$62,708	$2,884,511
December 31, 2012						
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

(1) Includes lease financing receivables.

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
June 30, 2013			
Residential real estate	$5,091	$3,368	$8,459
Commercial real estate	7,955	9,139	17,094
Residential land development	2,318	15,137	17,455
Commercial land development	12,471	5,603	18,074
Other	—	—	—
Total	$27,835	$33,247	$61,082
December 31, 2012			
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

Total	$45,534	$44,717	$90,251

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	5,294	5,620	10,914
Capitalized improvements	—	129	129
Impairments(1)	(5,775)	(1,080)	(6,855)
Dispositions	(17,172)	(16,139)	(33,311)
Other	(46)	—	(46)
Balance at June 30, 2013	$27,835	$33,247	$61,082

(1) Of the total impairment charges of $(5,775) recorded for covered OREO, $(1,155) was included in the Consolidated Statements of Income for the six months ended June 30, 2013, while the remaining $(4,620) 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 for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Repairs and maintenance	$555	$617	$908	$1,196
Property taxes and insurance	304	127	657	576
Impairments	1,249	2,069	2,235	4,167
Net (gains) losses on OREO sales	(252)	671	218	1,669
Rental income	(83)	(114)	(196)	(239)
Total	$1,773	$3,370	$3,822	$7,369

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. Pursuant to the terms of both of our loss-share agreements, the FDIC is obligated to reimburse the Bank for 80% of all eligible losses with respect to covered assets, beginning with the first dollar of loss incurred. The Bank has a corresponding obligation to reimburse the FDIC for 80% of eligible recoveries with respect to covered assets. The 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.

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

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

Balance at January 1, 2013	$44,153	
Changes in expected cash flows from initial estimates on:		
Loans	271	
OREO	3,516	
Reimbursable expenses	2,016	
Accretion	600	
Reimbursements received from the FDIC	(19,858	)
Balance at June 30, 2013	$30,698	

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 June 30, 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 or six months ended June 30, 2013 and 2012.
Changes in the Company's mortgage servicing rights were as follows:

Balance at January 1, 2013	$4,233	
Capitalization	3,278	
Amortization	(330	)
Balance at June 30, 2013	$7,181	

Data and key economic assumptions related to the Company's mortgage servicing rights as of June 30, 2013 are as follows:

Unpaid principal balance	$679,604	
Weighted-average prepayment speed (CPR)	2.76	%
Estimated impact of a 10% increase	$(505	)
Estimated impact of a 20% increase	(670	)
Discount rate	11.26	%
Estimated impact of a 10% increase	$(580	)
Estimated impact of a 20% increase	(810	)
Weighted-average coupon interest rate	3.22	%

Weighted-average servicing fee (basis points)	25.09
Weighted-average remaining maturity (in months)	288

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 Three Months Ended June 30,		Other Benefits Three Months Ended June 30,	
	2013	2012	2013	2012
Service cost	$—	$—	$6	$6
Interest cost	187	215	15	16
Expected return on plan assets	(309)	(298)	—	—
Prior service cost recognized	—	—	—	—
Recognized actuarial loss	102	89	36	18
Net periodic benefit cost	$(20)	$6	$57	$40

	Pension Benefits Six Months Ended June 30,		Other Benefits Six Months Ended June 30,	
	2013	2012	2013	2012
Service cost	$—	$—	$13	$12
Interest cost	375	430	27	32
Expected return on plan assets	(620)	(596)	—	—
Prior service cost recognized	—	—	—	—
Recognized actuarial loss	199	178	55	36
Net periodic benefit cost	$(46)	$12	$95	$80

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 six month periods ended June 30, 2013 and 2012:

	2013 Grant	2012 Grant
Shares granted	52,500	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

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

The Company awards performance-based restricted stock to executives and time-based restricted stock to directors and other officers and employees under a long-term equity incentive plan. The performance-based restricted stock vests upon completion of a one-year service period and the attainment of certain performance goals. Performance-based restricted stock is issued at the target level; the number of shares ultimately awarded is determined at the end of each year and may be increased or decreased depending on the Company meeting or exceeding financial performance measures defined by the Board of Directors. Time-based restricted stock vests at the end of the service period defined in the respective grant. The fair value of each restricted stock grant is the closing price of the Company's common stock on the day immediately preceding the grant date. The following table summarizes the changes in restricted stock as of and for the six months ended June 30, 2013:

	Performance-Based Restricted Stock	Weighted Average Grant-Date Fair Value	Time- Based Restricted Stock	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2013	—	$—	9,684	$15.49
Granted	59,850	19.14	16,338	20.28
Vested	—	—	(9,038)	15.49
Cancelled	—	—	(646)	15.49
Nonvested at June 30, 2013	59,850	$19.14	16,338	$20.28

During the six months ended June 30, 2013, the Company reissued 73,437 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 $477 and $316 for the three months ended June 30, 2013 and 2012, respectively, and $955 and $608 for the six months ended June 30, 2013 and 2012 , respectively.

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

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

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

	Community Banks	Insurance	Wealth Management	Other	Consolidated
Three months ended June 30, 2013					
Net interest income	34,251	24	324	(195)	34,404
Provision for loan losses	2,990	—	10	—	3,000
Noninterest income	15,102	973	1,237	5	17,317
Noninterest expense	34,921	813	1,736	264	37,734
Income before income taxes	11,442	184	(185)	(454)	10,987
Income taxes	3,079	71	—	(182)	2,968
Net income (loss)	8,363	113	(185)	(272)	8,019
Total assets	$4,183,079	$10,460	$42,886	$12,856	$4,249,281
Goodwill	181,996	2,783	—	—	184,779
Three months ended June 30, 2012					
Net interest income	$33,661	$24	$341	$(616)	$33,410
Provision for loan losses	4,723	—	(23)	—	4,700
Noninterest income	13,793	901	1,563	21	16,278
Noninterest expense	34,179	793	1,646	132	36,750
Income before income taxes	8,552	132	281	(727)	8,238
Income taxes	2,055	51	63	(276)	1,893
Net income (loss)	$6,497	$81	$218	$(451)	$6,345
Total assets	$4,054,647	$10,186	$38,125	$9,419	$4,112,377
Goodwill	182,096	2,783	—	—	184,879

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

	Community Banks	Insurance	Wealth Management	Other	Consolidated
Six months ended June 30, 2013					
Net interest income	67,928	47	619	(809)	67,785
Provision for loan losses	5,907	—	143	—	6,050
Noninterest income	30,122	2,006	2,541	26	34,695
Noninterest expense	70,023	1,626	3,317	368	75,334
Income before income taxes	22,120	427	(300)	(1,151)	21,096
Income taxes	5,802	165	—	(461)	5,506
Net income (loss)	16,318	262	(300)	(690)	15,590
Total assets	$4,183,079	$10,460	$42,886	$12,856	$4,249,281
Goodwill	181,996	2,783	—	—	184,779
Six months ended June 30, 2012					
Net interest income	$66,766	$48	$704	$(1,265)	$66,253
Provision for loan losses	9,517	—	(17)	—	9,500
Noninterest income	27,079	2,070	3,514	43	32,706
Noninterest expense	68,483	1,576	3,112	241	73,412
Income before income taxes	15,845	542	1,123	(1,463)	16,047
Income taxes	3,787	210	289	(558)	3,728
Net income (loss)	$12,058	$332	$834	$(905)	$12,319
Total assets	$4,054,647	$10,186	$38,125	$9,419	$4,112,377
Goodwill	182,096	2,783	—	—	184,879

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.

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
June 30, 2013				
Financial assets:				
Securities available for sale:				
Obligations of other U.S. Government agencies and corporations	$—	$6,120	$—	$6,120
Residential mortgage-backed securities:				
Government agency mortgage backed securities	—	171,902	—	171,902
Government agency collateralized mortgage obligations	—	131,356	—	131,356
Commercial mortgage-backed securities:				
Government agency mortgage backed securities	—	42,753	—	42,753
Government agency collateralized mortgage obligations	—	5,078	—	5,078
Trust preferred securities	—	—	15,960	15,960
Other debt securities	—	21,280	—	21,280
Other equity securities	—	3,741	—	3,741
Total securities available for sale	—	382,230	15,960	398,190
Derivative instruments:				
Interest rate swaps	—	10	—	10
Interest rate contracts	—	1,824	—	1,824
Interest rate lock commitments	—	76	—	76
Forward contracts	—	4,599	—	4,599
Total derivative instruments	—	6,509	—	6,509
Mortgage loans held for sale	—	50,268	—	50,268
Total financial assets	$—	$439,007	$15,960	$454,967
Financial liabilities:				
Derivative instruments:				
Interest rate swaps	$—	$232	$—	$232
Interest rate contracts	—	1,826	—	1,826
Interest rate lock commitments	—	606	—	606
Forward commitments	—	—	—	—
Total derivative instruments	—	2,664	—	2,664
Total financial liabilities	$—	$2,664	$—	$2,664

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

	Level 1	Level 2	Level 3	Totals
December 31, 2012				
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 or six months ended June 30, 2013.

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

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 and six months ended June 30, 2013 and 2012, respectively:

	Securities available for sale		
Three Months Ended June 30, 2013	Trust preferred securities	Other equity securities	Total
Balance at April 1, 2013	$16,162	$—	$16,162
Realized gains (losses) included in net income	—	—	—
Unrealized gains (losses) included in other comprehensive income	(84)	—	(84)
Purchases	—	—	—
Sales	—	—	—
Issues	—	—	—
Settlements	(118)	—	(118)
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Balance at June 30, 2013	$15,960	$—	$15,960

	Securities available for sale		
Three Months Ended June 30, 2012	Trust preferred securities	Other equity securities	Total
Balance at April 1, 2012	$12,866	$2,660	$15,526
Realized gains (losses) included in net income	—	14	14
Unrealized gains (losses) included in other comprehensive income	(194)	116	(78)
Reclassification adjustment	—	—	—
Purchases	—	—	—
Sales	—	—	—
Issues	—	—	—
Settlements	—	—	—
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Balance at June 30, 2012	$12,672	$2,790	$15,462

	Securities available for sale		
Six Months Ended June 30, 2013	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	1,794	—	1,794
Purchases	—	—	—
Sales	—	—	—
Issues	—	—	—
Settlements	—	—	—
Transfers into Level 3	(902)	—	(902)
Transfers out of Level 3	—	—	—
Balance at June 30, 2013	$15,960	$—	$15,960

29

	Securities available for sale		
Six Months Ended June 30, 2012	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	—	14	14
Unrealized gains (losses) included in other comprehensive income	839	539	1,378
Purchases	(952)	—	(952)
Sales	—	—	—
Issues	—	—	—
Settlements	—	—	—
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Balance at June 30, 2012	$12,672	$2,790	$15,462

For the three and six months ended June 30, 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 June 30, 2013 about significant unobservable inputs (Level 3) used in the valuation of assets and liabilities measured at fair value on a recurring basis:

Financial instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs
Trust preferred securities	$15,960	Discounted cash flows	Default rate	0-100%

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:

June 30, 2013	Level 1	Level 2	Level 3	Totals
Impaired loans	$—	$—	$7,433	$7,433
OREO	—	—	28,862	28,862
Total	$—	$—	$36,295	$36,295

December 31, 2012	Level 1	Level 2	Level 3	Totals
Impaired loans	$—	$—	$20,178	$20,178
OREO	—	—	33,761	33,761
Total	$—	$—	$53,939	$53,939

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 or six months ended June 30, 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 $8,963 and $27,149 at June 30, 2013 and December 31, 2012, respectively, and a specific reserve for these loans of $1,530 and $6,971 was included in the allowance for loan losses for the periods ended on such respective dates.

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.

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:

	June 30, 2013	December 31, 2012
OREO covered under loss-share agreements:		
Carrying amount prior to remeasurement	$30,365	$19,254
Impairment recognized in results of operations	(982)	(901)
Increase in FDIC loss-share indemnification asset	(3,926)	(3,602)
Receivable from other guarantor	—	(41)
Fair value	$25,457	$14,710
OREO not covered under loss-share agreements:		
Carrying amount prior to remeasurement	$4,215	$22,277
Impairment recognized in results of operations	(810)	(3,226)
Fair value	$3,405	$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 June 30, 2013 and December 31, 2012, and no impairment charges were recognized in earnings for the three or six months ended June 30, 2013 and 2012.

The following table presents information as of June 30, 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	$7,433	Appraised value of collateral less estimated costs to sell	Estimated costs to sell	4-10%
OREO	28,862	Appraised value of property less estimated costs to sell	Estimated costs to sell	4-10%

31

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

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 $1,510 and $1,788 resulting from fair value changes of these mortgage loans were recorded in income during the three and six months ended June 30, 2013, respectively. 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:

June 30, 2013	Aggregate Fair Value	Aggregate Unpaid Principal Balance	Difference
Mortgage loans held for sale measured at fair value	$50,268	$51,213	$(945)
Past due loans of 90 days or more	—	—	—
Nonaccrual loans	—	—	—

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 the dates presented:

		Fair Value			
As of June 30, 2013	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$79,015	$79,015	$—	$—	$79,015
Securities held to maturity	348,340	—	347,155	—	347,155
Securities available for sale	398,190	—	382,230	15,960	398,190
Mortgage loans held for sale	50,268	—	50,268	—	50,268
Loans covered under loss-share agreements	201,494	—	—	200,057	200,057
Loans not covered under loss-share agreements, net	2,635,983	—	—	2,572,710	2,572,710
FDIC loss-share indemnification asset	30,698	—	—	30,698	30,698
Mortgage servicing rights	7,181	—	—	7,723	7,723
Derivative instruments	6,509	—	6,509	—	6,509
Financial liabilities					

Deposits	$3,505,158	$2,287,104	$1,223,615	$—	$3,510,719
Short-term borrowings	42,819	42,819	—	—	42,819
Federal Home Loan Bank advances	77,441	—	91,663	—	91,663
Junior subordinated debentures	75,529	—	24,692	—	24,692
Derivative instruments	2,664	—	2,664	—	2,664

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

		Fair Value			
As of December 31, 2012	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets					
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
Financial liabilities					
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
Junior subordinated debentures	75,609	—	27,985	—	27,985
Derivative instruments	5,514	—	5,514	—	5,514

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.

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. The Company also from time to time 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 June 30, 2013, the Company had notional amounts of $80,408 on interest rate contracts with corporate customers and $80,408 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.
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 $80 and $152 for the three months ended June 30, 2013 and 2012, respectively, and $165 and $304 for the six months ended June 30, 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 $112,070 and $72,757 at June 30, 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 $167,000 and $100,000 at June 30, 2013 and December 31, 2012, respectively.

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

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

	Balance Sheet Location	Fair Value June 30, 2013	December 31, 2012
Derivative assets:			
Designated as hedging instruments:			
Interest rate swap	Other Assets	$10	$—
Totals		$10	$—
Not designated as hedging instruments:			
Interest rate contracts	Other Assets	$1,824	$3,083
Interest rate lock commitments	Other Assets	76	1,571
Forward commitments	Other Assets	$4,599	$—
Totals		$6,499	$4,654
Derivative liabilities:			
Designated as hedging instruments:			
Interest rate swap	Other Liabilities	$232	$2,164
Totals		$232	$2,164
Not designated as hedging instruments:			
Interest rate contracts	Other Liabilities	$1,826	$3,152
Interest rate lock commitments	Other Liabilities	606	—
Forward commitments	Other Liabilities	—	198
Totals		$2,432	$3,350

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

	Three Months Ended June 30, 2013	2012	Six Months Ended June 30, 2013	2012
Derivatives designated as hedging instruments:				
Interest rate swaps (terminated May 2010):				
Included in interest income on loans	$80	$152	$165	$304
Total	$80	$152	$165	$304
Derivatives not designated as hedging instruments:				
Interest rate contracts:				
Included in interest income on loans	$801	$549	$1,600	$883
Included in other noninterest expense	(25)	23	67	34
Interest rate lock commitments:				
Included in gains on sales of mortgage loans held for sale	(2,284)	923	(2,101)	522
Forward commitments				
Included in gains on sales of mortgage loans held for sale	4,678	(888)	4,876	(943)
Total	$3,170	$607	$4,442	$496

Table of Contents

Offsetting

Certain financial instruments, including derivatives, may be eligible for offset in the consolidated balance sheet when the "right of setoff" exists or when the instruments are subject to an enforceable master netting agreement, which includes the right of the non-defaulting party or non-affected party to offset recognized amounts, including collateral posted with the counterparty, to determine a net receivable or net payable upon early termination of the agreement. Certain of the Company's derivative instruments are subject to master netting agreements; however, the Company has not elected to offset such financial instruments in the consolidated balance sheets. The following table presents the Company's gross derivative positions as recognized in the consolidated balance sheets as well as the net derivative positions, including collateral pledged to the extent the application of such collateral did not reduce the net derivative liability position below zero, had the Company elected to offset those instruments subject to an enforceable master netting agreement:

	Offsetting Derivative Assets		Offsetting Derivative Liabilities	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Gross amounts recognized	$6,509	$4,654	$2,664	$5,514
Gross amounts offset in the consolidated balance sheets	—	—	—	—
Net amounts presented in the consolidated balance sheets	6,509	4,654	2,664	5,514
Gross amounts not offset in the consolidated balance sheets				
Financial instruments	849	—	849	—
Financial collateral pledged	—	—	237	4,950
Net amounts	$5,660	$4,654	$1,578	$564

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
Three months ended June 30, 2013			
Securities available for sale:			
Unrealized holding losses on securities	$(11,369)	$(4,350)	$(7,019)
Non-credit related portion of other-than-temporary impairment on securities	—	—	—
Reclassification adjustment for gains realized in net income	—	—	—
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(88)	(34)	(54)
Total securities available for sale	(11,457)	(4,384)	(7,073)
Derivative instruments:			
Unrealized holding gains on derivative instruments	1,607	615	992
Reclassification adjustment for gains realized in net income	(83)	(32)	(51)
Total derivative instruments	1,524	583	941
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	138	53	85
Total defined benefit pension and post-retirement benefit plans	138	53	85
Total other comprehensive income	$(9,795)	$(3,748)	$(6,047)
Three months ended June 30, 2012			
Securities available for sale:			
Unrealized holding gains on securities	$1,766	$676	$1,090
Non-credit related portion of other-than-temporary impairment on securities	—	—	—
Reclassification adjustment for gains realized in net income	(869)	(332)	(537)
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(148)	(57)	(91)
Total securities available for sale	749	287	462
Derivative instruments:			
Unrealized holding losses on derivative instruments	(1,664)	(637)	(1,027)
Reclassification adjustment for gains realized in net income	(152)	(58)	(94)
Total derivative instruments	(1,816)	(695)	(1,121)
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	$(960)	$(367)	$(593)

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

	Pre-Tax	Tax Expense (Benefit)	Net of Tax
Six months ended June 30, 2013			
Securities available for sale:			
Unrealized holding losses on securities	$(11,133)	$(4,260)	$(6,873)
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	(194)	(74)	(120)
Total securities available for sale	(11,212)	(4,290)	(6,922)
Derivative instruments:			
Unrealized holding gains on derivative instruments	1,942	743	1,199
Reclassification adjustment for gains realized in net income	(168)	(64)	(104)
Total derivative instruments	1,774	679	1,095
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	254	97	157
Total defined benefit pension and post-retirement benefit plans	254	97	157
Total other comprehensive income	$(9,184)	$(3,514)	$(5,670)
Six months ended June 30, 2012			
Securities available for sale:			
Unrealized holding gains on securities	$3,414	$1,306	$2,108
Non-credit related portion of other-than-temporary impairment on securities	—	—	—
Reclassification adjustment for gains realized in net income	(1,773)	(678)	(1,095)
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(313)	(120)	(193)
Total securities available for sale	1,328	508	820
Derivative instruments:			
Unrealized holding losses on derivative instruments	(1,843)	(705)	(1,138)
Reclassification adjustment for gains realized i			