

RENASANT CORP
Form 10-Q
August 09, 2010
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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 June 30, 2010

Or

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

Commission file number 001-13253

RENASANT CORPORATION

(Exact name of registrant as specified in its charter)

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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 July 31, 2010, 25,041,357 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

Form 10-Q

For the quarterly period ended June 30, 2010

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Table of Contents**Renasant Corporation and Subsidiaries****Condensed Consolidated Balance Sheets****(In Thousands, Except Share Data)**

| | (unaudited) June 30, 2010 | December 31, 2009 |
|---|---------------------------------|----------------------|
| Assets | | |
| Cash and due from banks | \$ 40,854 | \$ 63,049 |
| Interest-bearing balances with banks | 150,287 | 85,511 |
| Cash and cash equivalents | 191,141 | 148,560 |
| Securities held to maturity (fair value of \$162,088 and \$139,433 at June 30, 2010 and December 31, 2009, respectively) | 160,480 | 138,806 |
| Securities available for sale | 561,160 | 575,358 |
| Mortgage loans held for sale | 21,261 | 25,749 |
| Loans, net of unearned income | 2,263,263 | 2,347,615 |
| Allowance for loan losses | (41,146) | (39,145) |
| Net loans | 2,222,117 | 2,308,470 |
| Premises and equipment, net | 43,127 | 43,672 |
| Intangible assets, net | 190,411 | 191,357 |
| Other assets | 204,175 | 209,109 |
| Total assets | \$ 3,593,872 | \$ 3,641,081 |
| Liabilities and shareholders equity | | |
| Liabilities | | |
| Deposits | | |
| Noninterest-bearing | \$ 313,309 | \$ 304,962 |
| Interest-bearing | 2,374,903 | 2,271,138 |
| Total deposits | 2,688,212 | 2,576,100 |
| Short-term borrowings | 17,282 | 22,397 |
| Long-term debt | 442,480 | 595,627 |
| Other liabilities | 33,663 | 36,835 |
| Total liabilities | 3,181,637 | 3,230,959 |
| Shareholders equity | | |
| Preferred stock, \$.01 par value 5,000,000 shares authorized; no shares issued and outstanding | | |
| Common stock, \$.50 par value 75,000,000 shares authorized, 22,790,797 shares issued; 21,100,130 and 21,082,991 shares outstanding at June 30, 2010 and December 31, 2009, respectively | 113,954 | 113,954 |
| Treasury stock, at cost | (27,493) | (27,788) |
| Additional paid-in capital | 184,970 | 184,831 |
| Retained earnings | 146,798 | 146,581 |
| Accumulated other comprehensive loss | (5,994) | (7,456) |

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| | | |
|--|---------------------|---------------------|
| Total shareholders equity | 412,235 | 410,122 |
| Total liabilities and shareholders equity | \$ 3,593,872 | \$ 3,641,081 |

See Notes to Condensed Consolidated Financial Statements.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--|---------------|--------------------------------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| Interest income | | | | |
| Loans | \$ 31,678 | \$ 34,729 | \$ 64,107 | \$ 70,495 |
| Securities | | | | |
| Taxable | 5,238 | 6,729 | 11,137 | 13,677 |
| Tax-exempt | 1,413 | 1,182 | 2,748 | 2,317 |
| Other | 52 | 69 | 97 | 130 |
| Total interest income | 38,381 | 42,709 | 78,089 | 86,619 |
| Interest expense | | | | |
| Deposits | 10,446 | 12,307 | 20,779 | 24,499 |
| Borrowings | 4,255 | 6,242 | 9,220 | 12,647 |
| Total interest expense | 14,701 | 18,549 | 29,999 | 37,146 |
| Net interest income | 23,680 | 24,160 | 48,090 | 49,473 |
| Provision for loan losses | 7,000 | 6,700 | 13,665 | 11,740 |
| Net interest income after provision for loan losses | 16,680 | 17,460 | 34,425 | 37,733 |
| Noninterest income | | | | |
| Service charges on deposit accounts | 5,361 | 5,395 | 10,451 | 10,820 |
| Fees and commissions | 3,409 | 4,424 | 7,130 | 9,106 |
| Insurance commissions | 830 | 837 | 1,664 | 1,665 |
| Trust revenue | 632 | 488 | 1,216 | 979 |
| Gains on sales of securities available for sale | 2,049 | 1,123 | 2,049 | 1,550 |
| Other-than-temporary-impairment losses on securities available for sale | (61) | | (1,342) | |
| Non-credit related portion of other-than-temporary impairment on securities, recognized in other comprehensive income | 61 | | 1,182 | |
| Net impairment losses on securities | | | (160) | |
| BOLI income | 738 | 539 | 1,312 | 1,173 |
| Gains on sales of mortgage loans held for sale | 994 | 2,293 | 2,323 | 4,069 |
| Other | 331 | 325 | 843 | 824 |
| Total noninterest income | 14,344 | 15,424 | 26,828 | 30,186 |
| Noninterest expense | | | | |
| Salaries and employee benefits | 13,052 | 13,736 | 26,249 | 28,480 |
| Data processing | 1,580 | 1,430 | 3,006 | 2,759 |
| Net occupancy and equipment | 2,926 | 3,063 | 5,857 | 6,312 |
| Professional fees | 881 | 907 | 1,747 | 1,834 |
| Advertising and public relations | 978 | 895 | 1,868 | 1,864 |
| Intangible amortization | 470 | 494 | 946 | 995 |
| Communications | 1,047 | 1,205 | 2,133 | 2,299 |
| Other | 5,254 | 5,402 | 10,016 | 9,509 |

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| | | | | |
|--|----------|----------|----------|-----------|
| Total noninterest expense | 26,188 | 27,132 | 51,822 | 54,052 |
| Income before income taxes | 4,836 | 5,752 | 9,431 | 13,867 |
| Income taxes | 1,040 | 1,496 | 2,028 | 3,605 |
| Net income | \$ 3,796 | \$ 4,256 | \$ 7,403 | \$ 10,262 |
| Basic earnings per share | \$ 0.18 | \$ 0.20 | \$ 0.35 | \$ 0.49 |
| Diluted earnings per share | \$ 0.18 | \$ 0.20 | \$ 0.35 | \$ 0.48 |
| Cash dividends per common share | \$ 0.17 | \$ 0.17 | \$ 0.34 | \$ 0.34 |

See Notes to Condensed Consolidated Financial Statements.

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

| | Six Months Ended June 30, | |
|--|--------------------------------------|-------------|
| | 2010 | 2009 |
| Operating activities | | |
| Net cash provided by operating activities | \$ 47,163 | \$ 17,486 |
| Investing activities | | |
| Purchases of securities available for sale | (210,233) | (220,514) |
| Proceeds from sales of securities available for sale | 91,744 | 102,490 |
| Proceeds from call/maturities of securities available for sale | 134,017 | 123,969 |
| Purchases of securities held to maturity | (28,712) | |
| Proceeds from call/maturities of securities held to maturity | 6,380 | |
| Net decrease in loans | 56,581 | 40,442 |
| Proceeds from sales of premises and equipment | 8 | 68 |
| Purchases of premises and equipment | (1,365) | (726) |
| Net cash provided by investing activities | 48,420 | 45,729 |
| Financing activities | | |
| Net increase in noninterest-bearing deposits | 8,347 | 7,902 |
| Net increase in interest-bearing deposits | 103,765 | 247,977 |
| Net decrease in short-term borrowings | (5,115) | (274,113) |
| Proceeds from long-term debt | | 52,935 |
| Repayment of long-term debt | (153,042) | (46,938) |
| Cash paid for dividends | (7,186) | (7,181) |
| Cash received on exercise of stock-based compensation | 229 | 88 |
| Net cash used in financing activities | (53,002) | (19,330) |
| Net increase in cash and cash equivalents | 42,581 | 43,885 |
| Cash and cash equivalents at beginning of period | 148,560 | 100,394 |
| Cash and cash equivalents at end of period | \$ 191,141 | \$ 144,279 |
| Supplemental disclosures | | |
| Transfers of loans to other real estate | \$ 16,602 | \$ 11,382 |

See Notes to Condensed Consolidated Financial Statements.

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Renasant Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note A Summary of Significant Accounting Policies

Basis of Presentation

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

The accompanying unaudited condensed consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information regarding the Company's accounting policies, refer to the audited consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

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

Subsequent Events

On July 23, 2010, Renasant Bank (the Bank) entered into a purchase and assumption agreement with loss-sharing arrangements with the Federal Deposit Insurance Corporation (the FDIC) to acquire specified assets and assume specified liabilities of Crescent Bank & Trust Company, a Georgia-chartered bank headquartered in Jasper, Georgia (Crescent).

Based upon a preliminary closing with the FDIC, the Bank acquired approximately \$1.0 billion in assets, including approximately \$600 million in loans and other real estate, \$50 million in investment securities and \$340 million in cash and cash equivalents, and the Bank assumed approximately \$941 million in liabilities, including approximately \$900 million in deposits of Crescent Bank and \$25 million in liabilities to the Federal Home Loan Bank of Atlanta. The Bank paid the FDIC a 1.0% premium for the right to assume the retail deposits of Crescent.

The Crescent loans and other real estate acquired are covered by a loss-sharing arrangement where the FDIC has agreed to cover 80% of losses with respect to the covered assets. The Bank has a corresponding obligation to reimburse the FDIC for 80% of eligible recoveries with respect to covered assets. In addition, after the 10th anniversary of the acquisition, the FDIC has a right to recover a portion of its shared-loss reimbursements if losses on the covered assets are less than \$242 million. The loss sharing agreement applicable to single-family residential mortgage loans provides for loss sharing with the FDIC to run for ten years, and the loss sharing agreement applicable to commercial and other assets provides for loss sharing with the FDIC to run for five years, with additional recovery sharing for three years thereafter.

The Bank did not immediately acquire the banking premises of Crescent as a part of the purchase and assumption agreement. The Bank has an option, exercisable for 90 days following the closing of the acquisition, to purchase any bank premises that were owned by, or assume any leases relating to bank premises leased by, Crescent from the FDIC.

In addition, on July 23, 2010, the Company issued and sold 3,925,000 shares of its \$5.00 par value per share common stock at a purchase price of \$14.00 per share in a private placement with accredited institutional investors. The gross proceeds to the Company from the private placement were \$54.95 million.

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Renasant Corporation and Subsidiaries

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

Note A Summary of Significant Accounting Policies (continued)

Impact of Recently-Issued Accounting Standards and Pronouncements

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

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

Table of Contents**Renasant Corporation and Subsidiaries****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****Note B Securities****(In Thousands)**

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

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|--|-------------------|------------------------------|-------------------------------|---------------|
| June 30, 2010 | | | | |
| Obligations of other U.S. Government agencies and corporations | \$ 99,995 | \$ 1,130 | \$ | \$ 101,125 |
| Mortgage-backed securities | 397,416 | 15,980 | (220) | 413,176 |
| Trust preferred securities | 34,598 | 157 | (22,170) | 12,585 |
| Other equity securities | 33,976 | 298 | | 34,274 |
| | \$ 565,985 | \$ 17,565 | \$ (22,390) | \$ 561,160 |
| December 31, 2009 | | | | |
| Obligations of other U.S. Government agencies and corporations | \$ 63,130 | \$ 191 | \$ (289) | \$ 63,032 |
| Mortgage-backed securities | 445,647 | 13,589 | (1,345) | 457,891 |
| Trust preferred securities | 33,803 | 137 | (19,502) | 14,438 |
| Other equity securities | 39,971 | 26 | | 39,997 |
| | \$ 582,551 | \$ 13,943 | \$ (21,136) | \$ 575,358 |

Gross gains on sales of securities available for sale for the six months ended June 30, 2010 were \$2,568, compared to gross losses on sales of securities available for sale of \$519 for the same period. Gross gains on sales of securities available for sale for the six months ended June 30, 2009 were \$2,195. These gains in 2009 were offset by the complete write-off of the Company's \$645 investment in Silverton Financial Services, Inc., the holding company of Silverton Bank, N.A., which was placed in receivership on May 1, 2009. The cost of securities sold is based on the specific identification method.

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

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|--|-------------------|------------------------------|-------------------------------|---------------|
| June 30, 2010 | | | | |
| Obligations of states and political subdivisions | \$ 160,480 | \$ 1,997 | \$ (389) | \$ 162,088 |
| December 31, 2009 | | | | |
| Obligations of states and political subdivisions | \$ 138,806 | \$ 958 | \$ (331) | \$ 139,433 |

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

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| | Available for Sale | | Held to Maturity | |
|--|--------------------|------------|------------------|------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Due within one year | \$ | \$ | \$ 8,467 | \$ 8,479 |
| Due after one year through five years | 7,987 | 8,111 | 40,810 | 41,101 |
| Due after five years through ten years | 86,962 | 87,920 | 44,505 | 45,257 |
| Due after ten years | 39,644 | 17,679 | 66,698 | 67,251 |
| Mortgage-backed securities | 397,416 | 413,176 | | |
| Other equity securities | 33,976 | 34,274 | | |
| | \$ 565,985 | \$ 561,160 | \$ 160,480 | \$ 162,088 |

Table of Contents**Renasant Corporation and Subsidiaries****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****Note B Securities (continued)**

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

| Available for Sale: | Less than 12 Months | | 12 Months or More | | Total | |
|---|---------------------|-------------------|-------------------|-------------------|------------|-------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| June 30, 2010 | | | | | | |
| Obligations of other U.S Government agencies and corporations | \$ | \$ | \$ | \$ | \$ | \$ |
| Mortgage-backed securities | 31,196 | (198) | 2,261 | (22) | 33,457 | (220) |
| Trust preferred securities | | | 9,428 | (22,170) | 9,428 | (22,170) |
| Other equity securities | | | | | | |
| Total | \$ 31,196 | \$ (198) | \$ 11,689 | \$ (22,192) | \$ 42,885 | \$ (22,390) |
| December 31, 2009 | | | | | | |
| Obligations of other U.S Government agencies and corporations | \$ 30,238 | \$ (289) | \$ | \$ | \$ 30,238 | \$ (289) |
| Mortgage-backed securities | 56,044 | (872) | 6,350 | (473) | 62,394 | (1,345) |
| Trust preferred securities | | | 11,301 | (19,502) | 11,301 | (19,502) |
| Other equity securities | | | | | | |
| Total | \$ 86,282 | \$ (1,161) | \$ 17,651 | \$ (19,975) | \$ 103,933 | \$ (21,136) |
| Held to Maturity: | | | | | | |
| | Less than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| June 30, 2010 | | | | | | |
| Obligations of states and political subdivisions | \$ 24,316 | \$ (389) | \$ | \$ | \$ 24,316 | \$ (389) |
| December 31, 2009 | | | | | | |
| Obligations of states and political subdivisions | \$ 64,155 | \$ (331) | \$ | \$ | \$ 64,155 | \$ (331) |

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

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

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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.

Table of Contents**Renasant Corporation and Subsidiaries****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****Note B Securities (continued)**

The Company holds investments in pooled trust preferred securities. This portfolio had a cost basis of \$31,598 and \$30,803 and a fair value of \$9,428 and \$11,301 at June 30, 2010 and December 31, 2009, respectively. The investment in pooled trust preferred securities consists of four securities representing interests in various tranches of trusts collateralized by debt issued by over 321 financial institutions. Management's determination of the fair value of each of its holdings in pooled trust preferred securities is based on the current credit ratings, the known deferrals and defaults by the underlying issuing banks and the degree to which future deferrals and defaults would be required to occur before the cash flow for the Company's tranches is negatively impacted. In addition, management continually monitors key credit quality and capital ratios of the issuing institutions. This determination is further supported by quarterly valuations of each security obtained by the Company performed by third parties. The Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of its amortized cost, which may be maturity. At June 30, 2010, management did not, and does not currently, believe such securities will be settled at a price less than the amortized cost of the investment and that no additional impairment was required.

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

| Name | Single/ Pooled | Class/ Tranche | Amortized Cost | Fair Value | Unrealized Loss | Lowest Credit Rating | Issuers Currently in Deferral or Default | Estimated Additional Deferral or |
|-------|-------------------|-------------------|-------------------|---------------|--------------------|-------------------------|---|---|
| | | | | | | | | Default before Credit Impairment |
| XXIV | Pooled | B2 | \$ 14,178 | \$ 2,927 | \$ (11,251) | Caa3 | 35% | 12% |
| XXVI | Pooled | B2 | 5,371 | 1,654 | (3,717) | Ca | 34% | 15% |
| XXIII | Pooled | B2 | 10,257 | 4,237 | (6,020) | Ca | 28% | 22% |
| XIII | Pooled | B2 | 1,792 | 610 | (1,182) | Ca | 20% | |
| | | | \$ 31,598 | \$ 9,428 | \$ (22,170) | | | |

The Company recognized credit related impairment losses of \$160 during the six months ended June 30, 2010 due to its conclusion that it was probable that there had been an adverse change in estimated cash flows for one of the four pooled trust preferred securities. The following table provides a summary of the cumulative credit related losses recognized in earnings for which a portion of OTTI has been recognized in other comprehensive income at June 30, 2010:

| | Three Months Ended June 30, 2010 | Six Months Ended June 30, 2010 |
|---|---|---|
| Beginning balance | \$ (160) | \$ |
| Additions related to credit losses for which OTTI was not previously recognized | | (160) |
| Reductions for securities sold during the period | | |
| Reductions for securities where there is an intent to sale or requirement to sale | | |
| Increases in credit loss for which OTTI was previously recognized | | |

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Reductions for increases in cash flows expected to be collected

| | | | | |
|----------------|----|-------|----|-------|
| Ending balance | \$ | (160) | \$ | (160) |
|----------------|----|-------|----|-------|

Table of Contents**Renasant Corporation and Subsidiaries****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****Note C - Loans****(In Thousands)**

Certain loans acquired in connection with the mergers with Capital Bancorp, Inc. and Heritage Financial Holding Corporation exhibited, at the date of acquisition, evidence of deterioration of the credit quality since origination, and it was probable that all contractually required payments would not be collected. The amount of such loans included in the consolidated balance sheet heading *Loans, net of unearned income* at June 30, 2010 is as follows:

| | |
|---------------------------|----------|
| Commercial | \$ 6,344 |
| Consumer | 55 |
| Mortgage | 392 |
| Total outstanding balance | \$ 6,791 |
| Total carrying amount | \$ 5,250 |

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

| | |
|---|--------|
| Balance as of January 1, 2010 | \$ 120 |
| Additions | |
| Reclassifications from nonaccretable difference | 126 |
| Accretion | (61) |
| Balance as of June 30, 2010 | \$ 185 |

The Company did not increase the allowance for loan losses for these loans during the six months ended June 30, 2010.

Nonaccrual loans at June 30, 2010 were \$53,868 as compared to \$39,454 at December 31, 2009. Loans past due 90 days or more and still accruing interest were \$10,794 at June 30, 2010 as compared to \$10,571 at December 31, 2009.

Impaired loans at June 30, 2010 and December 31, 2009 were as follows:

| | June 30, 2010 | December 31, 2009 |
|---|--------------------------|----------------------------------|
| Impaired loans with an allocated allowance for loan losses | \$ 81,804 | \$ 76,943 |
| Impaired loans without an allocated allowance for loan losses | 3,291 | 1,641 |
| Total impaired loans | \$ 85,095 | \$ 78,584 |

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| | | |
|---------------------------------------|-----------|-----------|
| Allocated allowance on impaired loans | \$ 17,036 | \$ 13,468 |
|---------------------------------------|-----------|-----------|

The allocated allowance for loan losses attributable to restructured loans included in the table above was \$1,403 and \$4,837 at June 30, 2010 and December 31, 2009, respectively. At June 30, 2010, the Company had \$832 in remaining availability under commitments to lend additional funds on these restructured loans.

Table of Contents**Renasant Corporation and Subsidiaries****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****Note D Other Real Estate and Repossessions****(In Thousands)**

The following table provides details of the Company's other real estate owned and repossessions as of June 30, 2010 and December 31, 2009:

| | June 30, 2010 | December 31, 2009 |
|---|------------------|----------------------|
| Residential real estate | \$ 21,345 | \$ 18,038 |
| Commercial real estate | 13,216 | 10,336 |
| Residential land development | 29,093 | 27,018 |
| Commercial land development | 2,248 | 165 |
| Other | 895 | 3,011 |
| Total other real estate owned and repossessions | \$ 66,797 | \$ 58,568 |

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

| | |
|---------------------------------|---------------|
| Balance as of January 1, 2010 | \$ 58,568 |
| Additions | 16,602 |
| Capitalized improvements | 600 |
| Impairments | |
| Dispositions | (8,964) |
| Other | (9) |
| Balance as of June 30, 2010 | \$ 66,797 |

Note E - Employee Benefit Plans**(In Thousands)**

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

| | Three Months Ended June 30, | | | |
|--------------------------------|-----------------------------|-------|----------------|-------|
| | Pension Benefits | | Other Benefits | |
| | 2010 | 2009 | 2010 | 2009 |
| Service cost | \$ | \$ | \$ 10 | \$ 11 |
| Interest cost | 247 | 245 | 23 | 17 |
| Expected return on plan assets | (252) | (252) | | |
| Prior service cost recognized | 5 | 5 | | |

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| | | | | |
|---------------------------|-------|-------|-------|-------|
| Recognized loss | 93 | 89 | 29 | 17 |
| Net periodic benefit cost | \$ 93 | \$ 87 | \$ 62 | \$ 45 |

| | Six Months Ended June 30, | | | |
|--------------------------------|---------------------------|--------|----------------|-------|
| | Pension Benefits | | Other Benefits | |
| | 2010 | 2009 | 2010 | 2009 |
| Service cost | \$ | \$ | \$ 19 | \$ 21 |
| Interest cost | 494 | 490 | 46 | 34 |
| Expected return on plan assets | (504) | (505) | | |
| Prior service cost recognized | 10 | 10 | | |
| Recognized loss | 186 | 178 | 59 | 34 |
| Net periodic benefit cost | \$ 186 | \$ 173 | \$ 124 | \$ 89 |

Table of Contents**Renasant Corporation and Subsidiaries****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****Note F - Shareholders Equity****(In Thousands, Except Share Data)**

The Company declared a cash dividend of \$0.17 per share for each of the second quarter of 2010 and 2009. Total cash dividends paid to shareholders by the Company were \$7,186 and \$7,181 for the six month periods ended June 31, 2010 and 2009, respectively.

In January 2010, the Company granted 138,500 stock options which generally vest and become exercisable in equal installments of 33 1/3% upon completion of one, two and three years of service measured from the grant date. The fair value of stock option grants is estimated on the grant date using the Black-Scholes option-pricing model. The Company employed the following assumptions with respect to its stock option grants in 2010 and 2009 for the six month periods ended June 30, 2010 and 2009:

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

In addition, the Company awarded 23,500 shares of performance-based restricted stock in January 2010. The performance-based restricted stock is earned, in part, if the Company meets or exceeds financial performance results defined by the board of directors for the year. The fair value of the restricted stock grant on the date of the grant was \$14.22 per share. The Company recorded total stock-based compensation expense of \$267 and \$372 for the six months ended June 30, 2010 and 2009, respectively. During the six months ended June 30, 2010, the Company reissued 17,139 shares from treasury in connection with the exercise of stock-based compensation.

Note G - Segment Reporting**(In Thousands)**

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

Table of Contents**Renasant Corporation and Subsidiaries****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****Note G - Segment Reporting (continued)**

| | Community Banks | | | | | Consolidated |
|--|-----------------|--------------|------------|-----------|-------------|--------------|
| | Mississippi | Tennessee | Alabama | Insurance | Other | |
| Three Months Ended June 30, 2010: | | | | | | |
| Net interest income | \$ 12,871 | \$ 7,321 | \$ 5,517 | \$ 31 | \$ (2,060) | \$ 23,680 |
| Provision for loan losses | 462 | 6,051 | 487 | | | 7,000 |
| Noninterest income | 7,288 | 1,344 | 1,810 | 863 | 3,039 | 14,344 |
| Noninterest expense | 8,081 | 4,821 | 4,022 | 730 | 8,534 | 26,188 |
| Income before income taxes | 11,616 | (2,207) | 2,818 | 164 | (7,555) | 4,836 |
| Income taxes | 2,660 | (507) | 645 | 65 | (1,823) | 1,040 |
| Net income (loss) | \$ 8,956 | \$ (1,700) | \$ 2,173 | \$ 99 | \$ (5,732) | \$ 3,796 |
| Total assets | \$ 1,545,202 | \$ 1,288,331 | \$ 746,352 | \$ 8,603 | \$ 5,384 | \$ 3,593,872 |
| Goodwill | 2,265 | 133,316 | 46,520 | 2,783 | | 184,884 |
| Three Months Ended June 30, 2009: | | | | | | |
| Net interest income | \$ 12,766 | \$ 7,787 | \$ 5,292 | \$ 29 | \$ (1,714) | \$ 24,160 |
| Provision for loan losses | 2,930 | 2,538 | 1,232 | | | 6,700 |
| Noninterest income | 7,375 | 1,762 | 3,471 | 891 | 1,925 | 15,424 |
| Noninterest expense | 8,171 | 4,814 | 4,249 | 778 | 9,120 | 27,132 |
| Income before income taxes | 9,040 | 2,197 | 3,282 | 142 | (8,909) | 5,752 |
| Income taxes | 1,956 | 475 | 710 | 56 | (1,701) | 1,496 |
| Net income (loss) | \$ 7,084 | \$ 1,722 | \$ 2,572 | \$ 86 | \$ (7,208) | \$ 4,256 |
| Total assets | \$ 1,558,333 | \$ 1,391,868 | \$ 736,152 | \$ 7,826 | \$ 7,778 | \$ 3,701,957 |
| Goodwill | 2,265 | 133,316 | 46,520 | 2,783 | | 184,884 |
| Six Months Ended June 30, 2010: | | | | | | |
| Net interest income | \$ 26,137 | \$ 14,990 | \$ 10,703 | \$ 64 | \$ (3,804) | \$ 48,090 |
| Provision for loan losses | 2,738 | 9,197 | 1,730 | | | 13,665 |
| Noninterest income | 14,646 | 2,824 | 3,851 | 1,920 | 3,587 | 26,828 |
| Noninterest expense | 15,798 | 9,458 | 7,999 | 1,465 | 17,102 | 51,822 |
| Income before income taxes | 22,247 | (841) | 4,825 | 519 | (17,319) | 9,431 |
| Income taxes | 5,101 | (193) | 1,106 | 202 | (4,188) | 2,028 |
| Net income (loss) | \$ 17,146 | \$ (648) | \$ 3,719 | \$ 317 | \$ (13,131) | \$ 7,403 |
| Total assets | \$ 1,545,202 | \$ 1,288,331 | \$ 746,352 | \$ 8,603 | \$ 5,384 | \$ 3,593,872 |

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| | | | | | | | |
|--|----|-----------|--------------|------------|----------|-------------|--------------|
| Goodwill | | 2,265 | 133,316 | 46,520 | 2,783 | | 184,884 |
| Six Months Ended June 30, 2009: | | | | | | | |
| Net interest income | \$ | 25,156 | \$ 14,841 | \$ 10,937 | \$ 31 | \$ (1,492) | \$ 49,473 |
| Provision for loan losses | | 4,424 | 5,185 | 2,131 | | | 11,740 |
| Noninterest income | | 15,271 | 3,427 | 6,426 | 1,975 | 3,087 | 30,186 |
| Noninterest expense | | 16,228 | 9,951 | 8,428 | 1,501 | 17,944 | 54,052 |
| Income before income taxes | | 19,775 | 3,132 | 6,804 | 505 | (16,349) | 13,867 |
| Income taxes | | 4,853 | 769 | 1,670 | 196 | (3,883) | 3,605 |
| Net income (loss) | \$ | 14,922 | \$ 2,363 | \$ 5,134 | \$ 309 | \$ (12,466) | \$ 10,262 |
| Total assets | \$ | 1,558,333 | \$ 1,391,868 | \$ 736,152 | \$ 7,826 | \$ 7,778 | \$ 3,701,957 |
| Goodwill | | 2,265 | 133,316 | 46,520 | 2,783 | | 184,884 |

Table of Contents**Renasant Corporation and Subsidiaries****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****Note H Fair Value of Financial Instruments****(In Thousands)**

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

| | June 30, 2010 | | December 31, 2009 | |
|---------------------------------|----------------|------------|-------------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Financial assets: | | | | |
| Cash and cash equivalents | \$ 191,141 | \$ 191,141 | \$ 148,560 | \$ 148,560 |
| Securities held to maturity | 160,480 | 162,088 | 138,806 | 139,433 |
| Securities available for sale | 561,160 | 561,160 | 575,358 | 575,358 |
| Mortgage loans held for sale | 21,261 | 21,261 | 25,749 | 25,749 |
| Loans, net | 2,222,117 | 2,212,777 | 2,308,470 | 2,291,654 |
| Derivative instruments | 350 | 350 | 1,946 | 1,946 |
| Financial liabilities: | | | | |
| Deposits | 2,688,212 | 2,696,941 | 2,576,100 | 2,589,135 |
| Short-term borrowings | 17,282 | 17,282 | 22,397 | 22,397 |
| Federal Home Loan Bank advances | 316,468 | 330,435 | 469,574 | 480,639 |
| Junior subordinated debentures | 76,012 | 38,038 | 76,053 | 37,548 |
| TLGP Senior Note | 50,000 | 51,746 | 50,000 | 51,888 |
| Derivative instruments | | | 277 | 277 |

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:

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

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

Mortgage loans held for sale: Mortgage loans held for sale are carried at the lower of cost or fair value. If fair value is used, it is determined using current secondary market prices for loans with similar characteristics.

Loans: For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fixed-rate loan fair values, including mortgages, commercial, agricultural and consumer loans, are estimated using a discounted cash flow analysis based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

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

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

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

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

Table of Contents**Renasant Corporation and Subsidiaries****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****Note H Fair Value of Financial Instruments (continued)**

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

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

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

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

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

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

| | Level 1 | Level 2 | Level 3 | Totals |
|--|---------|----------------|---------------|----------------|
| June 30, 2010 | | | | |
| Securities available for sale: | | | | |
| Obligations of other U.S. Government agencies and corporations | \$ | \$ 101,125 | \$ | \$ 101,125 |
| Mortgage-backed securities | | 413,176 | | 413,176 |
| Trust preferred securities | | 3,157 | 9,428 | 12,585 |
| Other equity securities | | | 34,274 | 34,274 |
| Total securities available for sale | | 517,458 | 43,702 | 561,160 |
| Derivative instruments | | 350 | | 350 |
| | \$ | \$ 517,808 | \$ 43,702 | \$ 561,510 |
| December 31, 2009 | | | | |
| Securities available for sale: | | | | |
| Obligations of other U.S. Government agencies and corporations | \$ | \$ 63,032 | \$ | \$ 63,032 |

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| | | | |
|-------------------------------------|---------|------------|------------|
| Mortgage-backed securities | 457,891 | | 457,891 |
| Trust preferred securities | 3,136 | 11,302 | 14,438 |
| Other equity securities | | 39,997 | 39,997 |
| Total securities available for sale | 524,059 | 51,299 | 575,358 |
| Derivative instruments, net | 1,669 | | 1,669 |
| | \$ | \$ 525,728 | \$ 51,299 |
| | | | \$ 577,027 |

Table of Contents**Renasant Corporation and Subsidiaries****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****Note H Fair Value of Financial Instruments (continued)**

The following table provides a reconciliation for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs, or Level 3 inputs, during the six months ended June 30, 2010:

| | Securities available for sale |
|--|--|
| Balance as of January 1, 2010 | \$ 51,299 |
| Realized losses included in net income | (117) |
| Unrealized losses included in other comprehensive income | (2,396) |
| Net purchases, sales, issuances, and settlements | (5,084) |
| Transfers in and/or out of Level 3 | |
| Balance as of June 30, 2010 | \$ 43,702 |

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

Mortgage loans held for sale: Mortgage loans held for sale are carried at the lower of cost or fair value. If fair value is used, it is determined using current secondary market prices for loans with similar characteristics. Mortgage loans held for sale were carried at cost on the Consolidated Balance Sheets at June 30, 2010 and December 31, 2009.

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 management's historical knowledge, 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.

Other real estate owned: Other real estate owned (OREO) is comprised of commercial and residential real estate obtained in partial or total satisfaction of loan obligations. OREO acquired in settlement of indebtedness is recorded at the fair value of the real estate less 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. As such, values for OREO are classified as Level 3. After monitoring the carrying amounts for subsequent declines or impairments after foreclosure, management determined that no fair value adjustments for OREO were necessary at June 30, 2010.

The following table presents assets measured at fair value on a nonrecurring basis at June 30, 2010 that were still held in the Consolidated Balance Sheets at those respective dates:

| Level 1 | Level 2 | Level 3 | Totals |
|---------|---------|---------|--------|
|---------|---------|---------|--------|

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June 30, 2010

| | | | | |
|----------------|----|----|-----------|-----------|
| Impaired loans | \$ | \$ | \$ 85,095 | \$ 85,095 |
|----------------|----|----|-----------|-----------|

Impaired loans with a carrying value of \$85,095 had an allocated allowance for loan losses of \$17,036 at June 30, 2010. The allocated allowance is based on the carrying value of the impaired loan and the fair value of the underlying collateral less estimated costs to sell.

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Renasant Corporation and Subsidiaries

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

Note I - Derivative Instruments

(In Thousands)

The Company utilizes derivative financial instruments as part of its ongoing efforts to manage its interest rate risk exposure. These derivative financial instruments currently include interest rate swaps and mortgage loan commitments. Derivative financial instruments are included in the Consolidated Balance Sheets heading Other assets or Other liabilities at fair value.

Cash flow hedges are utilized to mitigate the exposure to variability in expected future cash flows or other types of forecasted transactions. For the Company's derivatives designated as cash flow hedges, changes in the fair value of cash flow hedges are, to the extent that the hedging relationship is effective, recorded as other comprehensive income and are subsequently recognized in earnings at the same time that the hedged item is recognized in earnings. The assessment of the effectiveness of the hedging relationship is evaluated under the hypothetical derivative method.

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 will be amortized into net interest income over the designated hedging periods ending in August 2012 and August 2013. For the six months ended June 30, 2010, deferred gains related to the swaps of \$55 were amortized into net interest income.

The Company enters into mortgage loan commitments with its customers to mitigate the interest rate risk associated with the commitments to fund fixed-rate mortgage loans. Under such commitments, interest rates for a mortgage loan may be locked in for up to thirty days with the customer. Once a mortgage loan commitment is entered into with a customer, the Company enters into a sales agreement with an investor in the secondary market to sell such loan on a best efforts basis. Under this sales agreement, the Company is obligated to sell the mortgage loan to the investor only if the loan is closed and funded. Thus, the Company will not incur any liability to an investor if the mortgage loan commitment in the pipeline fails to close. These mortgage loan commitments are recorded at fair value, with gains and losses arising from changes in the valuation of the commitments reflected under the caption Gains on sales of mortgage loans held for sale on the Consolidated Statements of Income and do not qualify for hedge accounting. At June 30, 2010, the notional amount of commitments to fund fixed-rate mortgage loans was \$39,068 with a fair value of \$350.

Table of Contents**Renasant Corporation and Subsidiaries****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****Note J - Comprehensive Income****(In Thousands)**

The components of comprehensive income, net of related tax, are as follows:

| | Three Months Ended June 30, | |
|--|--|-------------|
| | 2010 | 2009 |
| Net income | \$ 3,796 | \$ 4,256 |
| Other comprehensive income (loss): | | |
| Unrealized holding gains on securities, net of tax expense of \$1,520 and \$311 | 2,454 | 501 |
| Non-credit related portion of other-than-temporary impairment on securities, net of tax benefit of \$23 | (38) | |
| Reclassification adjustment for gains realized in net income, net of tax expense of \$901 and \$430 | (1,454) | (693) |
| Net change in unrealized gains (losses) on securities | 962 | (192) |
| Unrealized holding gains on derivative instruments, net of tax expense of \$105 and \$35 | 170 | 58 |
| Reclassification adjustment for gains realized in net income, net of tax expense of \$21 and \$121 | (34) | (196) |
| Net change in unrealized gains (losses) on derivative instruments | 136 | (138) |
| Net change in defined benefit pension and post-retirement benefit plans, net of tax expense of \$49 and \$43 | 79 | 68 |
| Other comprehensive income (loss) | 1,177 | (262) |
| Comprehensive income | \$ 4,973 | \$ 3,994 |

| | Six Months Ended June 30, | |
|--|--------------------------------------|-------------|
| | 2010 | 2009 |
| Net income | \$ 7,403 | \$ 10,262 |
| Other comprehensive income (loss): | | |
| Unrealized holding gains (losses) on securities, net of tax (expense) benefit of \$2,142 and (\$1,193) | 3,458 | (1,925) |
| Non-credit related portion of other-than-temporary impairment on securities, net of tax benefit of \$452 | (730) | |
| Reclassification adjustment for gains realized in net income, net of tax expense of \$958 and \$593 | (1,547) | (957) |
| Net change in unrealized gains (losses) on securities | 1,181 | (2,882) |
| Unrealized holding gains on derivative instruments, net of tax expense of \$98 and \$87 | 158 | 140 |
| Reclassification adjustment for gains realized in net income, net of tax expense of \$21 and \$387 | (34) | (626) |
| Net change in unrealized gains (losses) on derivative instruments | 124 | (486) |
| Net change in defined benefit pension and post-retirement benefit plans, net of tax expense of \$97 and \$85 | 157 | 136 |
| Other comprehensive income (loss) | 1,462 | (3,232) |

Comprehensive income

\$ 8,865 \$ 7,030

Table of Contents**Renasant Corporation and Subsidiaries****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****Note J - Comprehensive Income (continued)**

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

| | June 30, | |
|--|-------------------|--------------------|
| | 2010 | 2009 |
| Net unrealized losses on securities | \$ (152) | \$ (8,359) |
| Net non-credit related portion of other-than-temporary impairment on securities | (730) | |
| Net unrealized gains (losses) on derivative instruments | 1,003 | (449) |
| Net unrecognized defined benefit pension and post-retirement benefit plans obligations | (6,115) | (6,663) |
| Total accumulated other comprehensive loss | \$ (5,994) | \$ (15,471) |

Note K - Net Income Per Common Share**(In Thousands, Except Share Data)**

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|------------|------------------------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| Basic: | | | | |
| Net income applicable to common stock | \$ 3,796 | \$ 4,256 | \$ 7,403 | \$ 10,262 |
| Average common shares outstanding | 21,088,942 | 21,073,228 | 21,085,983 | 21,070,399 |
| Net income per common share - basic | \$ 0.18 | \$ 0.20 | \$ 0.35 | \$ 0.49 |
| Diluted: | | | | |
| Net income applicable to common stock | \$ 3,796 | \$ 4,256 | \$ 7,403 | \$ 10,262 |
| Average common shares outstanding | 21,088,942 | 21,073,228 | 21,085,983 | 21,070,399 |
| Effect of dilutive stock-based compensation | 135,894 | 120,332 | 133,679 | 116,214 |
| Average common shares outstanding - diluted | 21,224,836 | 21,193,560 | 21,219,662 | 21,186,613 |
| Net income per common share - diluted | \$ 0.18 | \$ 0.20 | \$ 0.35 | \$ 0.48 |

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**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(In Thousands, Except Share Data)**

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

The information set forth in this Quarterly Report on Form 10-Q is as of June 30, 2010, unless otherwise indicated herein. Accordingly, no information is presented with respect to the Company's acquisition of specified assets and the operations of Crescent Bank and Trust Company of Jasper, Georgia, from the Federal Deposit Insurance Corporation (the FDIC), as receiver, which was completed on July 23, 2010. Please refer to Note A, Summary of Significant Accounting Policies Subsequent Events, in the Notes to Condensed Consolidated Financial Statements included in Item 1, Financial Statements, for more information regarding this transaction.

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

Overview

The Company, a Mississippi corporation, 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 and north and north central Alabama.

Financial Condition

Our total assets were \$3,593,872 on June 30, 2010 as compared to \$3,641,081 on December 31, 2009.

Cash and cash equivalents increased \$42,581 from \$148,560 at December 31, 2009 to \$191,141 at June 30, 2010. Cash and cash equivalents represented 5.32% of total assets at June 30, 2010 compared to 4.08% of total assets at December 31, 2009.

Investments

The securities portfolio is used to provide a source for meeting liquidity needs and to supply securities to be used in collateralizing certain deposits and other types of borrowings. The balance of our securities portfolio increased to \$721,640 at June 30, 2010 from \$714,164 at December 31, 2009. During the first six months of 2010, the Company purchased \$238,945 of investment securities. Maturities and calls of securities during the first six months of 2010 totaled \$140,397. The carrying value of securities sold during the first six months of 2010 totaled \$91,744.

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The loan balance, net of unearned income, at June 30, 2010 was \$2,263,263, representing a decrease of \$84,352 from \$2,347,615 at December 31, 2009. The decline was attributable to a combination of soft demand for loans in certain of our markets and the continued reduction of our exposure to construction and land development loans. A majority of the reduction in these loans is attributable to these loans being converted to permanent financing after completion of the construction phase of the loan. Management plans to continue this intentional reduction in subsequent quarters, but nevertheless, expects total loans to remain flat in the immediate quarters, as new loan production is offset by reductions attributable to principal paydowns and payoffs. In addition, total loans were affected by the Company's exit from the student lending program due to recent legislation affecting the ability of banks to make these loans. The sale of our student loans reduced total loans over \$10,000 at June 30, 2010 compared to December 31, 2009. Loans in our Alabama region increased \$14,008 while loans in our Mississippi and Tennessee regions decreased \$29,766 and \$68,594, respectively, during the first six months of 2010 compared to the respective balances at December 31, 2009.

The table below sets forth loans outstanding, according to loan type, net of unearned income.

| | June 30, 2010 | December 31, 2009 |
|--|---------------------|----------------------|
| Commercial, financial, agricultural | \$ 273,356 | \$ 281,329 |
| Lease financing | 601 | 778 |
| Real estate construction | 62,469 | 133,299 |
| Real estate 1-4 family mortgage | 798,185 | 820,917 |
| Real estate commercial mortgage | 1,071,876 | 1,040,589 |
| Installment loans to individuals | 56,776 | 70,703 |
| Total loans, net of unearned income | \$ 2,263,263 | \$ 2,347,615 |

Loan concentrations are considered to exist when there are amounts loaned to a number of borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. At June 30, 2010, there were no concentrations of loans exceeding 10% of total loans which are not disclosed as a category of loans separate from the categories listed above. Loans secured by real estate represented 85.39% and 84.98% of the Company's total loan portfolio at June 30, 2010 and December 31, 2009, respectively. The following table provides further details of the types of loans in the Company's loan portfolio secured by real estate:

| | June 30, 2010 | December 31, 2009 |
|----------------------------------|------------------|----------------------|
| Construction: | | |
| Residential | \$ 29,786 | \$ 45,559 |
| Commercial | 26,997 | 74,440 |
| Condominiums | 5,686 | 13,300 |
| Total construction | 62,469 | 133,299 |
| 1-4 family mortgage: | | |
| Primary | 346,616 | 345,971 |
| Home equity | 167,601 | 171,180 |
| Rental/investment | 155,154 | 158,436 |
| Land development | 128,814 | 145,330 |
| Total 1-4 family mortgage | 798,185 | 820,917 |
| Commercial mortgage: | | |
| Owner-occupied | 525,870 | 537,387 |
| Non-owner occupied | 428,626 | 367,011 |

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| | | |
|------------------------------------|--------------|--------------|
| Land development | 117,380 | 136,191 |
| Total commercial mortgage | 1,071,876 | 1,040,589 |
| Total loans secured by real estate | \$ 1,932,564 | \$ 1,994,805 |

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Mortgage loans held for sale were \$21,261 at June 30, 2010 compared to \$25,749 at December 31, 2009. Originations of mortgage loans to be sold totaled \$214,385 for the first six months of 2010 as compared to \$522,968 for the same period in 2009. During the first six months of 2009, the Company experienced increased production in residential mortgage loans being refinanced due to a decline in mortgage interest rates. Mortgage loans to be sold are locked in at a contractual rate with third party private investors, and the Company is obligated to sell the mortgages to such investors only if the mortgages are closed and funded. Gains and losses are realized at the time consideration is received and all other criteria for sales treatment have been met. These loans are typically sold within thirty days after the loan is funded. Although loan fees and some interest income are derived from mortgage loans held for sale, the main source of income is gains from the sale of mortgage loans in the secondary market.

Goodwill and Intangible Assets

Intangible assets decreased \$946 to \$190,411 at June 30, 2010 from \$191,357 at December 31, 2009. The decrease reflects the amortization of finite-lived intangible assets recorded in connection with the acquisitions of Capital Bancorp Inc., Heritage Financial Holding Corporation and Renasant Bancshares, Inc. These finite-lived intangible assets are being amortized over their remaining estimated useful lives which range from one to seven years.

Deposits

Total deposits increased \$112,112 to \$2,688,212 at June 30, 2010 from \$2,576,100 on December 31, 2009. Noninterest-bearing deposits increased \$8,347 to \$313,309 at June 30, 2010 compared to \$304,962 at December 31, 2009. Interest-bearing deposits increased \$103,765 to \$2,374,903 at June 30, 2010 from \$2,271,138 at December 31, 2009. Approximately \$32,601 of the increase in total deposits during the first six months of 2010 represents public fund deposits, as government agencies received proceeds from tax collections. Management expects the balances of these public fund deposits to continue to decrease through the remainder of the year as government agencies utilize the funds held in these accounts. Management's plan is to replace these deposits with core deposits.

Deposits in our Mississippi and Alabama regions increased \$71,925 and \$65,708, respectively, while deposits in our Tennessee region decreased \$25,521 during the first three months of 2010 compared to the respective balances at December 31, 2009.

Borrowed Funds

Total borrowed funds were \$459,762 at June 30, 2010 compared to \$618,024 at December 31, 2009. Short-term borrowings, consisting of treasury, tax and loan notes and securities sold under agreements to repurchase, were \$17,282 at June 30, 2010 compared to \$22,397 at December 31, 2009. Long-term debt, consisting of long-term Federal Home Loan Bank (FHLB) advances and junior subordinated debentures, was \$442,480 at June 30, 2010 compared to \$595,627 at December 31, 2009. We repaid \$153,042 of long-term FHLB borrowings that matured during the six months ended June 30, 2010 with the proceeds of deposits generated during the year.

Shareholders' Equity

Shareholders' equity increased to \$412,235 at June 30, 2010 compared to \$410,122 at December 31, 2009. Factors contributing to the change in shareholders' equity include current year earnings offset by dividends and changes in other comprehensive losses attributable to improvements in the fair value of securities held in the investment portfolio.

Table of Contents**Results of Operations***Three Months Ended June 30, 2010 as Compared to the Three Months Ended June 30, 2009*

Net income for the three month period ended June 30, 2010 was \$3,796, a decrease of \$460, or 10.81%, from net income of \$4,256 for the same period in 2009. Basic and diluted earnings per share were \$0.18 for the three month period ended June 30, 2010, as compared to basic and diluted earnings per share of \$0.20 for the comparable period a year ago.

The following table sets forth average balance sheet data, including all major categories of interest-earning assets and interest-bearing liabilities, together with the interest earned or interest paid and the average yield or average rate paid on each such category for the three months ended June 30, 2010 and 2009:

| | Three Months Ended June 30, | | | | | |
|--|-----------------------------|-------------------------|------------|-----------------|-------------------------|------------|
| | 2010 | | | 2009 | | |
| | Average Balance | Interest Income/Expense | Yield/Rate | Average Balance | Interest Income/Expense | Yield/Rate |
| Assets | | | | | | |
| Interest-earning assets: | | | | | | |
| Loans ⁽¹⁾ | \$ 2,304,663 | \$ 31,904 | 5.55% | \$ 2,542,021 | \$ 34,984 | 5.52% |
| Securities: | | | | | | |
| Taxable ⁽²⁾ | 584,312 | 5,290 | 3.63% | 581,374 | 6,813 | 4.69% |
| Tax-exempt | 150,378 | 2,344 | 6.23% | 120,520 | 1,969 | 6.53% |
| Interest-bearing balances with banks | 121,861 | 52 | 0.17% | 93,188 | 70 | 0.30 |
| Total interest-earning assets: | 3,161,214 | 39,590 | 5.02% | 3,337,103 | 43,836 | 5.27% |
| Cash and due from banks | 50,617 | | | 50,997 | | |
| Intangible assets | 190,639 | | | 192,568 | | |
| Other assets | 213,655 | | | 158,184 | | |
| Total assets | \$ 3,616,125 | | | \$ 3,738,852 | | |
| Liabilities and shareholders equity | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Deposits: | | | | | | |
| Interest-bearing demand ⁽³⁾ | \$ 1,009,194 | \$ 3,066 | 1.22% | \$ 907,711 | \$ 3,287 | 1.45% |
| Savings | 144,202 | 286 | 0.79% | 92,119 | 38 | 0.17% |
| Time deposits | 1,233,779 | 7,094 | 2.31% | 1,341,844 | 8,982 | 2.68% |
| Total interest-bearing deposits | 2,387,175 | 10,446 | 1.76% | 2,341,674 | 12,307 | 2.11% |
| Borrowed funds | 468,196 | 4,255 | 3.67% | 662,387 | 6,242 | 3.77% |
| Total interest-bearing liabilities | 2,855,371 | 14,701 | 2.07% | 3,004,061 | 18,549 | 2.47% |
| Noninterest-bearing deposits | 315,242 | | | 293,546 | | |
| Other liabilities | 32,553 | | | 36,789 | | |
| Shareholders equity | 412,959 | | | 404,456 | | |
| Total liabilities and shareholders equity | \$ 3,616,125 | | | \$ 3,738,852 | | |
| Net interest income/net interest margin | | \$ 24,889 | 3.15% | | \$ 25,287 | 3.04% |

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

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

Table of Contents*Net Interest Income*

Net interest income is the difference between interest earned on earning assets and the cost of interest-bearing liabilities, which are two of the largest components contributing to our net income. The primary concerns in managing net interest income are the mix and the repricing of rate-sensitive assets and liabilities. Net interest income decreased 1.99% to \$23,680 for the second quarter of 2010 compared to \$24,160 for the same period in 2009. On a tax equivalent basis, net interest margin for the three month period ended June 30, 2010 was 3.15% compared to 3.04% for the same period in 2009.

Significant reductions in interest rate indices throughout 2008 had a negative impact on net interest margin in 2009 and continue to affect net interest margin in 2010. With each rate reduction in rate indices, specifically, the prime rate, rates paid on U.S. Treasury securities and the London Interbank Offering Rate (LIBOR), the yield on our variable rate loans indexed to these indices decreased. At the same time, from the second quarter of 2009 to the second quarter of 2010, competitive and market-wide liquidity factors affecting the cost of funding sources, particularly deposits, began to ease. This allowed the Company to use funding sources in the second quarter of 2010 with a lower cost than the sources available in 2009. As a result, net interest margin increased. This increase was partially offset by higher levels of premium amortization due to increased prepayments on our mortgage-backed securities portfolio, which reduced net interest margin by 15 basis points for the three months ended June 30, 2010. The increased prepayments on our mortgage-backed securities portfolio which resulted in higher levels of premium amortization were attributable to the securities repurchase program implemented by Fannie Mae and Freddie Mac during the first half of 2010. Increased liquidity due to deposit growth, coupled with loan paydowns and higher than anticipated prepayment speeds within our investment portfolio, changed the mix of our earning assets.

Interest income decreased 10.13% to \$38,381 for the second quarter of 2010 from \$42,709 for the same period in 2009. The decrease in interest income was primarily due to decreases in yield and volume as well as changes in the mix of interest-earning assets. The average balance of interest-earning assets decreased \$175,889 for the three months ended June 30, 2010 as compared to the same period in 2009. The tax equivalent yield on earning assets decreased 25 basis points to 5.02% for the second quarter of 2010 compared to 5.27% for the same period in 2009. The tax equivalent yield on the investment portfolio was 4.16% for the second quarter of 2010, down 84 basis points from 5.00% in the corresponding period in 2009. The decline in yield on the investment portfolio was a result of the call of securities within the Company's portfolio that had higher rates than the rates on the securities that the Company purchased with the proceeds of such calls. These rates were lower due to a generally lower interest rate environment. Further impacting the yield on the investment portfolio were higher levels of premium amortization due to increased prepayments on our mortgage-backed securities portfolio, as described above.

The following table presents the percentage of total average earning assets, by type and yield, as of June 30 for each of the years presented:

| | Percentage of Total | | Yield | |
|----------------------|---------------------|---------|-------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| Loans | 72.90% | 76.18% | 5.55% | 5.52% |
| Securities | 23.24 | 21.03 | 4.16 | 5.00 |
| Other | 3.86 | 2.79 | 0.17 | 0.30 |
| Total earning assets | 100.00% | 100.00% | 5.02% | 5.27% |

Interest expense decreased 20.75% to \$14,701 for the three months ended June 30, 2010 as compared to \$18,549 for the same period in 2009. This decrease primarily resulted from reductions in the cost of deposits and a change in the mix of the Company's deposits, in which higher costing public fund deposits were replaced with lower costing core deposits. The balances of public fund deposits decreased \$126,404 during the second quarter of 2010 as compared to the same period in 2009. The average balance of interest-bearing deposits, which had an average cost of 1.76%, increased \$45,501 for the three months ended June 30, 2010 as compared to the same period in 2009. The average balance of borrowed funds, which had an average cost of 3.67%, decreased \$194,191 for the three months ended June 30, 2010 as compared to the same period in 2009 as the Company paid down FHLB advances with lower costing deposits. The cost of interest-bearing liabilities decreased 40 basis points to 2.07% for the second quarter of 2010 compared to 2.47% for the same period in 2009.

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Noninterest income was \$14,344 for the three month period ended June 30, 2010 compared to \$15,424 for the same period in 2009, a decrease of \$1,080, or 7.00%.

Service charges on deposits, representing the largest component of noninterest income, were \$5,361 and \$5,395 for the second quarter of 2010 and 2009, respectively. Overdraft fees, the largest component of service charges on deposits, were \$4,832 for the three month period ended June 30, 2010 compared to \$4,873 for the same period in 2009. Beginning in the third quarter of 2010, the Company will be required to ask customers to affirmatively consent, or opt in, to the Company's overdraft service for ATM and one-time debit card transactions before overdraft fees may be assessed by the Company. Management believes these restrictions could have an adverse impact on noninterest income, but it is unable at this time to predict the extent of such impact.

Fees and commissions, which include fees charged for both deposit services (other than service charges on deposits) and loan services, were \$3,409 for the three month period ended June 30, 2010 compared to \$4,424 for the same period in 2009. Fees charged for loan services were \$1,238 for the second quarter of 2010 compared to \$2,368 for the same period in 2009, which is reflective of increased production in residential mortgage loans being refinanced due to a decline in mortgage interest rates during the second quarter of 2009 that was not present during the second quarter of 2010. Interchange fees on debit card transactions continue to be a strong source of noninterest income. For the second quarter of 2010, fees associated with debit card usage were \$1,527, up 10.29% from \$1,384 for the same period in 2009. The Company also provides specialized products and services to our customers through our Financial Services division. Specialized products include fixed and variable annuities, mutual funds, and stocks offered through a third party provider. Revenues generated from the sale of all of these products, which are included in the Condensed Consolidated Statements of Income in the account line Fees and commissions, were \$279 for the second quarter of 2010 compared to \$274 for the same period of 2009.

The trust department operates on a custodial basis which includes administration of benefit plans, as well as accounting and money management for trust accounts. The trust department manages a number of trust accounts inclusive of personal and corporate benefit accounts, self-directed IRAs, and custodial accounts. Fees for managing these accounts are based on changes in market values of the assets under management in the account, with the amount of the fee depending on the type of account. Trust revenue for the second quarter of 2010 was \$632 as compared to \$488 for the same period in 2009. The market value of assets under management was \$420,487 and \$452,089 as of June 30, 2010 and 2009, respectively.

Gains on sales of securities available for sale for the three months ended June 30, 2010 were \$2,049, resulting from the sale of approximately \$89,695 in securities. Gains on sales of securities available for sale for the three months ended June 30, 2009 were \$2,195, resulting from the sale of approximately \$100,295 in securities. These gains were offset by the complete write-off of the Company's \$645 investment in Silverton Financial Services, Inc., the holding company of Silverton Bank, N.A., which was placed in receivership on May 1, 2009.

Gains from sales of mortgage loans held for sale were \$994 for the three months ended June 30, 2010 compared to \$2,293 for the same period in 2009, also a result of higher production levels in the second quarter of 2009 due to lower mortgage interest rates, as noted above.

Noninterest Expense

Noninterest expense was \$26,188 for the three month period ended June 30, 2010 compared to \$27,132 for the same period in 2009, a decrease of \$944, or 3.48%.

Salaries and employee benefits for the three month period ended June 30, 2010 were \$13,052, which is \$684 less than the same period last year. This difference is primarily attributable to the realization of the full effect of workforce reductions that occurred in 2009 as employee service capacity exceeded projected growth in certain areas and a decrease in production costs attributable to lower originations.

Data processing costs for the three month period ended June 30, 2010 were \$1,580, an increase of \$150 compared to \$1,430 for the same period last year. Net occupancy expense and equipment expense for the three month period ended June 30, 2010 decreased \$137 to \$2,926 over the comparable period for the prior year. In May 2010, the Company opened a new full service branch in New Albany, Mississippi.

Amortization of intangible assets was \$470 for the three months ended June 30, 2010 compared to \$494 for the three months ended June 30, 2009. Intangible assets are amortized over their estimated useful lives, which, at the time of origination, ranged between five and ten years. These finite-lived intangible assets have remaining estimated useful lives ranging from one to seven years.

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Advertising and public relations expense was \$978 for the three months ending June 30, 2010, an increase of 9.26% compared to \$895 for the same period in 2009.

Communication expense is incurred for communication to clients and between employees. Communication expense was \$1,047 for the three months ended June 30, 2010 compared to \$1,205 for the same period in 2009.

Other noninterest expense was \$5,254 and \$5,402 for the three months ended June 30, 2010 and 2009, respectively. Other noninterest expense for the three months ended June 30, 2010 includes expenses related to other real estate owned of \$959, an increase of \$750 compared to \$209 for the same period in 2009. In addition, other noninterest expense for the three months ended June 30, 2010 includes an increase of \$298 in expenses associated with our FDIC deposit insurance assessments due to an increase in the base assessment rates applicable to all insured institutions. Other noninterest expense for the three months ended June 30, 2009 includes the \$1,750 charge for the special deposit insurance assessment assessed by the FDIC from all insured institutions during the second quarter of 2009.

Noninterest expense as a percentage of average assets was 2.90% for the three month period ended June 30, 2010 and 2.91% for the comparable period in 2009. The net overhead ratio, which is defined as noninterest expense less noninterest income, expressed as a percent of average assets, was 1.54% and 1.38% for the second quarter of 2010 and 2009, respectively. The efficiency ratio measures the cost of generating one dollar of revenue. That is, the ratio is designed to reflect the percentage of one dollar which must be expended to generate that dollar of revenue. Our efficiency ratio was 66.75% for the three month period ended June 30, 2010 compared to 66.65% for the same period of 2009. We calculate this ratio by dividing noninterest expense by the sum of net interest income on a fully taxable equivalent basis and noninterest income.

Income Taxes

Income tax expense was \$1,040 for the three month period ended June 30, 2010 compared to \$1,496 for the same period in 2009. The effective tax rates for the three month periods ended June 30, 2010 and 2009 were 21.50% and 26.01%, respectively. The decrease in the effective tax rate for the three months ended June 30, 2010 as compared to the same period in 2009 is attributable to lower levels of taxable income while, at the same time, tax benefits resulting from tax-exempt instruments remained at consistent levels. We continually seek investing opportunities in assets, primarily through state and local investment securities, whose earnings are given favorable tax treatment.

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Six Months Ended June 30, 2010 as Compared to the Six Months Ended June 30, 2009

Net income for the six month period ended June 30, 2010 was \$7,403, a decrease of \$2,859, or 27.86%, from net income of \$10,262 for the same period in 2009. Basic and diluted earnings per share were \$0.35 for the six month period ended June 30, 2010, as compared to basic earnings per share of \$0.49 and diluted earnings per share of \$0.48 for the comparable period a year ago.

The following table sets forth average balance sheet data, including all major categories of interest-earning assets and interest-bearing liabilities, together with the interest earned or interest paid and the average yield or average rate paid on each such category for the six months ended June 30, 2010 and 2009:

| | Six Months Ended June 30, | | | | | |
|--|---------------------------|-------------------------|------------|-----------------|-------------------------|------------|
| | 2010 | | | 2009 | | |
| | Average Balance | Interest Income/Expense | Yield/Rate | Average Balance | Interest Income/Expense | Yield/Rate |
| Assets | | | | | | |
| Interest-earning assets: | | | | | | |
| Loans ⁽¹⁾ | \$ 2,329,415 | \$ 64,572 | 5.59% | \$ 2,564,603 | 71,045 | 5.59% |
| Securities: | | | | | | |
| Taxable ⁽²⁾ | 570,950 | 11,286 | 3.95% | 575,370 | 13,844 | 4.81% |
| Tax-exempt | 145,453 | 4,535 | 6.24% | 118,199 | 3,803 | 6.43% |
| Interest-bearing balances with banks | 115,100 | 97 | 0.17% | 76,782 | 132 | 0.35 |
| Total interest-earning assets: | 3,160,918 | 80,490 | 5.13% | 3,334,954 | 88,824 | 5.37% |
| Cash and due from banks | 53,295 | | | 55,809 | | |
| Intangible assets | 190,875 | | | 192,816 | | |
| Other assets | 212,800 | | | 167,337 | | |
| Total assets | \$ 3,617,888 | | | \$ 3,750,916 | | |
| Liabilities and shareholders equity | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Deposits: | | | | | | |
| Interest-bearing demand ⁽³⁾ | \$ 984,486 | \$ 5,862 | 1.20% | \$ 867,697 | \$ 6,172 | 1.43% |
| Savings | 128,605 | 437 | 0.68% | 93,054 | 86 | 0.19% |
| Time deposits | 1,247,017 | 14,480 | 2.34% | 1,312,648 | 18,241 | 2.80% |
| Total interest-bearing deposits | 2,360,108 | 20,779 | 1.78% | 2,273,399 | 24,499 | 2.17% |
| Borrowed funds | 499,252 | 4,965 | 3.74% | 738,544 | 12,647 | 3.43% |
| Total interest-bearing liabilities | 2,859,360 | 29,999 | 2.12% | 3,011,943 | 37,146 | 2.48% |
| Noninterest-bearing deposits | 312,878 | | | 296,373 | | |
| Other liabilities | 33,061 | | | 39,459 | | |
| Shareholders equity | 412,589 | | | 403,141 | | |
| Total liabilities and shareholders equity | \$ 3,617,888 | | | \$ 3,750,916 | | |
| Net interest income/net interest margin | | \$ 50,491 | 3.21% | | \$ 51,678 | 3.12% |

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

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

Table of Contents*Net Interest Income*

Net interest income decreased 2.80% to \$48,090 for the first six months of 2010 compared to \$49,473 for the same period in 2009. On a tax equivalent basis, net interest margin for the six month period ended June 30, 2010 was 3.21% compared to 3.12% for the same period in 2009.

Interest income decreased 9.85% to \$78,089 for the first six months of 2010 from \$86,619 for the same period in 2009. The decrease in interest income was primarily due to decreases in yield and volume of interest-earning assets and changes in the mix of interest-earning assets. The average balance of interest-earning assets decreased \$174,036 for the six months ended June 30, 2010 as compared to the same period in 2009. The tax equivalent yield on earning assets decreased 24 basis points to 5.13% for the first six months of 2010 compared to 5.37% for the same period in 2009. The tax equivalent yield on the investment portfolio was 4.42% for the first six months of 2010, down 67 basis points from 5.09% in the corresponding period in 2009. The decline in yield on the investment portfolio was a result of the call of securities within the Company's portfolio that had higher rates than the rates on the securities that the Company purchased with the proceeds of such calls. These rates were lower due to a generally lower interest rate environment. Higher levels of premium amortization due to increased prepayments on our mortgage-backed securities portfolio reduced net interest margin by 10 basis points for the six months ended June 30, 2010.

The following table presents the percentage of total average earning assets, by type and yield, for the six months ended June 30 for each of the years presented:

| | Percentage of Total | | Yield | |
|----------------------|---------------------|---------|-------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| Loans | 73.70% | 77.38% | 5.59% | 5.59% |
| Securities | 22.66 | 20.82 | 4.42 | 5.09 |
| Other | 3.64 | 1.80 | 0.17 | 0.35 |
| Total earning assets | 100.00% | 100.00% | 5.13% | 5.37% |

Interest expense decreased 19.24% to \$29,999 for the six months ended June 30, 2010 as compared to \$37,146 for the same period in 2009. This decrease primarily resulted from reductions in the cost of deposits and in the volume of borrowed funds. The average balance of interest-bearing deposits, which had an average cost of 1.78%, increased \$86,709 for the six months ended June 30, 2010 as compared to the same period in 2009. The average balance of borrowed funds, which had an average cost of 3.74%, decreased \$239,292 for the six months ended June 30, 2010 as compared to the same period in 2009. The cost of interest-bearing liabilities decreased 36 basis points to 2.12% for the first six months of 2010 compared to 2.48% for the same period in 2009.

Noninterest Income

Noninterest income was \$26,828 for the six month period ended June 30, 2010 compared to \$30,186 for the same period in 2009, a decrease of \$3,358, or 11.12%.

Service charges on deposits were \$10,451 and \$10,820 for the first six months of 2010 and 2009, respectively. Overdraft fees were \$9,385 for the six month period ended June 30, 2010 compared to \$9,735 for the same period in 2009.

Fees and commissions were \$7,130 for the six month period ended June 30, 2010 compared to \$9,106 for the same period in 2009. Fees charged for loan services were \$2,673 for the first six months of 2010 compared to \$4,762 for the same period in 2009, which is reflective of increased production in residential mortgage loans being refinanced due to a decline in mortgage interest rates during the first six months of 2009 that was not present during the first six months of 2010. For the first six months of 2010, fees associated with debit card usage were \$3,091, up 15.52% from \$2,676 for the same period in 2009. Revenues generated from the sale of all specialized products by the Financial Services division, totaled \$623 for the first six months of 2010 compared to \$823 for the same period of 2009. Revenue generated by the trust department for managing accounts was \$1,216 for the first six months of 2010 as compared to \$979 for the same period in 2009.

Income earned on insurance products was \$1,664 and \$1,665 for the six months ending June 30, 2010 and 2009, respectively. Contingency income is a bonus received from the insurance underwriters and is based both on commission income and claims experience on our client's policies during the previous year. Increases and decreases in contingency income are reflective of corresponding increases and decreases in the amount of claims paid by insurance carriers. Contingency income, which is included in *Other noninterest income* in the Consolidated Statements of Income, was \$253 and \$288 for the six months ending June 30, 2010 and 2009, respectively.

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For the six months ended June 30, 2010, the Company recognized other-than-temporary-impairment losses of \$160 related to investments in pooled trust preferred securities. Gains on sales of securities available for sale for the six months ended June 30, 2010 were \$2,049, resulting from the sale of approximately \$89,695 in securities. Gains on sales of securities available for sale for the six months ended June 30, 2009 were \$2,195, resulting from the sale of approximately \$100,295 in securities. These gains were offset by the complete write-off of the Company's \$645 investment in Silverton Financial Services, Inc., the holding company of Silverton Bank, N.A., which was placed in receivership on May 1, 2009.

Gains from sales of mortgage loans held for sale were \$2,323 for the six months ended June 30, 2010 compared to \$4,069 for the same period in 2009, also a result of increased production in the first quarter of 2009 due to lower mortgage interest rates, as noted above.

Noninterest Expense

Noninterest expense was \$51,822 for the six month period ended June 30, 2010 compared to \$54,052 for the same period in 2009, a decrease of \$2,230, or 4.13%.

Salaries and employee benefits for the six month period ended June 30, 2010 were \$26,249 compared to \$28,480 for the same period last year. This difference is primarily attributable to the realization of the full effect of workforce reductions that occurred in 2009 as employee service capacity exceeded projected growth in certain areas and a decrease in production costs attributable to lower originations.

Data processing costs for the six month period ended June 30, 2010 were \$3,006, an increase of \$247 compared to \$2,759 for the same period last year.

Net occupancy expense and equipment expense for the six month period ended June 30, 2010 decreased \$455 to \$5,857 over the comparable period for the prior year.

Amortization of intangible assets was \$946 for the six months ended June 30, 2010 compared to \$995 for the six months ended June 30, 2009.

Advertising and public relations expense was \$1,868 for the six months ending June 30, 2010 compared to \$1,864 for the same period in 2009.

Communication expense was \$2,133 for the six months ended June 30, 2010 compared to \$2,299 for the same period in 2009.

Other noninterest expense was \$10,016 and \$9,509 for the six months ended June 30, 2010 and 2009, respectively. Other noninterest expense for the six months ended June 30, 2010 includes expenses related to other real estate owned of \$1,695, an increase of \$1,083 compared to \$612 for the same period in 2009. In addition, other noninterest expense for the six months ended June 30, 2010 includes an increase of \$450 in expenses associated with our FDIC deposit insurance assessments. Other noninterest expense for the six months ended June 30, 2009 includes the \$1,750 charge for the FDIC's special deposit insurance assessment noted above.

Noninterest expense as a percentage of average assets was 2.89% for the six month period ended June 30, 2010 and 2.91% for the comparable period in 2009. The net overhead ratio was 1.50% and 1.37% for the first six months of 2010 and 2009, respectively. Our efficiency ratio increased to 67.02% for the six month period ended June 30, 2010 compared to 66.03% for the same period of 2009 due to the decrease in net interest income attributable to the decline in the volume of net earning assets and the decline in noninterest income during the first six months of 2010 as compared to 2009. This decrease was partially offset by a decrease in noninterest expense.

Income Taxes

Income tax expense was \$2,028 for the six month period ended June 30, 2010 compared to \$3,605 for the same period in 2009. The effective tax rates for the six month periods ended June 30, 2010 and 2009 were 21.50% and 26.00%, respectively. The decrease in the effective tax rate for the six months ended June 30, 2010 as compared to the same period in 2009 is attributable to lower levels of taxable income while, at the same time, tax benefits resulting from tax-exempt instruments remained at consistent levels.

Table of Contents**Risk Management**

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

Credit Risk and Allowance for Loan Losses

The allowance for loan losses is available to absorb probable credit losses inherent in the entire loan portfolio. The appropriate level of the allowance is based on a quarterly analysis of the loan portfolio and represents an amount that management deems adequate to provide for inherent losses, including collective impairment as recognized under Accounting Standards Codification Topic 450, Contingencies. Other considerations in establishing the allowance include the risk rating of individual credits, the size and diversity of the portfolio, economic conditions reflected within industry segments, the unemployment rate in our markets, loan segmentation, historical losses that are inherent in the loan portfolio and the results of periodic credit reviews by internal loan review and regulators.

The provision for loan losses charged to operating expense is an amount which, in the judgment of management, is necessary to maintain the allowance for loan losses at a level that is believed to be adequate to meet the inherent risks of losses in our loan portfolio. The Company recorded a provision for loan losses of \$7,000 for the second quarter of 2010 as compared to \$6,700 for the same period in 2009. The provision for loan losses was \$13,665 for the six months ended June 30, 2010 compared to \$11,740 for the same period in 2009. Factors considered by management in determining the amount of provision for loan losses to charge to current operations include the internal risk rating of individual credits, historical and current trends in net charge-offs, trends in nonperforming loans, trends in past due loans, trends in the market values of underlying collateral securing loans and the current economic conditions in the market in which we operate. The increase in the provision for loan losses recorded during the three and six month periods ending June 30, 2010 as compared to the same periods in 2009 was a result of continuing credit deterioration in 2010, which is reflected in the increased levels of net charge-offs, nonperforming loans and loans past due 30 to 89 days in comparison to prior periods.

Charge-offs for the first six months of 2010 were higher as compared to the same period in 2009 as a result of the continuing effects of the economic downturn in our markets on borrowers' ability to repay their loans and the decline in market values of underlying collateral securing loans, primarily real estate values. The following table presents the activity in the allowance for loan losses for the periods presented:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------------|--------------------------------|-----------|------------------------------|-----------|
| | 2010 | 2009 | 2010 | 2009 |
| Balance at beginning of period | \$ 41,094 | \$ 35,181 | \$ 39,145 | \$ 34,905 |
| Provision for loan losses | 7,000 | 6,700 | 13,665 | 11,740 |
| Charge-offs | | | | |
| Commercial, financial, agricultural | 166 | 1,567 | 243 | 1,884 |
| Lease financing | | | | |
| Real estate construction | 2,983 | 1,132 | 3,418 | 1,798 |
| Real estate 1-4 family mortgage | 3,573 | 2,888 | 5,455 | 6,195 |
| Real estate commercial mortgage | 430 | 682 | 2,801 | 1,236 |
| Installment loans to individuals | 79 | 64 | 194 | 147 |
| Total charge-offs | 7,231 | 6,333 | 12,111 | 11,260 |
| Recoveries | | | | |
| Commercial, financial, agricultural | 18 | 79 | 39 | 100 |
| Lease financing | | | | |
| Real estate construction | (10) | 32 | 37 | 88 |
| Real estate 1-4 family mortgage | 234 | 136 | 314 | 214 |
| Real estate commercial mortgage | 5 | 5 | 11 | 5 |
| Installment loans to individuals | 36 | 164 | 46 | 172 |
| Total recoveries | 283 | 416 | 447 | 579 |

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| | | | | |
|---|-----------|-----------|-----------|-----------|
| Net charge-offs | 6,948 | 5,917 | 11,664 | 10,681 |
| Balance at end of period | \$ 41,146 | \$ 35,964 | \$ 41,146 | \$ 35,964 |
| Allowance for loan losses to total loans | 1.82% | 1.46% | 1.82% | 1.46% |
| Net charge-offs to average loans (annualized) | 1.21% | 0.93% | 1.01% | 0.84% |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------------|------------------------------|-----------------|
| | 2010 | 2009 | 2010 | 2009 |
| Construction: | | | | |
| Residential | \$ 258 | \$ 1,100 | \$ 646 | \$ 1,766 |
| Commercial | | | | |
| Condominiums | 2,735 | | 2,735 | (56) |
| Total construction | 2,993 | 1,100 | 3,381 | 1,710 |
| 1-4 family mortgage: | | | | |
| Primary | 1,554 | 483 | 1,633 | 1,234 |
| Home equity | 329 | 655 | 739 | 1,448 |
| Rental/investment | 439 | 249 | 764 | 809 |
| Land development | 1,017 | 1,365 | 2,005 | 2,490 |
| Total 1-4 family mortgage | 3,339 | 2,752 | 5,141 | 5,981 |
| Commercial mortgage: | | | | |
| Owner-occupied | 167 | 94 | 1,251 | 138 |
| Non-owner occupied | 211 | 583 | 1,489 | 1,093 |
| Land development | 47 | | 50 | |
| Total commercial mortgage | 425 | 677 | 2,790 | 1,231 |
| Total net charge-offs of loans secured by real estate | \$ 6,919 | \$ 4,529 | \$ 11,312 | \$ 8,922 |

The following table quantifies the amount of the specific reserves component of the allowance for loan losses and the amount of the allowance determined by applying allowance factors to graded loans as of June 30, 2010 and December 31, 2009:

| | June 30, | December |
|---|------------------|------------------|
| | 2010 | 31, 2009 |
| Specific reserves | \$ 17,036 | \$ 14,468 |
| Allocated reserves based on loan grades | 24,110 | 24,677 |
| Total allowance for loan losses | \$ 41,146 | \$ 39,145 |

Nonperforming loans are loans on which the accrual of interest has stopped and loans which are contractually past due 90 days or more on which interest continues to accrue. A nonperforming loan may be returned to performing status when the loan has been brought current, the borrower has demonstrated the ability to make principal and interest payments timely and the loan is properly collateralized. Nonperforming loans were \$64,662 at June 30, 2010 as compared to \$50,025 at December 31, 2009. Nonperforming loans as a percentage of total loans were 2.86% at June 30, 2010 compared to 2.13% at December 31, 2009. The increase in nonperforming loans at June 30, 2010 as compared to December 31, 2009 is primarily attributable to continued credit deterioration as a result of the prolonged effects of the economic turndown on borrowers' ability to make timely payments on their loans, particularly in our loans secured by real estate. Management has evaluated these loans and other loans classified as nonperforming and believes that all nonperforming loans have been adequately reserved for in the allowance for loan losses at June 30, 2010.

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The following table provides details of the Company's nonperforming loans for the periods presented:

| | 2010 | June 30, 2009 | December 31, 2009 |
|--|------------------|------------------|----------------------|
| Nonaccruing loans | | | |
| Commercial, financial, agricultural | \$ 3,564 | \$ 2,035 | \$ 2,603 |
| Lease financing | | | |
| Real estate construction | 1,943 | 5,536 | 2,092 |
| Real estate 1-4 family mortgage | 30,074 | 37,418 | 23,008 |
| Real estate commercial mortgage | 18,161 | 10,167 | 11,699 |
| Installment loans to individuals | 126 | 61 | 52 |
| Total nonaccruing loans | 53,868 | 55,217 | 39,454 |
| Accruing loans past due 90 days or more | | | |
| Commercial, financial, agricultural | 227 | 483 | 843 |
| Lease financing | | | |
| Real estate construction | | 202 | 1,556 |
| Real estate 1-4 family mortgage | 7,157 | 7,060 | 5,622 |
| Real estate commercial mortgage | 3,340 | 2,500 | 2,379 |
| Installment loans to individuals | 70 | 39 | 171 |
| Total accruing loans past due 90 days or more | 10,794 | 10,284 | 10,571 |
| Total nonperforming loans | \$ 64,662 | \$ 65,501 | \$ 50,025 |
| | | | |
| Nonperforming loans to total loans | 2.86% | 2.65% | 2.13% |
| Allowance for loan losses to nonperforming loans | 63.63 | 54.91 | 78.25 |

The following table provides further details of the Company's nonperforming loans secured by real estate for the periods presented:

| | 2010 | June 30, 2009 | December 31, 2009 |
|----------------------------------|---------------|------------------|----------------------|
| Construction: | | | |
| Residential | \$ 1,943 | \$ 4,466 | \$ 3,648 |
| Commercial | | | |
| Condominiums | | 1,272 | |
| Total construction | 1,943 | 5,738 | 3,648 |
| 1-4 family mortgage: | | | |
| Primary | 6,615 | 3,265 | 4,281 |
| Home equity | 846 | 800 | 990 |
| Rental/investment | 12,764 | 5,245 | 5,500 |
| Land development | 17,006 | 35,168 | 17,859 |
| Total 1-4 family mortgage | 37,231 | 44,478 | 28,630 |
| Commercial mortgage: | | | |
| Owner-occupied | 11,585 | 6,895 | 3,984 |
| Non-owner occupied | 2,682 | 3,370 | 5,049 |
| Land development | 7,234 | 2,402 | 5,045 |
| Total commercial mortgage | 21,501 | 12,667 | 14,078 |

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| | | | |
|--|-----------|-----------|-----------|
| Total nonperforming loans secured by real estate | \$ 60,675 | \$ 62,883 | \$ 46,356 |
|--|-----------|-----------|-----------|

Management also continually monitors loans past due 30 to 89 days for potential credit quality deterioration. Total loans past due 30 to 89 days were \$35,552 at June 30, 2010 as compared to \$24,062 at December 31, 2009 and \$21,927 at June 30, 2009.

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Restructured loans are those for which concessions have been granted to the borrower that the Company would not otherwise consider due to a deterioration of the borrower's financial condition. Such concessions may include reduction in interest rates or deferral of interest or principal payments. The Company typically makes concessions at the time of renewal of the loan based upon the Company's determination that the borrower will be able to perform under the terms of the restructured loan; the Company also requires the borrower to be current in accordance with the original terms of the loan. Restructured loans totaled \$29,245 at June 30, 2010 compared to \$36,335 at December 31, 2009. At June 30, 2010, total loans restructured through interest rate concessions represented 87.66% of total restructured loans, while loans restructured by a concession in payment terms represented the remainder. Restructured loans totaling \$1,861 and \$109 were 30-89 days past due at June 30, 2010 and December 31, 2009, respectively, while the remainder were current and performing in accordance with the new terms of the loan.

Restructured loans at June 30, 2010 and December 31, 2009 were as follows:

| | June 30, 2010 | December 31, 2009 |
|-------------------------------------|------------------|----------------------|
| Commercial, financial, agricultural | \$ 747 | \$ 1,199 |
| Lease financing | | |
| Real estate construction | 674 | 7,966 |
| Real estate 1-4 family mortgage | 20,342 | 23,011 |
| Real estate commercial mortgage | 7,298 | 4,159 |
| Installment loans to individuals | 184 | |
| Total restructured loans | \$ 29,245 | \$ 36,335 |

The following table provides further details of the Company's restructured loans secured by real estate at June 30, 2010 and December 31, 2009:

| | June 30, 2010 | December 31, 2009 |
|--|------------------|----------------------|
| Construction: | | |
| Residential | \$ 674 | \$ 2,356 |
| Commercial | | |
| Condominiums | | 5,610 |
| Total construction | 674 | 7,966 |
| 1-4 family mortgage: | | |
| Primary | 1,680 | 1,240 |
| Home equity | | |
| Rental/investment | 2,348 | 550 |
| Land development | 16,314 | 21,221 |
| Total 1-4 family mortgage | 20,342 | 23,011 |
| Commercial mortgage: | | |
| Owner-occupied | 3,440 | 3,809 |
| Non-owner occupied | 1,669 | |
| Land development | 2,189 | 350 |
| Total commercial mortgage | 7,298 | 4,159 |
| Total restructured loans secured by real estate | \$ 28,314 | \$ 35,136 |

Changes in the Company's restructured loans are as follows:

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| | | |
|-------------------------------------|----|----------|
| Balance as of January 1, 2010 | \$ | 36,335 |
| Reclassified as nonperforming | | (11,966) |
| Transfer to other real estate owned | | (2,875) |
| Charge-offs | | (2,760) |
| Additions | | 10,933 |
| Paydowns | | (422) |
| Balance as of June 30, 2010 | \$ | 29,245 |

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Other real estate owned and repossessions of \$66,797 and \$58,568 at June 30, 2010 and December 31, 2009, respectively, is included in the Consolidated Balance Sheets heading *Other assets* and consists of properties acquired through foreclosure or acceptance of a deed in lieu of foreclosure. These properties are carried at the lower of cost or fair market value based on appraised value less estimated selling costs. Losses arising at the time of foreclosure of properties are charged against the allowance for loan losses. Reductions in the carrying value subsequent to acquisition are charged to earnings and are included in *Other noninterest expense* in the Consolidated Statements of Income. Other real estate owned with a cost basis of \$8,964 was sold during the six months ended June 30, 2010, resulting in a net loss of \$387.

The following table provides details of the Company's other real estate owned and repossessions as of June 30, 2010 and December 31, 2009:

| | June 30, 2010 | December 31, 2009 |
|---|--------------------------|------------------------------|
| Residential real estate | \$ 21,345 | \$ 18,038 |
| Commercial real estate | 13,216 | 10,336 |
| Residential land development | 29,093 | 27,018 |
| Commercial land development | 2,248 | 165 |
| Other | 895 | 3,011 |
| Total other real estate owned and repossessions | \$ 66,797 | \$ 58,568 |

Please refer to Note D, *Other Real Estate and Repossessions*, in the Notes to Condensed Consolidated Financial Statements included in this report for a discussion in changes in the Company's other real estate owned during the first six months of 2010.

Interest Rate Risk

The Company enters into mortgage loan commitments with its customers. Under the mortgage loan commitments, interest rates for a mortgage loan are locked in with the customer for a period of time, typically thirty days. Once a mortgage loan commitment is entered into with a customer, the Company enters into a sales agreement with an investor in the secondary market to sell such loan on a *best efforts* basis. As such, the Company does not incur risk if the mortgage loan commitment in the pipeline fails to close.

For further discussion of these derivative financial instruments, please refer to Note I, *Derivative Instruments* in the Notes to Condensed Consolidated Financial Statements included in this report

Liquidity and Capital Resources

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

Core deposits, which are deposits excluding time deposits, are a major source of funds used by Renasant Bank to meet cash flow needs. While we do not control the types of deposit instruments our clients choose, we do influence those choices with the rates we offer and with the deposit products we offer. Understanding the competitive pressures on deposits is key to maintaining the ability to acquire and retain these funds in a variety of markets. When evaluating the movement of these funds, even during large interest rate changes, it is essential that we continue to attract deposits that can be used to meet cash flow needs. Management continues to monitor the liquidity and non-core dependency ratios to ensure compliance with Asset/Liability Committee targets.

Our investment portfolio is another alternative for meeting liquidity needs. These assets generally have readily available markets that offer conversions to cash as needed. The balance of our investment portfolio was \$721,640 at June 30, 2010 as compared to \$714,164 at December 31, 2009. Securities within our investment portfolio are also used to secure certain deposit types and short-term borrowings. At June 30, 2010, securities with a carrying value of approximately \$384,157 were pledged to secure public fund deposits and as collateral for short-term borrowings as compared to \$386,965 at December 31, 2009. Management anticipates the continued runoff of public fund deposit balances as government agencies utilize the funds held in these accounts will increase the amount of our unpledged investment securities.

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Other sources available for meeting liquidity needs include federal funds purchased and advances from the FHLB. Interest is charged at the prevailing market rate on federal funds purchased and FHLB advances. There were no outstanding federal funds purchased at June 30, 2010 or December 31, 2009. Funds obtained from the FHLB are used primarily to match-fund real estate loans and other longer-term fixed rate loans in order to minimize interest rate risk and may also be used to meet day to day liquidity needs. As of June 30, 2010, the balance of our outstanding short-term and long-term advances with the FHLB was \$316,468 compared to \$469,574 at December 31, 2009. The total amount of remaining credit available to us from the FHLB at June 30, 2010 was \$414,460. We also maintain lines of credits with other commercial banks totaling \$85,000. There were no amounts outstanding under these lines of credit at June 30, 2010 or December 31, 2009.

The following table presents the percentage of total average deposits and borrowed funds, by type, and total cost of funds, as of June 30 for each of the years presented:

| | Percentage of Total | | Cost of Funds | |
|--|---------------------|----------------|---------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| Noninterest-bearing demand | 9.86% | 8.96% | % | % |
| Interest-bearing demand | 31.03 | 26.23 | 1.20 | 1.43 |
| Savings | 4.06 | 2.81 | 0.68 | 0.19 |
| Time deposits | 39.31 | 39.68 | 2.34 | 2.80 |
| Federal Home Loan Bank advances | 11.13 | 18.26 | 3.71 | 3.27 |
| Other borrowed funds | 4.61 | 4.06 | 3.80 | 4.17 |
| Total deposits and borrowed funds | 100.00% | 100.00% | 1.91% | 2.26% |

Our strategy in choosing funds is focused on attempting to mitigate interest rate risk, and thus we utilize funding sources that are commensurate with the interest rate risk associated with the assets. We constantly monitor our funds position and evaluate the effect various funding sources have on our financial position.

Cash and cash equivalents were \$191,141 at June 30, 2010 compared to \$144,279 at June 30, 2009. Cash provided by investing activities for the six months ended June 30, 2010 was \$48,420 compared to \$45,729 for the same period of 2009. Purchases of investment securities were \$238,945 for the six months ending June 30, 2010 compared to \$220,514 for the six months ending June 30, 2009. Proceeds from the sale and maturity of securities within our investment portfolio were \$232,141 for the six months ending June 30, 2010 compared to proceeds from the sale and maturity of securities of \$226,459 for the six months ending June 30, 2009. Cash provided by a net decrease in loans for the six months ended June 30, 2010 was \$56,581 compared to \$40,442 for the same period in 2009.

Cash used in financing activities for the six months ended June 30, 2010 was \$53,002 compared to \$19,330 for the same period of 2009. Cash flows from the generation of deposits were \$112,112 for the six months ended June 30, 2010 compared to \$255,879 for the same period in 2009. Cash provided from the generation of deposits during the six months ended June 30, 2010 was primarily used to reduce our total borrowings by \$158,157.

The Company's liquidity and capital resources, as well as its ability to pay dividends to our shareholders, are substantially dependent on the ability of Renasant Bank to transfer funds to the Company in the form of dividends, loans and advances. Under Mississippi law, a Mississippi bank may not pay dividends unless its earned surplus is in excess of three times capital stock. A Mississippi bank with earned surplus in excess of three times capital stock may pay a dividend, subject to the approval of the Mississippi Department of Banking and Consumer Finance. In addition, the FDIC must also approve any payment of dividends by Renasant Bank. As such, the approval of these supervisory authorities is required prior to Renasant Bank paying dividends to the Company. Federal Reserve regulations also limit the amount Renasant Bank may loan to the Company unless such loans are collateralized by specific obligations. At June 30, 2010, the maximum amount available for transfer from Renasant Bank to the Company in the form of loans was \$32,642. There were no loans outstanding from Renasant Bank to the Company at June 30, 2010. These restrictions did not have any impact on the Company's ability to meet its cash obligations in the first six months of 2010, nor does management expect such restrictions to materially impact the Company's ability to meet its currently-anticipated cash obligations.

Table of Contents***Off-Balance Sheet Transactions***

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

Loan commitments and standby letters of credit do not necessarily represent future cash requirements of the Company in that while the borrower has the ability to draw upon these commitments at any time, these commitments often expire without being drawn upon. The Company's unfunded loan commitments and standby letters of credit outstanding at June 30, 2010 and December 31, 2009 are as follows:

| | June 30, 2010 | December 31, 2009 |
|---------------------------|--------------------------|----------------------------------|
| Loan commitments | \$ 300,710 | \$ 320,259 |
| Standby letters of credit | 30,019 | 28,956 |

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

Market risk resulting from interest rate changes on particular off-balance sheet financial instruments may be offset by other on- or off-balance sheet transactions. Interest rate sensitivity is monitored by the Company for determining the net effect of potential changes in interest rates on the market value of both on- and off-balance sheet financial instruments.

Contractual Obligations

There have not been any material changes outside of the ordinary course of business to any of the contractual obligations disclosed in our Annual Report on Form 10-K for the year ended December 31, 2009.

Shareholders' Equity and Regulatory Matters

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

Quantitative measures established by regulation to ensure capital adequacy require Renasant Bank to maintain minimum balances and ratios. All banks are required to have core capital (Tier I) of at least 4% of risk-weighted assets, Tier I leverage of 4% of average assets, and total capital of 8% of risk-weighted assets (as such ratios are defined in Federal regulations). To be categorized as well capitalized, banks must maintain minimum Tier I leverage, Tier I risk-based and total risk-based ratios of 5%, 6%, and 10%, respectively. As of June 30, 2010, Renasant Bank met all capital adequacy requirements to which it is subject.

As of June 30, 2010, the most recent notification from the FDIC categorized Renasant Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed Renasant Bank's category.

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The following table sets forth the minimum capital ratios required for each of the Company and Renasant Bank to be rated as well capitalized and the capital ratios for the Company and Renasant Bank as of June 30, 2010:

| | Minimum Capital Requirement to be Well Capitalized | Renasant Corporation | Renasant Bank |
|--|---|-----------------------------|----------------------|
| Tier I Leverage (to average assets) | 5.00% | 8.78% | 8.58% |
| Tier I Capital (to risk-weighted assets) | 6.00% | 11.42% | 11.16% |
| Total Capital (to risk-weighted assets) | 10.00% | 12.67% | 12.41% |

Management recognizes the importance of maintaining a strong capital base. As the above ratios indicate, the Company and Renasant Bank exceed the requirements to be rated as well capitalized.

During the fourth quarter of 2008, the Company declined to participate in the U.S. Treasury Department's Capital Purchase Program, which is part of the federal government's Troubled Assets Relief Program. At the time of the decision, the board of directors and management believed that the Company's strong capital position, coupled with future earnings, would allow us to meet projected balance sheet growth, deal with the downturn in the economy and take advantage of strategic growth opportunities without funds obtained under the Capital Purchase Program. As the capital ratios for the Company and Renasant Bank have remained in excess of the requirements to be categorized as well capitalized, the board of directors and management continue to believe this was the correct decision.

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

Subsequent to the end of the second quarter of 2010, the Company issued and sold 3,925,000 shares of its \$5.00 par value per share common stock at a purchase price of \$14.00 per share in a private placement with accredited institutional investors. The gross proceeds to the Company from the private placement, which was completed on July 23, 2010, were \$54.95 million.

The following table sets forth the Company's book value per share, tangible book value per share, capital ratio and tangible capital ratio at June 30, 2010 and December 31, 2009:

| | June 30, 2010 | December 31, 2009 |
|-------------------------------|----------------------|--------------------------|
| Book value per share | \$ 19.54 | \$ 19.45 |
| Tangible book value per share | 10.51 | 10.38 |
| Capital ratio | 11.47% | 11.26% |
| Tangible capital ratio | 6.52% | 6.34% |

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk since December 31, 2009. For additional information regarding our market risk, see our Annual Report on Form 10-K for the year ended December 31, 2009.

Item 4. CONTROLS AND PROCEDURES

Based on their evaluation as of the end of the period covered by this quarterly report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities

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Exchange Act of 1934, as amended) are effective for ensuring that information the Company is required to disclose in reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. There were no changes in the Company's internal control over financial reporting during the fiscal quarter covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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Part II. OTHER INFORMATION

Item 1A. RISK FACTORS

Information regarding risk factors appears in Part I, Item 1A, Risk Factors, of the Company's Annual Report on Form 10-K for the year ended December 31, 2009. The information below discusses additional risk factors arising since the filing of our Annual Report on Form 10-K through the date of the filing of this Quarterly Report on Form 10-Q, relating to, among other things, (1) Renasant Bank's acquisition of specified assets and the operations of, and the assumption of specified liabilities of Crescent Bank & Trust Company, a Georgia-chartered bank headquartered in Jasper, Georgia (Crescent) from the Federal Deposit Insurance Corporation (the FDIC), as receiver of Crescent, and (2) the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). The following risk factors are in addition to those set forth in our Annual Report on Form 10-K for the year ended December 31, 2009 and should be read in conjunction with the Annual Report risk factors.

Risks Related To Our Business and Industry

We may fail to realize the anticipated benefits of our acquisition of Crescent.

The success of our acquisition of specified assets and the operations of, and our assumption of specified liabilities of, Crescent from the FDIC will depend on, among other things, our ability to realize anticipated cost savings and to integrate the acquired Crescent assets and operations in a manner that permits growth opportunities and does not materially disrupt our existing customer relationships or result in decreased revenues resulting from any loss of customers. If we are not able to successfully achieve these objectives, the anticipated benefits of the acquisition may not be realized fully or at all or may take longer to realize than expected. Additionally, we will make fair value estimates of certain assets and liabilities in recording the acquisition. Actual values of these assets and liabilities could differ from our estimates, which could result in our not achieving the anticipated benefits of the acquisition.

We cannot assure you that our acquisition of Crescent will have positive results, including results relating to: correctly assessing the asset quality of the assets acquired; the total cost of integration, including management attention and resources; the time required to complete the integration successfully; the amount of longer-term cost savings; being able to profitably deploy funds acquired in the transaction; or the overall performance of the combined business.

Our future growth and profitability depends, in part, on our ability to successfully manage the combined operations. Integration of an acquired business can be complex and costly, and we may encounter a number of difficulties, such as:

deposit attrition, customer loss and revenue loss;

the loss of key employees;

the disruption of our operations and business;

our inability to maintain and increase competitive presence;

possible inconsistencies in standards, control procedures and policies; and/or

unexpected problems with costs, operations, personnel, technology and credit.

Additionally, general market and economic conditions or governmental actions affecting the financial industry generally may inhibit our successful integration of the operations of Crescent.

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Given the continued economic recession in the United States, notwithstanding our loss-sharing arrangements with the FDIC with respect to some of the Crescent assets that we acquired, we may continue to experience increased credit costs or need to take additional markdowns and make additional provisions to the allowance for loan losses on the Crescent loans acquired that could adversely affect our financial condition and results of operations in the future. There is no assurance that as our integration efforts continue in connection with this transaction, other unanticipated costs, including the diversion of personnel, or losses will not be incurred. In addition, the attention and effort devoted to the integration of an acquired business may divert management's attention from other important issues and could harm our business.

We may experience difficulty in managing the loan portfolio acquired from Crescent within the limits of the loss protection provided by the FDIC.

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In connection with the acquisition of Crescent's assets and operations and the assumption of its liabilities, the Bank entered into a loss-sharing arrangement with the FDIC that covered approximately \$600 million of Crescent's assets. Under the loss sharing arrangement, 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. In addition, as explained in the Purchase and Assumption Agreement that we entered into with the FDIC, after the 10th anniversary of the acquisition, the FDIC has a right to recover a portion of its shared-loss reimbursements if losses on the covered assets are less than \$242 million. The loss sharing agreement applicable to single-family residential mortgage loans provides for FDIC loss sharing and Renasant Bank reimbursement to the FDIC to run for ten years, and the loss sharing agreement applicable to commercial and other assets provides for FDIC loss sharing and Renasant Bank reimbursement to the FDIC to run for five years, with additional recovery sharing for three years thereafter.

The FDIC has the right to refuse or delay loss-sharing payments for loan losses if we do not adhere to the terms of the loss sharing agreements. Additionally, the loss sharing agreements have limited terms. Therefore, any charge-offs that we experience after the terms of the loss sharing agreements have ended would not be recoverable from the FDIC.

Certain provisions of the loss sharing agreements entered into with the FDIC may have anti-takeover effects and could limit our ability to engage in certain strategic transactions that our board of directors believes would be in the best interests of shareholders.

The FDIC's agreement to bear 80% of qualifying losses on single family residential loans for ten years and commercial loans for five years is a significant asset of the Company and a feature of the Crescent acquisition without which we would not have entered into the transaction. Our agreement with the FDIC requires that we receive prior FDIC consent, which may be withheld by the FDIC in its sole discretion, prior to us or our shareholders engaging in certain transactions. If any such transaction is completed without prior FDIC consent, the FDIC would have the right to discontinue the loss sharing arrangement.

Among other things, prior FDIC consent is required for (a) a merger or consolidation of the Company with or into another company if our shareholders will own less than 2/3 of the combined company, (b) a sale of all or substantially all of the assets of Renasant Bank, or (c) a sale of shares by one or more of our shareholders that will effect a change in control of Renasant Bank, as determined by the FDIC with reference to the standards set forth in the Change in Bank Control Act (generally, the acquisition of between 10% and 25% of the our voting securities where the presumption of control is not rebutted, or the acquisition of more than 25% of our voting securities). It is unlikely that we would have any ability to control or prevent such a sale by our shareholders. If we or any shareholder desired to enter into any such transaction, there can be no assurances that the FDIC would grant its consent in a timely manner, without conditions, or at all. If one of these transactions were to occur without prior FDIC consent and the FDIC withdrew its loss share protection, there could be a material adverse impact on the Company.

Our financial results are constantly exposed to market risk.

Market risk refers to the probability of variations in net interest income or the fair value of our assets and liabilities due to changes in interest rates, among other things. The primary source of market risk to us is the impact of changes in interest rates on net interest income. We are subject to market risk because of the following factors:

Assets and liabilities may mature or reprice at different times. For example, if assets reprice more slowly than liabilities and interest rates are generally rising, earnings may initially decline.

Assets and liabilities may reprice at the same time but by different amounts. For example, when interest rates are generally rising, we may increase rates charged on loans by an amount that is less than the general increase in market interest rates because of intense pricing competition. Also, risk occurs when assets and liabilities have similar repricing frequencies but are tied to different market interest rate indices that may not move in tandem.

Short-term and long-term market interest rates may change by different amounts, i.e., the shape of the yield curve may affect new loan yields and funding costs differently.

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The remaining maturity of various assets and liabilities may shorten or lengthen as interest rates change. For example, if long-term mortgage interest rates decline sharply, mortgage-backed securities held in our securities portfolio may prepay significantly earlier than anticipated, which could reduce portfolio income. If prepayment rates increase, we would be required to amortize net premiums into income over a shorter period of time, thereby reducing the corresponding asset yield and net interest income.

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Interest rates may have an indirect impact on loan demand, credit losses, loan origination volume, the value of financial assets and financial liabilities, gains and losses on sales of securities and loans, the value of mortgage servicing rights and other sources of earnings.

Although management believes it has implemented effective asset and liability management strategies to reduce market risk on the results of our operations, these strategies are based on assumptions that may be incorrect. Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations.

Volatility in interest rates may also result in disintermediation, which is the flow of funds away from financial institutions into direct investments, such as U.S. Government and Agency securities and other investment vehicles, including mutual funds, which generally pay higher rates of return than financial institutions because of the absence of federal insurance premiums and reserve requirements. Disintermediation could also result in material adverse effects on our financial condition and results of operations.

A discussion of our policies and procedures used to identify, assess and manage certain interest rate risk is set forth under the caption Risk Management Interest Rate Risk in Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, of this report.

We may engage in additional FDIC-assisted transactions.

We intend to continue to evaluate opportunities to acquire failed banks through FDIC-assisted transactions. If we acquire the assets and liabilities of additional failed banks in FDIC-assisted transactions, we will be subject to many of the same risks as those discussed above with respect to the Crescent transaction. In addition, because FDIC-assisted transactions are structured in a manner that do not allow us the time and access to information normally associated with preparing for and evaluating a negotiated acquisition, we may face additional risks in FDIC-assisted transactions, including additional strain on management resources, management of problem loans, problems related to integration of personnel and operating systems and impact to our capital resources requiring us to raise additional capital. We cannot assure you that we will be successful in overcoming these risks or any other problems encountered in connection with FDIC-assisted transactions. Our inability to overcome these risks could have a material adverse effect on our business, financial condition and results of operations.

Financial reform legislation recently enacted by Congress will, among other things, tighten capital standards, create a new Consumer Financial Protection Bureau and result in new laws and regulations that are expected to increase our costs of operations.

The Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law on July 21, 2010. This new law will significantly change the current bank regulatory structure and affect the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new implementing rules and regulations and to prepare numerous studies and reports for Congress. The federal agencies are given significant discretion in drafting the implementing rules and regulations, and consequently, many of the details and much of the impact of the Dodd-Frank Act may not be known for many months or years.

Certain provisions of the Dodd-Frank Act are expected to have a near term impact on us. For example, effective one year after the date of enactment is a provision of the Dodd-Frank Act that eliminates the federal prohibitions on paying interest on demand deposits, thus allowing businesses to have interest bearing checking accounts. Depending on competitive responses, this significant change to existing law could have an adverse impact on the Company's interest expense.

The Dodd-Frank Act also broadens the base for FDIC insurance assessments. Assessments will now be based on the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act also permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to \$250,000 per depositor, retroactive to January 1, 2009, and non-interest bearing transaction accounts have unlimited deposit insurance through December 31, 2013.

The Dodd-Frank Act will require publicly traded companies to give stockholders a non-binding vote on executive compensation and so-called golden parachute payments in certain circumstances. The new legislation also authorizes the SEC to promulgate rules that would allow stockholders to nominate their own candidates using a company's proxy materials. And, the legislation directs the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded or not.

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The Dodd-Frank Act creates a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit unfair, deceptive or abusive acts and practices. The Consumer Financial Protection Bureau has examination and enforcement authority over all banks and savings institutions with more than \$10 billion in assets. Institutions such as Renasant Bank with \$10 billion or less in assets will continued to be examined for compliance with the consumer laws by their primary bank regulators. The Dodd-Frank Act also weakens the federal preemption rules that have been applicable for national banks and federal savings associations, and gives state attorneys general the ability to enforce federal consumer protection laws.

It is difficult to predict at this time what specific impact the Dodd-Frank Act and the yet to be written implementing rules and regulations will have on us. However, it is expected that at a minimum our operating and compliance costs will increase, and our interest expense could increase.

Because of stresses on the Deposit Insurance Fund, the FDIC has recently imposed, and could impose in the future, additional assessments on the banking industry.

The current financial crisis has caused the Deposit Insurance Fund administered by the FDIC to fall below required minimum levels. Because the FDIC replenishes the Deposit Insurance Fund through assessments on the banking industry, we anticipate that the FDIC will likely maintain relatively high deposit insurance premiums for the foreseeable future. The FDIC has recently imposed a special deposit insurance assessment on the banking industry, and there can be no assurance that it will not do so again. It has also required banking organizations to pre-pay deposit insurance premiums in order to replenish the liquid assets of the Deposit Insurance Fund, and may impose similar requirements in the future. High insurance premiums and special assessments will adversely affect our profitability.

Changes in accounting standards issued by FASB or other standard-setting bodies may adversely affect our financial statements.

Our financial statements are subject to the application of our accounting principles generally accepted in the United States (GAAP), which are periodically revised and/or expanded. Accordingly, from time to time we are required to adopt new or revised accounting standards issued by FASB. Market conditions have prompted accounting standard setters to promulgate new guidance which further interprets or seeks to revise accounting pronouncements related to financial instruments, structures or transactions as well as to issue new standards expanding disclosures. The impact of accounting developments that have been issued but not yet implemented is disclosed in our annual reports on Form 10-K and our quarterly reports on Form 10-Q. An assessment of proposed standards is not provided as such proposals are subject to change through the exposure process and, therefore, the effects on our financial statements cannot be meaningfully assessed. It is possible that future accounting standards that we are required to adopt could change the current accounting treatment that we apply to our consolidated financial statements and that such changes could have a material effect on our financial condition and results of operations.

Our information systems may experience a security breach, computer virus, or disruption of service.

Renasant Bank provides its customers the ability to bank online. The secure transmission of confidential information over the Internet is a critical element of online banking. While we use qualified third party vendors to test and audit our network, our network could become vulnerable to unauthorized access, computer viruses, phishing schemes and other security problems. Renasant Bank may be required to spend significant capital and other resources to protect against the threat of security breaches and computer viruses, or to alleviate problems caused by security breaches or viruses. To the extent that our activities or the activities of our customers involve the storage and transmission of confidential information, security breaches and viruses could expose us or Renasant Bank to claims, litigation and other possible liabilities. Any inability to prevent security breaches or computer viruses could also cause existing customers to lose confidence in Renasant Bank's systems and could adversely affect its reputation and its ability to generate deposits. Any failures, interruptions or security breaches could result in damage to our reputation, a loss of customer business, increased regulatory scrutiny, or possible exposure to financial liability, any of which could have a material adverse effect on the our financial condition and results of operations.

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Risks Associated With Our Common Stock

Shares eligible for future sale could have a dilutive effect.

Shares of our common stock eligible for future sale, including those that may be issued in any other private or public offering of our common stock for cash or as incentives under incentive plans, could have a dilutive effect on the market for our common stock and could adversely affect market prices. After the private placement completed on July 23, 2010, there were 75,000,000 shares of our common stock authorized, of which 25,023,630 shares were outstanding.

The FDIC's Statement of Policy on the Acquisition of Failed Insured Depository Institutions may restrict our activities and those of certain investors in us.

On August 26, 2009, the FDIC adopted the final Statement of Policy on the Acquisition of Failed Insured Depository Institutions (the Statement). The Statement purports to provide guidance concerning the standards for more than de minimis investments in acquirers of deposit liabilities and the operations of failed insured depository institutions. The Statement applies to private investors in a company, including any company acquired to facilitate bidding on failed banks or thrifts that is proposing to, directly or indirectly, assume deposit liabilities, or such liabilities and assets, from the resolution of a failed insured depository institution. By its terms, the Statement does not apply to investors with 5% or less of the total voting power of an acquired depository institution or its bank or thrift holding company (provided there is no evidence of concerted action by these investors). When applicable, among other things, covered investors (other than certain mutual funds) are prohibited by the Statement from selling their securities in the relevant institution for three years. In addition, covered investors must disclose to the FDIC information about the investors and all entities in the ownership chain, including information as to the size of the capital fund or funds, its diversification, the return profile, the marketing documents, the management team and the business model, as well as such other information as is determined to be necessary to assure compliance with the Statement. Furthermore, among other restrictions, the acquired institution must maintain a ratio of Tier 1 common equity to total assets of at least 10% for a period of three years from the time of acquisition; thereafter, the institution must maintain capital such that it is well capitalized during the remaining period of ownership by the covered investor. In addition, under the Statement, covered investors employing ownership structures utilizing entities that are domiciled in Secrecy Law Jurisdictions (as defined in the Statement) would not be eligible to own a direct or indirect interest in an insured depository institution, subject to certain exceptions.

The Statement may be applicable to private investors in us and, in the event of any such private investors covered by the Statement, will be applicable to us. Furthermore, because the applicability of the Statement depends in large part on the specific investor, we may not know at any given point of time whether the Statement applies to any investor and, accordingly, to us. Each investor must make its own determination concerning whether the Statement applies to it and its investment in us. Each investor is cautioned to consult its own legal advisors concerning such matters. We cannot assure investors that the Statement will not be applicable to us.

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

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

The Company did not repurchase any shares of its outstanding stock during the three month period ended June 30, 2010.

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

Table of Contents**Item 6. EXHIBITS****Exhibit**

| Number | Description |
|---------------|--|
| (2)(i) | Purchase and Assumption Agreement - Whole Bank - All Deposits, among the Federal Deposit Insurance Corporation, as Receiver of Crescent Bank & Trust Company, Jasper, Georgia, the Federal Deposit Insurance Corporation and Renasant Bank, dated as of July 23, 2010 ⁽¹⁾ |
| (3)(i) | Articles of Incorporation of Renasant Corporation, as amended ⁽²⁾ |
| (3)(ii) | Bylaws of Renasant Corporation, as amended ⁽³⁾ |
| (4)(i) | Articles of Incorporation of Renasant Corporation, as amended ⁽²⁾ |
| (4)(ii) | Bylaws of Renasant Corporation, as amended ⁽³⁾ |
| (10)(i) | Form of Securities Purchase Agreement by and among the Company and the Purchasers, including form of Registration Rights Agreement by and among the Company and the Purchasers ⁽⁴⁾ |
| (31)(i) | Certification of the Chief Executive Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| (31)(ii) | Certification of the Chief Financial Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| (32)(i) | Certification of the Chief Executive Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| (32)(ii) | Certification of the Chief Financial Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

⁽¹⁾ Filed as exhibit 2.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on July 27, 2010 and incorporated herein by reference.

⁽²⁾ Filed as exhibit 3.1 to the Company's Form 10-Q filed with the Securities and Exchange Commission on May 9, 2005 and incorporated herein by reference.

⁽³⁾ Filed as exhibit 3.2 to the Company's Form 8-K filed with the Securities and Exchange Commission on October 21, 2008 and incorporated herein by reference.

⁽⁴⁾ Filed as exhibit 10.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on July 27, 2010 and incorporated herein by reference.

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

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SIGNATURES

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

August 9, 2010

RENASANT CORPORATION

/s/ E. ROBINSON MCGRAW
E. Robinson McGraw
Chairman, President & Chief Executive Officer
(Principal Executive Officer)

/s/ STUART R. JOHNSON
Executive Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

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EXHIBIT INDEX

| Exhibit Number | Description |
|---------------------------|--|
| (31)(i) | Certification of the Chief Executive Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| (31)(ii) | Certification of the Chief Financial Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| (32)(i) | Certification of the Chief Executive Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| (32)(ii) | Certification of the Chief Financial Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |