

RENASANT CORP
Form 10-Q
May 10, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2011

Or

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

Commission file number 001-13253

RENASANT CORPORATION

(Exact name of registrant as specified in its charter)

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Mississippi
(State or other jurisdiction of
incorporation or organization)

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

209 Troy Street, Tupelo,

Mississippi
(Address of principal executive offices)

38804-4827
(Zip Code)

(662) 680-1001

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 29, 2011, 25,056,431 shares of the registrant's common stock, \$5.00 par value per share, were outstanding. The registrant has no other classes of securities outstanding.

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RENASANT CORPORATION AND SUBSIDIARIES

Form 10-Q

For the quarterly period ended March 31, 2011

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Renasant Corporation and Subsidiaries

Consolidated Balance Sheets

(In Thousands, Except Share Data)

	(Unaudited) March 31, 2011	December 31, 2010
Assets		
Cash and due from banks	\$ 68,885	\$ 47,705
Interest-bearing balances with banks	257,140	244,964
Cash and cash equivalents	326,025	292,669
Securities held to maturity (fair value of \$260,811 and \$228,157, respectively)	259,850	230,786
Securities available for sale, at fair value	620,532	603,686
Mortgage loans held for sale	9,399	27,704
Loans, net of unearned income:		
Covered under loss-share agreements	386,811	333,681
Not covered under loss-share agreements	2,190,376	2,190,909
Total loans, net of unearned income	2,577,187	2,524,590
Allowance for loan losses	(47,505)	(45,415)
Loans, net	2,529,682	2,479,175
Premises and equipment, net	51,702	51,424
Other real estate owned and repossessions:		
Covered under loss-share agreements	59,036	54,715
Not covered under loss-share agreements	71,415	71,833
Total other real estate owned and repossessions	130,451	126,548
Goodwill	184,879	184,879
Other intangible assets, net	6,702	6,988
FDIC loss-share indemnification asset	164,104	155,657
Other assets	138,838	137,811
Total assets	\$ 4,422,164	\$ 4,297,327
Liabilities and shareholders equity		
Liabilities		
Deposits		
Noninterest-bearing	\$ 486,676	\$ 368,798
Interest-bearing	3,158,198	3,099,353
Total deposits	3,644,874	3,468,151
Short-term borrowings	10,892	15,386
Long-term debt	249,257	301,050
Other liabilities	43,787	43,231

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Total liabilities	3,948,810	3,827,818
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, respectively; 25,056,431 and 25,043,112 shares outstanding, respectively	133,579	133,579
Treasury stock, at cost	(26,975)	(27,187)
Additional paid-in capital	217,278	217,011
Retained earnings	165,834	162,547
Accumulated other comprehensive loss	(16,362)	(16,441)
Total shareholders' equity	473,354	469,509
Total liabilities and shareholders' equity	\$ 4,422,164	\$ 4,297,327

See Notes to Consolidated Financial Statements.

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Renasant Corporation and Subsidiaries

Consolidated Statements of Income (Unaudited)

(In Thousands, Except Share Data)

	Three Months Ended March 31,	
	2011	2010
Interest income		
Loans	\$ 35,872	\$ 32,429
Securities		
Taxable	5,595	5,899
Tax-exempt	2,130	1,335
Other	206	45
Total interest income	43,803	39,708
Interest expense		
Deposits	10,082	10,333
Borrowings	2,625	4,965
Total interest expense	12,707	15,298
Net interest income	31,096	24,410
Provision for loan losses	5,500	6,665
Net interest income after provision for loan losses	25,596	17,745
Noninterest income		
Service charges on deposit accounts	4,880	5,090
Fees and commissions	4,138	3,721
Insurance commissions	832	834
Trust revenue	613	584
Gains on sales of securities	12	
Other-than-temporary-impairment losses on securities available for sale		(1,281)
Non-credit related portion of other-than-temporary impairment on securities, recognized in other comprehensive income		1,121
Net impairment losses on securities		(160)
BOLI income	595	574
Gains on sales of mortgage loans held for sale	1,151	1,329
Gain on acquisition	8,774	
Other	770	512
Total noninterest income	21,765	12,484
Noninterest expense		
Salaries and employee benefits	16,237	13,197
Data processing	1,788	1,426
Net occupancy and equipment	3,234	2,931
Other real estate owned	3,511	736
Professional fees	898	866
Advertising and public relations	1,163	890
Intangible amortization	515	476
Communications	1,434	1,086
Extinguishment of debt	1,903	

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Other	6,040	4,026
Total noninterest expense	36,723	25,634
Income before income taxes	10,638	4,595
Income taxes	3,085	988
Net income	\$ 7,553	\$ 3,607
Basic earnings per share	\$ 0.30	\$ 0.17
Diluted earnings per share	\$ 0.30	\$ 0.17
Cash dividends per common share	\$ 0.17	\$ 0.17

See Notes to Consolidated Financial Statements.

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Renasant Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In Thousands)

	Three Months Ended March 31,	
	2011	2010
Operating activities		
Net cash provided by operating activities	\$ 45,499	\$ 32,245
Investing activities		
Purchases of securities available for sale	(48,586)	(100,070)
Proceeds from call/maturities of securities available for sale	39,227	75,396
Purchases of securities held to maturity	(36,547)	(5,372)
Proceeds from sales of securities held to maturity	5,041	
Proceeds from call/maturities of securities held to maturity	2,140	1,735
Net decrease in loans	1,219	27,988
Purchases of premises and equipment	(1,276)	(373)
Proceeds from sales of premises and equipment	10	2
Net cash received in acquisition	148,443	
Net cash provided by (used in) investing activities	109,671	(694)
Financing activities		
Net increase in noninterest-bearing deposits	107,782	10,102
Net (decrease) increase in interest-bearing deposits	(154,066)	127,646
Net decrease in short-term borrowings	(4,494)	(647)
Repayment of long-term debt	(66,779)	(134,141)
Cash paid for dividends	(4,266)	(3,592)
Cash received on exercise of stock-based compensation	9	
Net cash used in financing activities	(121,814)	(632)
Net increase in cash and cash equivalents	33,356	30,919
Cash and cash equivalents at beginning of period	292,669	148,560
Cash and cash equivalents at end of period	\$ 326,025	\$ 179,479
Supplemental disclosures		
Noncash transactions:		
Transfers of loans to other real estate	\$ 18,555	\$ 6,844
<i>See Notes to Consolidated Financial Statements.</i>		

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note A Significant Accounting Policies

(In Thousands, Except Share Data)

Basis of Presentation: 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 and insurance services to its retail and commercial customers through its subsidiaries and full service offices located throughout north and north central Mississippi, west and middle Tennessee, north and north central Alabama and north Georgia.

The accompanying unaudited consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information regarding the Company's 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, 2010.

The Company has evaluated subsequent events that have occurred after March 31, 2011 through the date of issuance of its financial statements for consideration of recognition or disclosure.

Impact of Recently-Issued Accounting Standards and Pronouncements: In January 2010, the Financial Accounting Standards Board (FASB) issued an update to Accounting Standards Codification Topic (ASC) 820, Fair Value Measurements and Disclosures, (ASC 820) that requires a reporting entity to present separately information about purchases, sales, issuances and settlements in the reconciliation for fair value measurements using Level 3 inputs. These disclosures are effective for interim and annual reporting periods beginning after December 15, 2010. See Note J, Fair Value Measurements, in these Notes to Consolidated Financial Statements for further disclosures regarding the Company's adoption of this update.

In July 2010, FASB issued an update to ASC 310, Receivables, (ASC 310) that requires enhanced and additional disclosures that will provide financial statement users with greater transparency about a reporting entity's allowance for credit losses and the credit quality of its financial receivables. A reporting entity must provide disclosures that facilitate financial statement users' evaluation of the nature of credit risk inherent in its portfolio of financing receivables, explaining how that risk is analyzed and assessed in arriving at the allowance for credit losses, and detailing the changes and reasons for those changes in the allowance for credit losses. To achieve those objectives, a reporting entity should provide disclosures by portfolio segment and/or by class of financing receivable. This update to ASC 310 amends existing disclosures to require a reporting entity to provide a rollforward schedule of the allowance for credit losses on a portfolio segment basis, with the ending balance further segregated by impairment method. A reporting entity must also present nonaccrual, past due 90 days or more and still accruing and impaired financing receivables by class. Additional disclosures include (i) credit quality indicators of financing receivables at the end of the reporting period presented by class, (ii) the aging of past due financing receivables at the end of the reporting period presented by class, (iii) the nature and extent of troubled debt restructurings that occurred during the period presented by class and their effect on the allowance for credit losses, (iv) the nature and extent of financing receivables modified as troubled debt restructurings within the previous twelve months that defaulted during the reporting period presented by class and their effect on the allowance for credit losses, and (v) significant purchases and sales of financing receivables during the reporting period presented by portfolio segment. The disclosures as of the end of a reporting period became effective for the Company's financial statements at December 31, 2010. The disclosures about activity that occurs during a reporting period became effective for the Company's financial statements beginning on January 1, 2011. See Note D, Loans and the Allowance for Loan Losses, in these Notes to Consolidated Financial Statements for disclosures reflecting the Company's adoption of this update. An update issued in January 2011 temporarily deferred the effective date for the disclosures related to troubled debt restructurings to be concurrent with the effective date of the then-proposed update which is discussed in the following paragraph.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note A Significant Accounting Policies (continued)

In April 2011, FASB issued an update to ASC 310 that clarifies which loan modifications constitute troubled debt restructurings and is intended to assist creditors in determining whether a modification of the terms of a receivable meets the criteria to be considered a troubled debt restructuring, both for purposes of recording an impairment loss and for disclosure of troubled debt restructurings. In evaluating whether a restructuring constitutes a troubled debt restructuring, a creditor must separately conclude that the restructuring constitutes a concession by the creditor to the borrower, and the borrower is experiencing financial difficulties. This update to ASC 310 is effective for interim and annual reporting periods beginning on or after June 15, 2011 and applied retrospectively to troubled debt restructurings occurring on or after the beginning of the fiscal year of adoption. The Company is currently in the process of evaluating the impact of adopting this update on its financial statements.

Note B FDIC-Assisted Acquisitions

(In Thousands)

FDIC-Assisted Acquisition of Certain Assets and Liabilities of American Trust Bank

On February 4, 2011, the Bank entered into a purchase and assumption agreement with loss-share agreements with the FDIC to acquire specified assets and assume specified liabilities of American Trust Bank, a Georgia-chartered bank headquartered in Roswell, Georgia (American Trust). American Trust operated 3 branches in the northwest region of Georgia.

In connection with the acquisition, the Bank entered into loss-share agreements with the FDIC that covered \$73,657 of American Trust loans (the covered loans). The Bank will share in the losses on the asset pools (including single family residential mortgage loans and commercial loans) covered under the loss-share agreements. Pursuant to the terms of the loss-share agreements, the FDIC is obligated to reimburse the Bank for 80% of all eligible losses with respect to covered loans, beginning with the first dollar of loss incurred. The Bank has a corresponding obligation to reimburse the FDIC for 80% of eligible recoveries with respect to covered loans.

The acquisition of American Trust resulted in a pre-tax gain of \$8,774. Due to the difference in tax bases of the assets acquired and liabilities assumed, the Company recorded a deferred tax liability of \$3,356, resulting in an after-tax gain of \$5,418. Acquisition costs related to the American Trust acquisition of \$1,325 were recognized as other noninterest expense in the Consolidated Statements of Income for the three months ended March 31, 2011.

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

Assets Acquired	
Cash and due from banks	\$ 148,443
Securities available for sale	7,060
Federal Home Loan Bank stock	1,192
Loans	74,399
FDIC loss-share indemnification asset	11,926
Core deposit intangible	229
Other assets	4,256
Total assets acquired	247,505

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Liabilities Assumed	
Deposits:	
Noninterest-bearing	10,096
Interest-bearing	212,911
Total deposits	223,007
Advances from the Federal Home Loan Bank	15,020
Accrued expenses and other liabilities	704
Total liabilities assumed	238,731
Net assets acquired	8,774
Deferred tax liability	3,356
Net assets assumed, including deferred tax liability	\$ 5,418

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note B FDIC-Assisted Acquisitions (continued)

The Company's operating results for the three months ended March 31, 2011 include the operating results of the assets acquired and liabilities assumed in the American Trust acquisition subsequent to the February 4, 2011 closing date. The significance of the fair value adjustments recorded as well as the nature of the loss-share agreements in connection with an FDIC-assisted transaction are integral to accurately assessing the impact of the acquired operations on the operations of the Company. Disclosure of pro forma financial information is made more difficult by the troubled nature of American Trust prior to the date of the acquisition. Therefore, the Company has determined that pro forma financial information in relation to the acquisition of American Trust is neither practical nor meaningful.

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

On July 23, 2010 the Bank acquired specified assets and assumed specified liabilities of Crescent Bank & Trust Company, a Georgia-chartered bank headquartered in Jasper, Georgia (Crescent), from the FDIC, as receiver for Crescent. For more information regarding the Crescent acquisition, please refer to Note B, FDIC-Assisted Acquisition of Certain Assets and Liabilities of Crescent Bank & Trust, in the Notes to Consolidated Financial Statements of the Company in Item 8, Financial Statements and Supplementary Data, of the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note C Securities*(In Thousands)*

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2011				
Obligations of other U.S. Government agencies and corporations	\$ 42,699	\$	\$ (662)	\$ 42,037
Obligations of states and political subdivisions	217,151	3,113	(1,490)	218,774
	\$ 259,850	\$ 3,113	\$ (2,152)	\$ 260,811
December 31, 2010				
Obligations of other U.S. Government agencies and corporations	\$ 24,703	\$	\$ (404)	\$ 24,299
Obligations of states and political subdivisions	206,083	1,408	(3,633)	203,858
	\$ 230,786	\$ 1,408	\$ (4,037)	\$ 228,157

In light of the ongoing fiscal uncertainty in state and local governments, the Company analyzed its exposure to potential losses in its security portfolio. Management reviewed the underlying credit rating and analyzed the financial condition of the respective issuers. Based on this analysis, the Company sold certain securities representing obligations of states and political subdivisions that were classified as held to maturity. The securities sold showed significant credit deterioration in that an analysis of the financial condition of the respective issuers showed the issuers were operating at net deficits with little to no financial cushion to offset future contingencies. These securities had a carrying value of \$5,029 and the Company recognized a net gain of \$12 on the sale.

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2011				
Obligations of other U.S. Government agencies and corporations	\$ 63,654	\$ 82	\$ (1,209)	\$ 62,527
Obligations of states and political subdivisions	766		(15)	751
Mortgage-backed securities	512,825	11,016	(3,191)	520,650
Trust preferred securities	33,175	132	(28,072)	5,235
Other equity securities	30,838	531		31,369
	\$ 641,258	\$ 11,761	\$ (32,487)	\$ 620,532
December 31, 2010				
Obligations of other U.S. Government agencies and corporations	\$ 73,656	\$ 266	\$ (1,170)	\$ 72,752
Mortgage-backed securities	489,068	10,819	(3,377)	496,510

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Trust preferred securities	32,452	150	(28,019)	4,583
Other equity securities	29,674	167		29,841
	\$ 624,850	\$ 11,402	\$ (32,566)	\$ 603,686

There were no sales of securities available for sale for the three months ended March 31, 2011 or 2010, respectively.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note C Securities (continued)

The amortized cost and fair value of securities at March 31, 2011, 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	\$ 9,177	\$ 9,195	\$	\$
Due after one year through five years	45,666	46,116	2,990	3,023
Due after five years through ten years	78,029	78,474	60,664	59,504
Due after ten years	126,978	127,026	33,941	5,986
Mortgage-backed securities			512,825	520,650
Other equity securities			30,838	31,369
	\$ 259,850	\$ 260,811	\$ 641,258	\$ 620,532

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

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Held to Maturity:						
March 31, 2011						
Obligations of other U.S Government agencies and corporations	\$ 42,037	\$ (662)	\$	\$	\$ 42,037	\$ (662)
Obligations of states and political subdivisions	56,309	(1,488)	332	(2)	56,641	(1,490)
Total	\$ 98,346	\$ (2,150)	\$ 332	\$ (2)	\$ 98,678	\$ (2,152)
December 31, 2010						
Obligations of other U.S Government agencies and corporations	\$ 15,104	\$ (404)	\$	\$	\$ 15,104	\$ (404)
Obligations of states and political subdivisions	97,367	(3,633)			97,367	(3,633)
Total	\$ 112,471	\$ (4,037)	\$	\$	\$ 112,471	\$ (4,037)
Available for Sale:						
March 31, 2011						
Obligations of other U.S Government agencies and corporations	\$ 38,966	\$ (1,209)	\$	\$	\$ 38,966	\$ (1,209)
Obligations of states and political subdivisions	751	(15)			751	(15)
Mortgage-backed securities	185,628	(3,173)	2,248	(18)	187,876	(3,191)

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Trust preferred securities			2,103	(28,072)	2,103	(28,072)
Other equity securities						
Total	\$ 225,345	\$ (4,397)	\$ 4,351	\$ (28,090)	\$ 229,696	\$ (32,487)

December 31, 2010

Obligations of other U.S Government agencies and corporations	\$ 39,513	\$ (1,170)	\$	\$	\$ 39,513	\$ (1,170)
Mortgage-backed securities	148,867	(3,359)	2,254	(18)	151,121	(3,377)
Trust preferred securities			1,433	(28,019)	1,433	(28,019)
Other equity securities						
Total	\$ 188,380	\$ (4,529)	\$ 3,687	\$ (28,037)	\$ 192,067	\$ (32,566)

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note C Securities (continued)

The Company evaluates its investment portfolio for other-than-temporary-impairment (OTTI) on a quarterly basis. Impairment is assessed at the individual security level. The Company considers an investment security impaired if the fair value of the security is less than its cost or amortized cost basis.

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

The Company holds investments in pooled trust preferred securities and those from a single issuer. The investments in pooled trust preferred securities had a cost basis of \$30,175 and \$29,452 and a fair value of \$2,103 and \$1,433 at March 31, 2011 and December 31, 2010, respectively. The investment in pooled trust preferred securities consists of four securities representing interests in various tranches of trusts collateralized by debt issued by over 321 financial institutions. Management's determination of the fair value of each of its holdings in pooled trust preferred securities is based on the current credit ratings, the known deferrals and defaults by the underlying issuing financial institutions and the degree to which future deferrals and defaults would be required to occur before the cash flow for the Company's tranches is negatively impacted. In addition, management continually monitors key credit quality and capital ratios of the issuing institutions. This determination is further supported by quarterly valuations of each security obtained by the Company performed by third parties. The Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of the investments' amortized cost, which may be maturity. At March 31, 2011, management did not, and does not currently, believe such securities will be settled at a price less than the amortized cost of the investment and that no additional impairment was required.

The following table provides information regarding the Company's investments in pooled trust preferred securities at March 31, 2011:

Name	Single/ Pooled	Class/ Tranche	Amortized Cost	Fair Value	Unrealized Loss	Lowest Credit Rating	Issuers Currently in Deferral or Default	Projected Additional Deferrals or Defaults
XXIV	Pooled	B-2	\$ 12,511	\$ 101	\$ (12,410)	Caa3	41%	13%
XXVI	Pooled	B-2	5,661	1,048	(4,613)	Ca	38%	9%
XXIII	Pooled	B-2	10,768	841	(9,927)	Ca	28%	9%
XIII	Pooled	B-2	1,235	113	(1,122)	Ca	32%	12%
			\$ 30,175	\$ 2,103	\$ (28,072)			

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:

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	2011	2010
Balance at January 1	\$ (3,075)	\$
Additions related to credit losses for which OTTI was not previously recognized		(160)
Increases in credit loss for which OTTI was previously recognized		
Balance at March 31	\$ (3,075)	\$ (160)

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

The following is a summary of loans:

	March 31, 2011	December 31, 2010
Commercial, financial, agricultural	\$ 273,853	\$ 265,276
Lease financing	484	533
Real estate construction	85,406	82,361
Real estate 1-4 family mortgage	854,630	872,382
Real estate commercial mortgage	1,299,599	1,239,843
Installment loans to individuals	63,241	64,225
Gross loans	2,577,213	2,524,620
Unearned income	(26)	(30)
Loans, net of unearned income	2,577,187	2,524,590
Allowance for loan losses	(47,505)	(45,415)
Net loans	\$ 2,529,682	\$ 2,479,175

Loans acquired in FDIC-assisted acquisitions were recorded, as of their respective acquisition dates, at fair value. The fair value of these loans represents the expected discounted cash flows to be received over the lives of the loans, taking into account the Company's estimate of future credit losses on the loans. These loans were excluded from the calculation of the allowance for loan losses and no provision for loan losses was recorded for these loans during the three months ended March 31, 2011 or for the year ended December 31, 2010 because the fair value measurement incorporates an estimate of losses on acquired loans. The Company will continue to monitor future cash flows on these loans; to the extent future cash flows deteriorate below initial projections, the Company may be required to reserve for these loans in the allowance for loan losses through future provision for loan losses.

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

A summary of loans acquired in FDIC-assisted acquisitions at fair value follows:

	Impaired Covered Loans	Other Covered Loans	Not Covered	Total Loans
March 31, 2011				
Commercial, financial, agricultural	\$ 47	\$ 22,917	\$ 17	\$ 22,981
Real estate construction	7,408	6,439		13,847
Real estate 1-4 family mortgage	20,568	103,202	82	123,852
Real estate commercial mortgage	64,889	161,149	1,182	227,220

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Installment loans to individuals		192	7,142	7,334
Total	\$ 92,912	\$ 293,899	\$ 8,423	\$ 395,234
December 31, 2010				
Commercial, financial, agricultural	\$ 10	\$ 20,911	\$ 3	\$ 20,924
Real estate construction	8,313	7,250		15,563
Real estate 1-4 family mortgage	20,293	102,225		122,518
Real estate commercial mortgage	67,445	107,128		174,573
Installment loans to individuals		106	8,052	8,158
Total	\$ 96,061	\$ 237,620	\$ 8,055	\$ 341,736

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

The allowance for loan losses is established through a provision for loan losses charged to earnings resulting from measurements of inherent credit risk in the loan portfolio and estimates of probable losses or impairments of individual loans. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The following table provides a rollforward of the allowance for loan losses by portfolio segment and the related recorded investment in loans, net of unearned income:

	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial	Installment and Other ⁽¹⁾	Total
March 31, 2011						
Allowance for loan losses:						
Beginning balance	\$ 2,625	\$ 2,115	\$ 20,870	\$ 18,779	\$ 1,026	\$ 45,415
Provision for loan losses	660	(151)	3,652	1,365	(26)	5,500
Charge-offs	(145)	(229)	(3,531)	(551)	(56)	(4,512)
Recoveries	142		116	817	27	1,102
Ending balance	\$ 3,282	\$ 1,735	\$ 21,107	\$ 20,410	\$ 971	\$ 47,505
Period end amount allocated to:						
Individually evaluated for impairment	\$ 674	\$ 711	\$ 7,931	\$ 6,819	\$	\$ 16,135
Collectively evaluated for impairment	2,608	1,024	13,176	13,591	971	31,370
Loans acquired with deteriorated credit quality						
Ending balance	\$ 3,282	\$ 1,735	\$ 21,107	\$ 20,410	\$ 971	\$ 47,505
Loans, net of unearned income:						
Individually evaluated for impairment	\$ 8,494	\$ 8,254	\$ 86,649	\$ 90,693	\$	\$ 194,090
Collectively evaluated for impairment	242,378	63,305	644,129	981,686	56,365	1,987,863
Loans acquired with deteriorated credit quality	22,981	13,847	123,852	227,220	7,334	395,234
Ending balance	\$ 273,853	\$ 85,406	\$ 854,630	\$ 1,299,599	\$ 63,699	\$ 2,577,187
December 31, 2010						
Allowance for loan losses:						
Beginning balance	\$ 4,855	\$ 4,494	\$ 15,593	\$ 12,577	\$ 1,626	\$ 39,145
Provision for loan losses	(1,351)	1,734	18,467	12,181	(366)	30,665

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Charge-offs	(1,161)	(4,181)	(14,189)	(6,512)	(319)	(26,362)
Recoveries	282	68	999	533	85	1,967

Ending balance \$ 2,625 \$ 2,115 \$ 20,870 \$ 18,779 \$ 1,026 \$ 45,415

Period end amount allocated to:

Individually evaluated for impairment	\$ 549	\$ 20	\$ 10,349	\$ 6,611	\$	\$ 17,529
Collectively evaluated for impairment	2,076	2,095	10,521	12,168	1,026	27,886

Loans acquired with deteriorated credit

quality

Ending balance \$ 2,625 \$ 2,115 \$ 20,870 \$ 18,779 \$ 1,026 \$ 45,415

Loans, net of unearned income:

Individually evaluated for impairment	\$ 7,361	\$ 8,837	\$ 94,883	\$ 81,288	\$	\$ 192,369
Collectively evaluated for impairment	236,991	57,961	654,981	983,982	56,570	1,990,485

Loans acquired with deteriorated credit

quality 20,924 15,563 122,518 174,573 8,158 341,736

Ending balance \$ 265,276 \$ 82,361 \$ 872,382 \$ 1,239,843 \$ 64,728 \$ 2,524,590

⁽¹⁾ Includes lease financing receivables.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

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

	Pass	Watch	Substandard	Total
March 31, 2011				
Commercial, financial, agricultural	\$ 189,061	\$ 3,941	\$ 4,553	\$ 197,555
Real estate construction	45,814	5,938	2,316	54,068
Real estate 1-4 family mortgage	107,878	51,295	35,354	194,527
Real estate commercial mortgage	849,606	59,255	31,438	940,299
Total	\$ 1,192,359	\$ 120,429	\$ 73,661	\$ 1,386,449
December 31, 2010				
Commercial, financial, agricultural	\$ 184,125	\$ 3,536	\$ 3,825	\$ 191,486
Real estate construction	40,129	6,528	2,309	48,966
Real estate 1-4 family mortgage	121,896	47,911	46,972	216,779
Real estate commercial mortgage	856,819	49,408	31,880	938,107
Total	\$ 1,202,969	\$ 107,383	\$ 84,986	\$ 1,395,338

For portfolio balances of consumer, consumer mortgage and certain other similar loan types, allowance factors are determined based on historical loss ratios by portfolio for the preceding eight quarters and may be adjusted by other qualitative criteria. The following table presents the Company's loan portfolio by historical loss:

	Performing	Non-Performing	Total
March 31, 2011			
Commercial, financial, agricultural	\$ 53,099	\$ 218	\$ 53,317
Lease financing	458		458
Real estate construction	17,491		17,491
Real estate 1-4 family mortgage	527,120	9,131	536,251
Real estate commercial mortgage	131,255	825	132,080
Installment loans to individuals	55,844	63	55,907

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Total	\$ 785,267	\$ 10,237	\$ 795,504
December 31, 2010			
Commercial, financial, agricultural	\$ 52,866	\$	\$ 52,866
Lease financing	503		503
Real estate construction	17,832		17,832
Real estate 1-4 family mortgage	527,086	5,999	533,085
Real estate commercial mortgage	127,068	95	127,163
Installment loans to individuals	55,996	71	56,067
Total	\$ 781,351	\$ 6,165	\$ 787,516

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

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

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

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current Loans	Total Loans	Accruing 90 Days or More Past Due
March 31, 2011						
Commercial, financial, agricultural	\$ 2,355	\$ 7,157	\$ 9,512	\$ 264,341	\$ 273,853	\$ 1,425
Lease financing				458	458	
Real estate construction	919	10,588	11,507	73,899	85,406	111
Real estate 1-4 family mortgage	27,878	47,792	75,670	778,960	854,630	9,028
Real estate commercial mortgage	22,335	56,881	79,216	1,220,383	1,299,599	7,778
Installment loans to individuals	725	1,010	1,735	61,506	63,241	314
Total	\$ 54,212	\$ 123,428	\$ 177,640	\$ 2,399,547	\$ 2,577,187	\$ 18,656
December 31, 2010						
Commercial, financial, agricultural	\$ 2,916	\$ 3,869	\$ 6,785	\$ 258,491	\$ 265,276	\$ 224
Lease financing				503	503	
Real estate construction	667	11,419	12,086	70,275	82,361	128
Real estate 1-4 family mortgage	22,255	45,971	68,226	804,156	872,382	4,794
Real estate commercial mortgage	8,905	46,152	55,057	1,184,786	1,239,843	2,016
Installment loans to individuals	751	205	956	63,269	64,225	34
Total	\$ 35,494	\$ 107,616	\$ 143,110	\$ 2,381,480	\$ 2,524,590	\$ 7,196

The following table presents nonaccrual loans, including those that are not considered past due, segregated by class:

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	March 31, 2011	December 31, 2010
Commercial, financial, agricultural	\$ 5,804	\$ 5,508
Lease financing		
Real estate construction	10,708	11,980
Real estate 1-4 family mortgage	55,133	60,203
Real estate commercial mortgage	52,941	50,719
Installment loans to individuals	729	645
Gross loans	\$ 125,315	\$ 129,055

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

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

Impaired loans recognized in conformity with ASC 310, segregated by class, were as follows.

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment ⁽¹⁾
March 31, 2011				
With a related allowance recorded:				
Commercial, financial, agricultural	\$ 2,537	\$ 2,712	\$ 674	\$ 2,638
Real estate construction	2,424	2,424	711	2,420
Real estate 1-4 family mortgage	41,778	42,477	7,931	42,384
Real estate commercial mortgage	29,221	29,919	6,819	29,287
Total	\$ 75,960	\$ 77,532	\$ 16,135	\$ 76,729
With no related allowance recorded:				
Commercial, financial, agricultural	\$ 2,706	\$ 3,419	\$	\$ 2,706
Real estate construction	10,544	18,970	\$	10,544
Real estate 1-4 family mortgage	36,284	55,214	\$	36,284
Real estate commercial mortgage	77,225	114,608	\$	77,226
Total	\$ 126,759	\$ 192,211	\$	\$ 126,760
Totals	\$ 202,719	\$ 269,743	\$ 16,135	\$ 203,489
December 31, 2010				
With a related allowance recorded:				
Commercial, financial, agricultural	\$ 2,298	\$ 2,547	\$ 549	\$ 2,684
Real estate construction	181	181	20	906
Real estate 1-4 family mortgage	42,889	43,654	10,349	44,756
Real estate commercial mortgage	26,582	27,775	6,611	28,784
Total	\$ 71,950	\$ 74,157	\$ 17,529	\$ 77,130

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With no related allowance recorded:

Commercial, financial, agricultural	\$	10	\$	10	\$		\$	10
Real estate construction		8,313		8,313				8,315
Real estate 1-4 family mortgage		26,611		29,086				30,455
Real estate commercial mortgage		68,132		68,132				69,989
Total	\$	103,066	\$	105,541	\$		\$	108,769
Totals	\$	175,016	\$	179,698	\$	17,529	\$	185,899

(1) Average recorded investment reported on a year-to-date basis.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

Restructured loans totaled \$33,816 and \$32,615 at March 31, 2011 and December 31, 2010, respectively. The allocated allowance for loan losses attributable to restructured loans included in the table above was \$5,378 and \$5,138 at March 31, 2011 and December 31, 2010. The Company had \$1,112 and \$1,122 in remaining availability under commitments to lend additional funds on these restructured loans at March 31, 2011 and December 31, 2010, respectively.

Certain loans acquired in connection with prior acquisitions (excluding FDIC-assisted acquisitions) exhibited, at the date of acquisition, evidence of deterioration of the credit quality since origination, and it was probable that all contractually required payments would not be collected. The amount of such loans included in the Consolidated Balance Sheets under the line item Loans - Not covered under loss-share agreements at March 31, 2011 were as follows:

Commercial, financial, agricultural	\$ 1,563
Real estate 1-4 family mortgage	4,346
Real estate commercial mortgage	239
Total outstanding balance	6,148
Nonaccretable difference	(1,213)
Cash flows expected to be collected	4,935
Accretable yield	(92)
Fair value	\$ 4,843

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

Balance at January 1, 2011	\$ 172
Additions	
Reclassifications from nonaccretable difference	63
Accretion	(143)
Balance at March 31, 2011	\$ 92

The following table presents the fair value of loans covered by loss-share agreements determined to be impaired at the time of acquisition and determined not to be impaired at the time of acquisition at March 31, 2011:

	Impaired Loans	Non-impaired Loans	Total Covered Loans
Contractually-required principal and interest	\$ 149,710	\$ 399,055	\$ 548,765
Nonaccretable difference ⁽¹⁾	(53,995)	(92,339)	(146,334)

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Cash flows expected to be collected	95,715	306,716	402,431
Accretable yield ⁽²⁾	(2,803)	(12,817)	(15,620)
Fair value	\$ 92,912	\$ 293,899	\$ 386,811

⁽¹⁾ Represents contractual principal and interest cash flows of \$136,324 and \$10,010, respectively, not expected to be collected.

⁽²⁾ Represents future interest payments of \$9,412 expected to be collected and purchase discount of \$6,208.

Changes in the accretable yield of covered loans were as follows:

	Impaired Loans	Non-impaired Loans	Total Covered Loans
Balance at January 1, 2011	\$ (3,626)	\$ (15)	\$ (3,641)
Additions through acquisition		(3,405)	(3,405)
Reclassifications from nonaccretable difference			
Accretion	823	15	838
Balance at March 31, 2011	\$ (2,803)	\$ (3,405)	\$ (6,208)

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note E Other Real Estate and Repossessions*(In Thousands)*

The following table provides details of the Company's other real estate owned and repossessions (OREO) covered and not covered under a loss-share agreement:

	Covered OREO	Not Covered OREO	Total OREO
March 31, 2011			
Residential real estate	\$ 12,797	\$ 13,858	\$ 26,655
Commercial real estate	11,076	13,400	24,476
Residential land development	12,742	38,863	51,605
Commercial land development	22,421	4,999	27,420
Other		295	295
Total other real estate and repossessions	\$ 59,036	\$ 71,415	\$ 130,451
December 31, 2010			
Residential real estate	\$ 12,029	15,445	27,474
Commercial real estate	8,360	18,266	26,626
Residential land development	13,280	33,172	46,452
Commercial land development	21,046	4,501	25,547
Other		449	449
Total other real estate owned and repossessions	\$ 54,715	\$ 71,833	\$ 126,548

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, 2011	\$ 54,715	\$ 71,833	\$ 126,548
Transfers of loans	8,300	10,255	18,555
Capitalized improvements		17	17
Impairments		(969)	(969)
Dispositions	 		