

RENASANT CORP
Form 10-Q
November 08, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

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

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

Mississippi 64-0676974
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

209 Troy Street, Tupelo, Mississippi 38804-4827
(Address of principal executive offices) (Zip Code)
(662) 680-1001
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 October 31, 2013, 31,361,803 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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 Form 10-Q
 For the Quarterly Period Ended September 30, 2013
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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Renasant Corporation and Subsidiaries

Consolidated Balance Sheets

(In Thousands, Except Share Data)

| | (Unaudited) | |
|---|-----------------------|----------------------|
| | September 30, 2013 | December 31, 2012 |
| Assets | | |
| Cash and due from banks | \$ 86,964 | \$ 63,225 |
| Interest-bearing balances with banks | 146,185 | 69,195 |
| Cash and cash equivalents | 233,149 | 132,420 |
| Securities held to maturity (fair value of \$438,014 and \$334,475, respectively) | 440,055 | 317,766 |
| Securities available for sale, at fair value | 464,733 | 356,311 |
| Mortgage loans held for sale, at fair value | 28,466 | 34,845 |
| Loans, net of unearned income: | | |
| Covered under loss-share agreements | 195,997 | 237,088 |
| Not covered under loss-share agreements | 3,685,535 | 2,573,165 |
| Total loans, net of unearned income | 3,881,532 | 2,810,253 |
| Allowance for loan losses | (46,250) | (44,347) |
| Loans, net | 3,835,282 | 2,765,906 |
| Premises and equipment, net | 104,458 | 66,752 |
| Other real estate owned: | | |
| Covered under loss-share agreements | 16,580 | 45,534 |
| Not covered under loss-share agreements | 40,581 | 44,717 |
| Total other real estate owned, net | 57,161 | 90,251 |
| Goodwill | 275,328 | 184,859 |
| Other intangible assets, net | 29,737 | 6,066 |
| FDIC loss-share indemnification asset | 27,825 | 44,153 |
| Other assets | 239,854 | 179,287 |
| Total assets | \$ 5,736,048 | \$ 4,178,616 |
| Liabilities and shareholders' equity | | |
| Liabilities | | |
| Deposits | | |
| Noninterest-bearing | \$ 876,138 | \$ 568,214 |
| Interest-bearing | 3,958,618 | 2,893,007 |
| Total deposits | 4,834,756 | 3,461,221 |
| Short-term borrowings | 6,649 | 5,254 |
| Long-term debt | 170,518 | 159,452 |
| Other liabilities | 66,869 | 54,481 |
| Total liabilities | 5,078,792 | 3,680,408 |
| Shareholders' equity | | |
| Preferred stock, \$.01 par value – 5,000,000 shares authorized; no shares issued and outstanding | — | — |
| Common stock, \$5.00 par value – 75,000,000 shares authorized, 32,656,166 shares issued; 31,358,583 and 25,157,637 shares outstanding, respectively | 163,281 | 133,579 |
| Treasury stock, at cost | (22,957) | (25,626) |
| Additional paid-in capital | 341,669 | 218,128 |
| Retained earnings | 188,907 | 180,628 |

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|--|--------------|---|--------------|---|
| Accumulated other comprehensive loss, net of taxes | (13,644 |) | (8,501 |) |
| Total shareholders' equity | 657,256 | | 498,208 | |
| Total liabilities and shareholders' equity | \$ 5,736,048 | | \$ 4,178,616 | |

See Notes to Consolidated Financial Statements.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|----------|------------------------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| Interest income | | | | |
| Loans | \$39,308 | \$34,411 | \$108,031 | \$102,708 |
| Securities | | | | |
| Taxable | 3,282 | 2,677 | 9,504 | 10,567 |
| Tax-exempt | 2,001 | 2,033 | 5,844 | 6,190 |
| Other | 47 | 33 | 149 | 172 |
| Total interest income | 44,638 | 39,154 | 123,528 | 119,637 |
| Interest expense | | | | |
| Deposits | 4,313 | 4,447 | 12,488 | 14,835 |
| Borrowings | 1,577 | 1,575 | 4,507 | 5,417 |
| Total interest expense | 5,890 | 6,022 | 16,995 | 20,252 |
| Net interest income | 38,748 | 33,132 | 106,533 | 99,385 |
| Provision for loan losses | 2,300 | 4,625 | 8,350 | 14,125 |
| Net interest income after provision for loan losses | 36,448 | 28,507 | 98,183 | 85,260 |
| Noninterest income | | | | |
| Service charges on deposit accounts | 5,361 | 4,818 | 14,370 | 13,838 |
| Fees and commissions | 4,982 | 4,639 | 14,661 | 12,889 |
| Insurance commissions | 1,295 | 889 | 3,107 | 2,710 |
| Wealth management revenue | 2,091 | 1,707 | 5,530 | 5,200 |
| Gains on sales of securities | — | — | 54 | 1,773 |
| BOLI income | 1,904 | 689 | 3,268 | 2,453 |
| Gains on sales of mortgage loans held for sale | 2,788 | 4,397 | 10,223 | 8,068 |
| Other | 514 | 916 | 2,417 | 3,830 |
| Total noninterest income | 18,935 | 18,055 | 53,630 | 50,761 |
| Noninterest expense | | | | |
| Salaries and employee benefits | 25,689 | 21,222 | 68,869 | 59,741 |
| Data processing | 2,236 | 2,192 | 6,324 | 6,443 |
| Net occupancy and equipment | 4,576 | 3,886 | 11,852 | 11,091 |
| Other real estate owned | 1,537 | 2,440 | 5,359 | 9,809 |
| Professional fees | 1,542 | 1,115 | 4,019 | 3,101 |
| Advertising and public relations | 1,514 | 1,216 | 4,250 | 3,715 |
| Intangible amortization | 724 | 341 | 1,361 | 1,048 |
| Communications | 1,310 | 1,115 | 3,572 | 3,144 |
| Extinguishment of debt | — | — | — | 898 |
| Merger-related expenses | 3,763 | — | 4,148 | — |
| Other | 3,722 | 5,145 | 12,193 | 13,094 |
| Total noninterest expense | 46,613 | 38,672 | 121,947 | 112,084 |
| Income before income taxes | 8,770 | 7,890 | 29,866 | 23,937 |
| Income taxes | 2,133 | 853 | 7,639 | 4,581 |
| Net income | \$6,637 | \$7,037 | \$22,227 | \$19,356 |
| Basic earnings per share | \$0.24 | \$0.28 | \$0.86 | \$0.77 |
| Diluted earnings per share | \$0.24 | \$0.28 | \$0.85 | \$0.77 |

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| | | | | |
|---------------------------------|--------|--------|--------|--------|
| Cash dividends per common share | \$0.17 | \$0.17 | \$0.51 | \$0.51 |
|---------------------------------|--------|--------|--------|--------|

See Notes to Consolidated Financial Statements.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | | |
|---|-------------------------------------|---------|------------------------------------|----------|---|
| | 2013 | 2012 | 2013 | 2012 | |
| Net income | \$6,637 | \$7,037 | \$22,227 | \$19,356 | |
| Other comprehensive income, net of tax: | | | | | |
| Securities: | | | | | |
| Unrealized holding gains (losses) on securities | 782 | 2,486 | (6,091 |) 4,594 | |
| Reclassification adjustment for losses (gains) realized in net income | — | — | 71 | (1,095 |) |
| Amortization of unrealized holding gains on securities transferred to the held to maturity category | (49 |) (83 |) (169 |) (276 |) |
| Total securities | 733 | 2,403 | (6,189 |) 3,223 | |
| Derivative instruments: | | | | | |
| Unrealized holding (losses) gains on derivative instruments | (297 |) (241 |) 902 | (1,379 |) |
| Reclassification adjustment for gains realized in net income | (22 |) (71 |) (126 |) (259 |) |
| Totals derivative instruments | (319 |) (312 |) 776 | (1,638 |) |
| Defined benefit pension and post-retirement benefit plans: | | | | | |
| Net (loss) gain arising during the period | — | — | — | — | |
| Less amortization of net actuarial loss recognized in net periodic pension cost | 113 | 66 | 270 | 198 | |
| Total defined benefit pension and post-retirement benefit plans | 113 | 66 | 270 | 198 | |
| Other comprehensive loss, net of tax | 527 | 2,157 | (5,143 |) 1,783 | |
| Comprehensive income | \$7,164 | \$9,194 | \$17,084 | \$21,139 | |

See Notes to Consolidated Financial Statements.

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

| | Nine Months Ended September 30, | |
|--|------------------------------------|------------|
| | 2013 | 2012 |
| Operating activities | | |
| Net cash provided by operating activities | \$124,122 | \$134,775 |
| Investing activities | | |
| Purchases of securities available for sale | (106,521 |) (107,235 |
| Proceeds from sales of securities available for sale | 9,015 | 86,850 |
| Proceeds from call/maturities of securities available for sale | 62,606 | 106,391 |
| Purchases of securities held to maturity | (70,075 |) (99,045 |
| Proceeds from sales of securities held to maturity | 4,461 | — |
| Proceeds from call/maturities of securities held to maturity | 84,667 | 131,483 |
| Net increase in loans | (190,010 |) (270,091 |
| Purchases of premises and equipment | (8,685 |) (13,568 |
| Proceeds from sales of premises and equipment | — | 108 |
| Net cash received in acquisition | 170,061 | — |
| Net cash used in investing activities | (44,481 |) (165,107 |
| Financing activities | | |
| Net increase in noninterest-bearing deposits | 20,770 | 22,671 |
| Net increase (decrease) in interest-bearing deposits | 26,735 | (38,880 |
| Net (decrease) increase in short-term borrowings | (5,394 |) 53,474 |
| Repayment of long-term debt | (7,326 |) (85,155 |
| Cash paid for dividends | (13,951 |) (12,832 |
| Cash received on exercise of stock-based compensation | 99 | 435 |
| Excess tax benefit from stock-based compensation | 155 | 20 |
| Net cash provided by (used in) financing activities | 21,088 | (60,267 |
| Net increase (decrease) in cash and cash equivalents | 100,729 | (90,599 |
| Cash and cash equivalents at beginning of period | 132,420 | 209,017 |
| Cash and cash equivalents at end of period | \$233,149 | \$118,418 |
| Supplemental disclosures | | |
| Noncash transactions: | | |
| Transfers of loans to other real estate owned | \$13,747 | \$34,217 |

See Notes to Consolidated Financial Statements.

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Notes to Consolidated Financial Statements (Unaudited)

Note A – Summary of Significant Accounting Policies

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

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

On September 1, 2013, the Company completed its acquisition of First M&F Corporation (“First M&F”). The financial condition and results of operation for First M&F are included in the Company’s financial statements since the date of the acquisition. See Note M, “Mergers and Acquisitions,” in these Notes to Consolidated Financial Statements for further details regarding the terms and conditions of the Company’s merger with First M&F.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events: The Company has evaluated, for consideration of recognition or disclosure, subsequent events that have occurred through the date of issuance of its financial statements, and has determined that no significant events occurred after September 30, 2013 but prior to the issuance of these financial statements that would have a material impact on its Consolidated Financial Statements.

Note B – Securities

(In Thousands)

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

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|--|-------------------|------------------------------|-------------------------------|---------------|
| September 30, 2013 | | | | |
| Obligations of other U.S. Government agencies and corporations | \$ 149,056 | \$ 13 | \$(7,707) |) \$ 141,362 |
| Obligations of states and political subdivisions | 290,999 | 8,352 | (2,699) |) 296,652 |
| | \$ 440,055 | \$ 8,365 | \$(10,406) |) \$ 438,014 |
| December 31, 2012 | | | | |
| Obligations of other U.S. Government agencies and corporations | \$ 90,045 | \$ 116 | \$(232) |) \$ 89,929 |
| Obligations of states and political subdivisions | 227,721 | 16,860 | (35) |) 244,546 |
| | \$ 317,766 | \$ 16,976 | \$(267) |) \$ 334,475 |

In light of the ongoing fiscal uncertainty in state and local governments, the Company analyzes its exposure to potential losses in its security portfolio on at least a quarterly basis. Management reviews the underlying credit rating and analyzes the financial condition of the respective issuers. Based on this analysis, the Company sold certain securities representing obligations of state and political subdivisions that were classified as held to maturity during 2013. The securities sold showed significant credit deterioration in that an

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

analysis of the financial condition of the respective issuers showed the issuers were operating at net deficits with little to no financial cushion to offset future contingencies. These securities had a carrying value of \$4,292, and the Company recognized a net gain of \$169 on the sale during the nine months ended September 30, 2013. No securities classified as held to maturity were sold during the nine months ended September 30, 2012.

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

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|--|-------------------|------------------------------|-------------------------------|---------------|
| September 30, 2013 | | | | |
| Obligations of other U.S. Government agencies and corporations | \$6,151 | \$ 146 | \$(211) |) \$6,086 |
| Residential mortgage backed securities: | | | | |
| Government agency mortgage backed securities | 221,276 | 3,264 | (3,610) |) 220,930 |
| Government agency collateralized mortgage obligations | 151,340 | 1,793 | (3,777) |) 149,356 |
| Commercial mortgage backed securities: | | | | |
| Government agency mortgage backed securities | 41,440 | 1,486 | (547) |) 42,379 |
| Government agency collateralized mortgage obligations | 5,029 | 82 | — |) 5,111 |
| Trust preferred securities | 27,629 | — | (10,876) |) 16,753 |
| Other debt securities | 20,174 | 280 | (213) |) 20,241 |
| Other equity securities | 2,775 | 1,102 | — |) 3,877 |
| | \$475,814 | \$8,153 | \$(19,234) |) \$464,733 |
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| December 31, 2012 | | | | |
| Obligations of other U.S. Government agencies and corporations | \$2,169 | \$273 | \$— |) \$2,442 |
| Residential mortgage backed securities: | | | | |
| Government agency mortgage backed securities | 139,699 | 5,209 | (91) |) 144,817 |
| Government agency collateralized mortgage obligations | 115,647 | 2,273 | (399) |) 117,521 |
| Commercial mortgage backed securities: | | | | |
| Government agency mortgage backed securities | 41,981 | 3,077 | — |) 45,058 |
| Government agency collateralized mortgage obligations | 5,091 | 316 | — |) 5,407 |
| Trust preferred securities | 28,612 | — | (13,544) |) 15,068 |
| Other debt securities | 22,079 | 852 | (1) |) 22,930 |
| Other equity securities | 2,355 | 713 | — |) 3,068 |
| | \$357,633 | \$12,713 | \$(14,035) |) \$356,311 |

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

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|------|-------------------|---------|
| | September 30, | | September 30, | |
| | 2013 | 2012 | 2013 | 2012 |
| Gross gains on sales of securities available for sale | \$— | \$— | \$— | \$1,850 |
| Gross losses on sales of securities available for sale | — | — | (115) | (77) |
| (Loss) Gain on sales of securities available for sale, net | \$— | \$— | \$(115) | \$1,773 |

At September 30, 2013 and December 31, 2012, securities with a carrying value of \$581,266 and \$308,362, respectively, were pledged to secure government, public and trust deposits. Securities with a carrying value of \$5,684 and \$19,006 were pledged as collateral for short-term borrowings and derivative instruments at September 30, 2013 and December 31, 2012, respectively.

The amortized cost and fair value of securities at September 30, 2013 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because issuers may call or prepay obligations with or without call or prepayment penalties.

| | Held to Maturity | | Available for Sale | |
|---|-------------------|---------------|--------------------|---------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Due within one year | \$34,535 | \$34,604 | \$— | \$— |
| Due after one year through five years | 52,911 | 54,378 | 1,084 | 1,161 |
| Due after five years through ten years | 196,982 | 191,821 | 5,067 | 4,925 |
| Due after ten years | 155,627 | 157,211 | 27,629 | 16,753 |
| Residential mortgage backed securities: | | | | |
| Government agency mortgage backed securities | — | — | 221,276 | 220,930 |
| Government agency collateralized mortgage obligations | — | — | 151,340 | 149,356 |
| Commercial mortgage backed securities: | | | | |
| Government agency mortgage backed securities | — | — | 41,440 | 42,379 |
| Government agency collateralized mortgage obligations | — | — | 5,029 | 5,111 |
| Other debt securities | — | — | 20,174 | 20,241 |
| Other equity securities | — | — | 2,775 | 3,877 |
| | \$440,055 | \$438,014 | \$475,814 | \$464,733 |

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

| | Less than 12 Months | | | 12 Months or More | | | Total | | |
|--|---------------------|-------------------|--------------------|-------------------|---------------|-------------------|------------|------------------|--------------------|
| | # | Fair Value | Unrealized Losses | # | Fair Value | Unrealized Losses | # | Fair Value | Unrealized Losses |
| Held to Maturity: | | | | | | | | | |
| September 30, 2013 | | | | | | | | | |
| Obligations of other U.S. Government agencies and corporations | 30 | \$ 138,850 | \$(7,707) | 0 | \$— | \$— | 30 | \$ 138,850 | \$(7,707) |
| Obligations of states and political subdivisions | 110 | 59,395 | (2,699) | 0 | — | — | 110 | 59,395 | (2,699) |
| Total | 140 | \$ 198,245 | \$(10,406) | 0 | \$— | \$— | 140 | 198,245 | \$(10,406) |
| December 31, 2012 | | | | | | | | | |
| Obligations of other U.S. Government agencies and corporations | 8 | \$ 35,224 | \$(232) | 0 | \$— | \$— | 8 | \$ 35,224 | \$(232) |
| Obligations of states and political subdivisions | 4 | 2,861 | (34) | 1 | 126 | (1) | 5 | 2,987 | (35) |
| Total | 12 | \$ 38,085 | \$(266) | 1 | \$ 126 | \$(1) | 13 | \$ 38,211 | \$(267) |
| Available for Sale: | | | | | | | | | |
| September 30, 2013 | | | | | | | | | |
| Obligations of other U.S. Government agencies and corporations | 1 | \$ 3,789 | \$(211) | 0 | \$— | \$— | 1 | \$ 3,789 | \$(211) |
| Residential mortgage backed securities: | | | | | | | | | |
| Government agency mortgage backed securities | 24 | 95,531 | (3,610) | 0 | — | — | 24 | 95,531 | (3,610) |
| Government agency collateralized mortgage obligations | 18 | 76,248 | (3,476) | 2 | 7,335 | (301) | 20 | 83,583 | (3,777) |
| Commercial mortgage backed securities: | | | | | | | | | |
| Government agency mortgage backed securities | 4 | 16,672 | (547) | 0 | — | — | 4 | 16,672 | (547) |
| Government agency collateralized | 0 | — | — | 0 | — | — | 0 | — | — |

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| mortgage obligations | | | | | | | | | |
| Trust preferred securities | 0 | — | — | 4 | 16,753 | (10,876) | 4 | 16,753 | (10,876) |
| Other debt securities | 1 | 2,764 | (206) | 1 | 1,971 | (7) | 2 | 4,735 | (213) |
| Total | 48 | \$195,004 | \$(8,050) | 7 | \$26,059 | \$(11,184) | 55 | \$221,063 | \$(19,234) |
| December 31, 2012 | | | | | | | | | |
| Obligations of other U.S. Government agencies and corporations | 0 | \$— | \$— | 0 | \$— | \$— | 0 | \$— | \$— |
| Residential mortgage backed securities: | | | | | | | | | |
| Government agency mortgage backed securities | 3 | 15,431 | (91) | 0 | — | — | 3 | 15,431 | (91) |
| Government agency collateralized mortgage obligations | 11 | 44,616 | (389) | 1 | 1,605 | (10) | 12 | 46,221 | (399) |
| Commercial mortgage backed securities: | | | | | | | | | |
| Government agency mortgage backed securities | 0 | — | — | 0 | — | — | 0 | — | — |
| Government agency collateralized mortgage obligations | 0 | — | — | 0 | — | — | 0 | — | — |
| Trust preferred securities | 0 | — | — | 4 | 15,068 | (13,544) | 4 | 15,068 | (13,544) |
| Other debt securities | 0 | — | — | 1 | 2,188 | (1) | 1 | 2,188 | (1) |
| Other equity securities | 0 | — | — | 0 | — | — | 0 | — | — |
| Total | 14 | \$60,047 | \$(480) | 6 | \$18,861 | \$(13,555) | 20 | \$78,908 | \$(14,035) |

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

The Company evaluates its investment portfolio for other-than-temporary-impairment (“OTTI”) on a quarterly basis. Impairment is assessed at the individual security level. The Company considers an investment security impaired if the fair value of the security is less than its cost or amortized cost basis. Impairment is considered to be other-than-temporary if the Company intends to sell the investment security or if the Company does not expect to recover the entire amortized cost basis of the security before the Company is required to sell the security or before the security’s maturity.

The Company holds investments in pooled trust preferred securities that had an amortized cost basis of \$27,629 and \$28,612 and a fair value of \$16,753 and \$15,068, at September 30, 2013 and December 31, 2012, respectively. The investments in pooled trust preferred securities consist of four securities representing interests in various tranches of trusts collateralized by debt issued by over 330 financial institutions. Management’s determination of the fair value of each of its holdings in pooled trust preferred securities is based on the current credit ratings, the known deferrals and defaults by the underlying issuing financial institutions and the degree to which future deferrals and defaults would be required to occur before the cash flow for the Company’s tranches is negatively impacted. In addition, management continually monitors key credit quality and capital ratios of the issuing institutions. This determination is further supported by quarterly valuations, which are performed by third parties, of each security obtained by the Company. The Company does not intend to sell the investments, and it is not more likely than not that the Company will be required to sell the investments before recovery of the investments’ amortized cost, which may be maturity. At September 30, 2013, management did not, and does not currently, believe such securities will be settled at a price less than the amortized cost of the investment, but the Company previously concluded that it was probable that there had been an adverse change in estimated cash flows for all four trust preferred securities and recognized credit related impairment losses on these securities in 2010 and 2011. No additional impairment was recognized during the three or nine months ended September 30, 2013.

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

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

| Name | Single/ Pooled | Class/ Tranche | Amortized Cost | Fair Value | Unrealized Loss | Lowest Credit Rating | Issuers Currently in Deferral or Default | |
|-------|-------------------|-------------------|-------------------|---------------|--------------------|----------------------------|---|---|
| XIII | Pooled | B-2 | \$1,155 | \$1,140 | \$(15) | Caa3 | 28 | % |
| XXIII | Pooled | B-2 | 8,831 | 5,547 | (3,284) | B1 | 21 | % |
| XXIV | Pooled | B-2 | 12,076 | 6,782 | (5,294) | Ca | 34 | % |
| XXVI | Pooled | B-2 | 5,567 | 3,284 | (2,283) | Ca | 31 | % |
| | | | \$27,629 | \$16,753 | \$(10,876) | | | |

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

| | 2013 | 2012 |
|---|------------|------------|
| Balance at January 1 | \$(3,337) | \$(3,337) |
| Additions related to credit losses for which OTTI was not previously recognized | — | — |
| Increases in credit loss for which OTTI was previously recognized | — | — |
| Balance at September 30 | \$(3,337) | \$(3,337) |

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Notes to Consolidated Financial Statements (Unaudited)

Note C – Loans and the Allowance for Loan Losses

(In Thousands, Except Number of Loans)

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

| | September 30, 2013 | December 31, 2012 |
|-------------------------------------|-----------------------|----------------------|
| Commercial, financial, agricultural | \$481,243 | \$317,050 |
| Lease financing | 76 | 195 |
| Real estate – construction | 152,217 | 105,706 |
| Real estate – 1-4 family mortgage | 1,192,223 | 903,423 |
| Real estate – commercial mortgage | 1,960,584 | 1,426,643 |
| Installment loans to individuals | 95,190 | 57,241 |
| Gross loans | 3,881,533 | 2,810,258 |
| Unearned income | (1 |) (5 |
| Loans, net of unearned income | 3,881,532 | 2,810,253 |
| Allowance for loan losses | (46,250 |) (44,347 |
| Net loans | \$3,835,282 | \$2,765,906 |

Past Due and Nonaccrual Loans

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

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Notes to Consolidated Financial Statements (Unaudited)

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

| | Accruing Loans | | | | Nonaccruing Loans | | | | |
|---|------------------------|--------------------------------|------------------|----------------|---------------------------|--------------------------------|------------------|----------------|----------------|
| | 30-89 Days Past Due | 90 Days or More Past Due | Current Loans | Total Loans | 30-89 Days Past Due | 90 Days or More Past Due | Current Loans | Total Loans | Total Loans |
| September 30, 2013 | | | | | | | | | |
| Commercial, financial, agricultural | \$ 1,362 | \$ 272 | \$ 476,874 | \$ 478,508 | \$— | \$ 1,922 | \$ 813 | \$ 2,735 | \$ 481,243 |
| Lease financing | — | — | 76 | 76 | — | — | — | — | 76 |
| Real estate – construction | 1 | 592 | 149,976 | 150,569 | — | 1,648 | — | 1,648 | 152,217 |
| Real estate – 1-4 family mortgage | 11,965 | 3,436 | 1,158,038 | 1,173,439 | 2,276 | 5,788 | 10,720 | 18,784 | 1,192,223 |
| Real estate – commercial mortgage | 10,526 | 6,796 | 1,896,754 | 1,914,076 | 3,294 | 33,224 | 9,990 | 46,508 | 1,960,584 |
| Installment loans to individuals | 324 | 56 | 94,681 | 95,061 | — | 129 | — | 129 | 95,190 |
| Unearned income | — | — | (1) | (1) | — | — | — | — | (1) |
| Total | \$ 24,178 | \$ 11,152 | \$ 3,776,398 | \$ 3,811,728 | \$ 5,570 | \$ 42,711 | \$ 21,523 | \$ 69,804 | \$ 3,881,532 |
| December 31, 2012 | | | | | | | | | |
| Commercial, financial, agricultural | \$ 484 | \$ 15 | \$ 312,943 | \$ 313,442 | \$ 215 | \$ 3,131 | \$ 262 | \$ 3,608 | \$ 317,050 |
| Lease financing | — | — | 195 | 195 | — | — | — | — | 195 |
| Real estate – construction | 80 | — | 103,978 | 104,058 | — | 1,648 | — | 1,648 | 105,706 |
| Real estate – 1-4 family mortgage | 6,685 | 1,992 | 867,053 | 875,730 | 1,249 | 13,417 | 13,027 | 27,693 | 903,423 |
| Real estate – commercial mortgage | 5,084 | 1,250 | 1,373,470 | 1,379,804 | 325 | 38,297 | 8,217 | 46,839 | 1,426,643 |
| Installment loans to individuals | 197 | 50 | 56,715 | 56,962 | 7 | 265 | 7 | 279 | 57,241 |
| Unearned income | — | — | (5) | (5) | — | — | — | — | (5) |
| Total | \$ 12,530 | \$ 3,307 | \$ 2,714,349 | \$ 2,730,186 | \$ 1,796 | \$ 56,758 | \$ 21,513 | \$ 80,067 | \$ 2,810,253 |

Restructured loans contractually 90 days past due or more totaled \$646 at December 31, 2012. There were no restructured loans contractually 90 days past due or more at September 30, 2013. The outstanding balance of restructured loans on nonaccrual status was \$12,662 and \$11,420 at September 30, 2013 and December 31, 2012, respectively.

Impaired Loans

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

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

| | Unpaid Contractual Principal Balance | Recorded Investment With Allowance | Recorded Investment With No Allowance | Total Recorded Investment | Related Allowance |
|--|---|---|--|---------------------------------|----------------------|
| September 30, 2013 | | | | | |
| Commercial, financial, agricultural Lease financing | \$6,536 | \$603 | \$2,193 | \$2,796 | \$260 |
| Real estate – construction | — | — | — | — | — |
| Real estate – 1-4 family mortgage | 2,447 | — | 1,648 | 1,648 | — |
| Real estate – commercial mortgage | 39,279 | 25,285 | 4,776 | 30,061 | 7,569 |
| Installment loans to individuals | 107,940 | 30,545 | 39,269 | 69,814 | 7,079 |
| Total | — | — | — | — | — |
| Total | \$156,202 | \$56,433 | \$47,886 | \$104,319 | \$14,908 |
| December 31, 2012 | | | | | |
| Commercial, financial, agricultural Lease financing | \$5,142 | \$1,620 | \$1,620 | \$3,240 | \$708 |
| Real estate – construction | — | — | — | — | — |
| Real estate – 1-4 family mortgage | 2,447 | — | 1,648 | 1,648 | — |
| Real estate – commercial mortgage | 80,022 | 28,848 | 10,094 | 38,942 | 9,201 |
| Installment loans to individuals | 118,167 | 34,400 | 39,450 | 73,850 | 7,688 |
| Totals | — | — | — | — | — |
| Totals | \$205,778 | \$64,868 | \$52,812 | \$117,680 | \$17,597 |

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

| | Three Months Ended September 30, 2013 | | Three Months Ended September 30, 2012 | |
|--|--|----------------------------------|--|---|
| | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized ⁽¹⁾ |
| Commercial, financial, agricultural Lease financing | \$5,183 | \$4 | \$3,474 | \$25 |
| Real estate – construction | — | — | — | — |
| Real estate – 1-4 family mortgage | 1,650 | — | 2,086 | 6 |
| Real estate – commercial mortgage | 32,274 | 158 | 58,104 | 917 |
| Installment loans to individuals | 75,312 | 379 | 89,463 | 620 |
| Total | — | — | — | — |
| Total | \$114,419 | \$541 | \$153,127 | \$1,568 |

Includes interest income recognized using the cash-basis method of income recognition of \$814. No interest (1) income was recognized using the cash-basis method of income recognition during the three months ended September 30, 2013.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

| | Nine Months Ended September 30, 2013 | | Nine Months Ended September 30, 2012 | |
|--|---|----------------------------------|---|---|
| | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized ⁽¹⁾ |
| Commercial, financial, agricultural Lease financing | \$5,123 | \$4 | \$3,610 | \$41 |
| Real estate – construction | — | — | — | — |
| Real estate – 1-4 family mortgage | 1,650 | — | 2,087 | 6 |
| Real estate – commercial mortgage | 33,181 | 449 | 62,320 | 1,515 |
| Installment loans to individuals | 75,997 | 845 | 95,050 | 1,696 |
| Total | — | — | — | — |
| | \$115,951 | \$1,298 | \$163,067 | \$3,258 |

Includes interest income recognized using the cash-basis method of income recognition of \$1,128. No interest (1) income was recognized using the cash-basis method of income recognition during the nine months ended September 30, 2013.

Restructured Loans

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

| | Number of Loans | Pre- Modification Outstanding Recorded Investment | Post- Modification Outstanding Recorded Investment |
|--|--------------------|---|--|
| September 30, 2013 | | | |
| Commercial, financial, agricultural Lease financing | 1 | \$— | \$20 |
| Real estate – construction | — | — | — |
| Real estate – 1-4 family mortgage | 23 | 18,670 | 10,625 |
| Real estate – commercial mortgage | 16 | 12,224 | 11,419 |
| Installment loans to individuals | 1 | — | 172 |
| Total | 41 | \$30,894 | \$22,236 |
| December 31, 2012 | | | |
| Commercial, financial, agricultural Lease financing | — | \$— | \$— |
| Real estate – construction | — | — | — |
| Real estate – 1-4 family mortgage | 19 | 18,450 | 10,853 |
| Real estate – commercial mortgage | 16 | 18,985 | 18,409 |
| Installment loans to individuals | 1 | 184 | 174 |

| | | | |
|-------|----|----------|----------|
| Total | 36 | \$37,619 | \$29,436 |
|-------|----|----------|----------|

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

| | Number of Loans | Recorded Investment |
|-------------------------------------|--------------------|------------------------|
| Totals at January 1, 2013 | 36 | \$29,436 |
| Additional loans with concessions | 13 | 4,319 |
| Reductions due to: | | |
| Reclassified as nonperforming | (2 |) (3,227 |
| Charge-offs | (2 |) (877 |
| Transfer to other real estate owned | — | — |
| Principal paydowns | | (1,674 |
| Lapse of concession period | (4 |) (5,741 |
| Totals at September 30, 2013 | 41 | \$22,236 |

The allocated allowance for loan losses attributable to restructured loans was \$3,218 and \$3,969 at September 30, 2013 and December 31, 2012, respectively. The Company had \$93 and \$288 in remaining availability under commitments to lend additional funds on these restructured loans at September 30, 2013 and December 31, 2012, respectively.

Credit Quality

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

| | Pass | Watch | Substandard | Total |
|-------------------------------------|-------------|----------|-------------|-------------|
| September 30, 2013 | | | | |
| Commercial, financial, agricultural | \$330,739 | \$27,455 | \$1,868 | \$360,062 |
| Real estate – construction | 106,040 | 922 | — | 106,962 |
| Real estate – 1-4 family mortgage | 129,710 | 13,960 | 28,652 | 172,322 |
| Real estate – commercial mortgage | 1,347,068 | 31,917 | 36,377 | 1,415,362 |
| Installment loans to individuals | 4 | — | — | 4 |
| Total | \$1,913,561 | \$74,254 | \$66,897 | \$2,054,712 |
| December 31, 2012 | | | | |
| Commercial, financial, agricultural | \$226,540 | \$1,939 | \$3,218 | \$231,697 |
| Real estate – construction | 71,633 | 651 | — | 72,284 |
| Real estate – 1-4 family mortgage | 96,147 | 24,138 | 32,589 | 152,874 |
| Real estate – commercial mortgage | 989,095 | 46,148 | 37,996 | 1,073,239 |
| Installment loans to individuals | 7 | — | — | 7 |
| Total | \$1,383,422 | \$72,876 | \$73,803 | \$1,530,101 |

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

| | Performing | Non-Performing | Total |
|-------------------------------------|-------------|----------------|-------------|
| September 30, 2013 | | | |
| Commercial, financial, agricultural | \$82,283 | \$164 | \$82,447 |
| Lease financing | 75 | — | 75 |
| Real estate – construction | 41,045 | — | 41,045 |
| Real estate – 1-4 family mortgage | 910,066 | 2,667 | 912,733 |
| Real estate – commercial mortgage | 227,578 | 263 | 227,841 |
| Installment loans to individuals | 87,388 | 95 | 87,483 |
| Total | \$1,348,435 | \$3,189 | \$1,351,624 |
| December 31, 2012 | | | |
| Commercial, financial, agricultural | \$74,003 | \$210 | \$74,213 |
| Lease financing | 195 | — | 195 |
| Real estate – construction | 31,774 | — | 31,774 |
| Real estate – 1-4 family mortgage | 670,074 | 5,328 | 675,402 |
| Real estate – commercial mortgage | 195,086 | 449 | 195,535 |
| Installment loans to individuals | 54,918 | 91 | 55,009 |
| Total | \$1,026,050 | \$6,078 | \$1,032,128 |

Loans Acquired with Deteriorated Credit Quality

Loans acquired in business combinations that exhibited, at the date of acquisition, evidence of deterioration of the credit quality since origination, such that it was probable that all contractually required payments would not be collected, were as follows as of the dates presented:

| | Impaired Covered Loans | Other Covered Loans | Not Covered Loans | Total |
|-------------------------------------|------------------------|---------------------|-------------------|-----------|
| September 30, 2013 | | | | |
| Commercial, financial, agricultural | \$— | \$10,295 | \$26,186 | \$36,481 |
| Lease financing | — | — | — | — |
| Real estate – construction | — | 1,648 | 4,235 | 5,883 |
| Real estate – 1-4 family mortgage | 1,040 | 55,683 | 51,610 | 108,333 |
| Real estate – commercial mortgage | 24,279 | 103,036 | 196,548 | 323,863 |
| Installment loans to individuals | — | 31 | 7,489 | 7,520 |
| Total | \$25,319 | \$170,693 | \$286,068 | \$482,080 |
| December 31, 2012 | | | | |
| Commercial, financial, agricultural | \$— | \$10,800 | \$340 | \$11,140 |
| Lease financing | — | — | — | — |
| Real estate – construction | — | 1,648 | — | 1,648 |
| Real estate – 1-4 family mortgage | 6,122 | 67,326 | 1,699 | 75,147 |
| Real estate – commercial mortgage | 25,782 | 125,379 | 6,708 | 157,869 |

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| | | | | |
|----------------------------------|----------|-----------|----------|-----------|
| Installment loans to individuals | — | 31 | 2,194 | 2,225 |
| Total | \$31,904 | \$205,184 | \$10,941 | \$248,029 |

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Notes to Consolidated Financial Statements (Unaudited)

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

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

| | Impaired Covered Loans | Other Covered Loans | Not Covered Loans | Total |
|---|------------------------------|---------------------------|-------------------------|------------|
| Contractually-required principal and interest | \$67,522 | \$214,907 | \$371,358 | \$653,787 |
| Nonaccretable difference ⁽¹⁾ | (42,202 |) (40,896 |) (48,859 |) (131,957 |
| Cash flows expected to be collected | 25,320 | 174,011 | 322,499 | 521,830 |
| Accretable yield ⁽²⁾ | (1 |) (3,318 |) (36,431 |) (39,750 |
| Fair value | \$25,319 | \$170,693 | \$286,068 | \$482,080 |

(1) Represents contractual principal and interest cash flows of \$641,495 and \$12,292, respectively, not expected to be collected.

(2) Represents contractual interest payments of \$3,355 expected to be collected and purchase discount of \$36,395. Changes in the accretable yield of loans acquired with deteriorated credit quality were as follows:

| | Impaired Covered Loans | Other Covered Loans | Not Covered Loans | Total |
|---|------------------------------|---------------------------|-------------------------|-------------|
| Balance at January 1, 2013 | \$(13 |) \$(6,705 |) \$(1,130 |) \$(7,848 |
| Reclasses from nonaccretable difference | (109 |) (3,557 |) (36,668 |) (40,334 |
| Accretion | 121 | 6,944 | 1,367 | 8,432 |
| Balance at September 30, 2013 | \$(1 |) \$(3,318 |) \$(36,431 |) \$(39,750 |

Allowance for Loan Losses

The allowance for loan losses is maintained at a level believed adequate by management to absorb probable credit losses inherent in the entire loan portfolio. The appropriate level of the allowance is based on an ongoing analysis of the loan portfolio and represents an amount that management deems adequate to provide for inherent losses, including collective impairment as recognized under ASC 450, "Contingencies". Collective impairment is calculated based on loans grouped by grade. Another component of the allowance is losses on loans assessed as impaired under ASC 310. The balance of these loans and their related allowance is included in management's estimation and analysis of the allowance for loan losses. Management and the internal loan review staff evaluate the adequacy of the allowance for loan losses quarterly. The allowance for loan losses is evaluated based on a continuing assessment of problem loans, the types of loans, historical loss experience, new lending products, emerging credit trends, changes in the size and character of loan categories and other factors, including its risk rating system, regulatory guidance and economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance for loan losses is established through a provision for loan losses charged to earnings resulting from measurements of inherent credit risk in the loan portfolio and estimates of probable losses or impairments of individual loans. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the

allowance.

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

| | Commercial - Construction | Real Estate - 1-4 Family Mortgage | Real Estate - Commercial Mortgage | Installment and Other ⁽¹⁾ | Total |
|--|------------------------------|---|---|--|-----------|
| Three Months Ended September 30, 2013 | | | | | |
| Allowance for loan losses: | | | | | |
| Beginning balance | \$ 3,478 | \$ 863 | \$ 19,432 | \$ 1,022 | \$ 47,034 |
| Charge-offs | (887) | — | (1,251) | (82) | (3,326) |
| Recoveries | 54 | 7 | 120 | 23 | 242 |
| Net (charge-offs) recoveries | (833) | 7 | (1,131) | (59) | (3,084) |
| Provision for loan losses | 364 | 44 | 370 | 15 | 2,768 |
| Benefit attributable to FDIC loss-share agreements | (67) | — | (326) | — | (522) |
| Recoveries payable to FDIC | 5 | — | 45 | — | 54 |
| Provision for loan losses charged to operations | 302 | 44 | 89 | 15 | 2,300 |
| Ending balance | \$ 2,947 | \$ 914 | \$ 18,390 | \$ 978 | \$ 46,250 |
| Nine Months Ended September 30, 2013 | | | | | |
| Allowance for loan losses: | | | | | |
| Beginning balance | \$ 3,307 | \$ 711 | \$ 18,347 | \$ 566 | \$ 44,347 |
| Charge-offs | (1,167) | — | (2,517) | (434) | (8,344) |
| Recoveries | 301 | 70 | 591 | 50 | 1,897 |
| Net (charge-offs) recoveries | (866) | 70 | (1,926) | (384) | (6,447) |
| Provision for loan losses | 874 | 132 | 2,088 | 796 | 9,652 |
| Benefit attributable to FDIC loss-share agreements | (397) | — | (956) | — | (2,193) |
| Recoveries payable to FDIC | 29 | 1 | 837 | — | 891 |
| Provision for loan losses charged to operations | 506 | 133 | 1,969 | 796 | 8,350 |
| Ending balance | \$ 2,947 | \$ 914 | \$ 18,390 | \$ 978 | \$ 46,250 |
| Period-End Amount Allocated to: | | | | | |
| Individually evaluated for impairment | \$ 260 | \$ — | \$ 7,569 | \$ — | \$ 14,908 |
| Collectively evaluated for impairment | 2,687 | 914 | 10,821 | 978 | 31,342 |
| Acquired with deteriorated credit quality | — | — | — | — | — |
| Ending balance | \$ 2,947 | \$ 914 | \$ 18,390 | \$ 978 | \$ 46,250 |

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| | Commercial | Real Estate - Construction | Real Estate - 1-4 Family Mortgage | Real Estate - Commercial Mortgage | Installment and Other ⁽¹⁾ | Total |
|---|------------|-------------------------------|---|--|--|-----------|
| Three Months Ended September 30, 2012 | | | | | | |
| Allowance for loan losses: | | | | | | |
| Beginning balance | \$3,235 | \$ 966 | \$ 18,980 | \$ 20,765 | \$833 | \$44,779 |
| Charge-offs | (2,590) | — | (2,682) | (780) | (118) | (6,170) |
| Recoveries | 145 | 3 | 648 | 22 | 17 | 835 |
| Net (charge-offs) recoveries | (2,445) | 3 | (2,034) | (758) | (101) | (5,335) |
| Provision for loan losses | 2,795 | 79 | 2,269 | 988 | (164) | 5,967 |
| Benefit attributable to FDIC loss-share agreements | (335) | — | (1,187) | (60) | — | (1,582) |
| Recoveries payable to FDIC | 2 | — | 162 | 76 | — | 240 |
| Provision for loan losses charged to operations | 2,462 | 79 | 1,244 | 1,004 | (164) | 4,625 |
| Ending balance | \$3,252 | \$ 1,048 | \$ 18,190 | \$ 21,011 | \$568 | \$44,069 |
| Nine Months Ended September 30, 2012 | | | | | | |
| Allowance for loan losses: | | | | | | |
| Beginning balance | \$4,197 | \$ 1,073 | \$ 17,191 | \$ 20,979 | \$900 | \$44,340 |
| Charge-offs | (4,623) | (42) | (7,230) | (3,806) | (321) | (16,022) |
| Recoveries | 323 | 6 | 981 | 247 | 69 | 1,626 |
| Net charge-offs | (4,300) | (36) | (6,249) | (3,559) | (252) | (14,396) |
| Provision for loan losses | 4,052 | 28 | 10,269 | 6,640 | (84) | 20,905 |
| Benefit attributable to FDIC loss-share agreements | (723) | (17) | (3,421) | (3,592) | — | (7,753) |
| Recoveries payable to FDIC | 26 | — | 400 | 543 | 4 | 973 |
| Provision for loan losses charged to operations | 3,355 | 11 | 7,248 | 3,591 | (80) | 14,125 |
| Ending balance | \$3,252 | \$ 1,048 | \$ 18,190 | \$ 21,011 | \$568 | \$44,069 |
| Period-End Amount Allocated to: | | | | | | |
| Individually evaluated for impairment | \$715 | \$ 2 | \$ 10,011 | \$ 8,441 | \$— | \$19,169 |
| Collectively evaluated for impairment | 2,537 | 1,046 | 8,179 | 12,570 | 568 | 24,900 |
| Acquired with deteriorated credit quality | — | — | — | — | — | — |
| Ending balance | \$3,252 | \$ 1,048 | \$ 18,190 | \$ 21,011 | \$568 | \$44,069 |

(1) Includes lease financing receivables.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

| | Commercial | Real Estate - Construction | Real Estate - 1-4 Family Mortgage | Real Estate - Commercial Mortgage | Installment and Other ⁽¹⁾ | Total |
|---|------------|-------------------------------|---|---|---|-------------|
| September 30, 2013 | | | | | | |
| Individually evaluated for impairment | \$771 | \$— | \$25,537 | \$30,545 | \$— | \$56,853 |
| Collectively evaluated for impairment | 443,991 | 146,334 | 1,058,353 | 1,606,176 | 87,745 | 3,342,599 |
| Acquired with deteriorated credit quality | 36,481 | 5,883 | 108,333 | 323,863 | 7,520 | 482,080 |
| Ending balance | \$481,243 | \$152,217 | \$1,192,223 | \$1,960,584 | \$95,265 | \$3,881,532 |
| December 31, 2012 | | | | | | |
| Individually evaluated for impairment | \$1,620 | \$— | \$28,848 | \$34,400 | \$— | \$64,868 |
| Collectively evaluated for impairment | 304,290 | 104,058 | 799,428 | 1,234,374 | 55,206 | 2,497,356 |
| Acquired with deteriorated credit quality | 11,140 | 1,648 | 75,147 | 157,869 | 2,225 | 248,029 |
| Ending balance | \$317,050 | \$105,706 | \$903,423 | \$1,426,643 | \$57,431 | \$2,810,253 |

(1) Includes lease financing receivables.

Note D – Other Real Estate Owned

(In Thousands)

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

| | Covered OREO | Not Covered OREO | Total OREO |
|------------------------------|-----------------|---------------------|---------------|
| September 30, 2013 | | | |
| Residential real estate | \$3,819 | \$3,519 | \$7,338 |
| Commercial real estate | 4,271 | 9,122 | 13,393 |
| Residential land development | 1,181 | 14,448 | 15,629 |
| Commercial land development | 7,309 | 13,492 | 20,801 |
| Total | \$16,580 | \$40,581 | \$57,161 |
| December 31, 2012 | | | |
| Residential real estate | \$8,778 | \$7,842 | \$16,620 |
| Commercial real estate | 14,368 | 7,779 | 22,147 |
| Residential land development | 5,005 | 22,490 | 27,495 |
| Commercial land development | 17,383 | 6,221 | 23,604 |
| Other | — | 385 | 385 |
| Total | \$45,534 | \$44,717 | \$90,251 |

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Changes in the Company's OREO covered and not covered under a loss-share agreement were as follows:

| | Covered OREO | Not Covered OREO | Total OREO |
|-------------------------------|-----------------|---------------------|---------------|
| Balance at January 1, 2013 | \$45,534 | \$44,717 | \$90,251 |
| Acquired OREO | — | 13,674 | 13,674 |
| Transfers of loans | 7,025 | 6,575 | 13,600 |
| Capitalized improvements | — | 129 | 129 |
| Impairments ⁽¹⁾ | (6,275 |) (1,574 |) (7,849 |
| Dispositions | (29,646 |) (22,939 |) (52,585 |
| Other | (58 |) (1 |) (59 |
| Balance at September 30, 2013 | \$16,580 | \$40,581 | \$57,161 |

Of the total impairment charges of \$(6,275) recorded for covered OREO, \$(1,255) was included in the (1)Consolidated Statements of Income for the nine months ended September 30, 2013, while the remaining \$(5,020) increased the FDIC loss-share indemnification asset.

Components of the line item "Other real estate owned" in the Consolidated Statements of Income were as follows for the periods presented:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------------------------|-------------------------------------|---------|------------------------------------|---------|
| | 2013 | 2012 | 2013 | 2012 |
| Repairs and maintenance | \$565 | \$839 | \$1,473 | \$2,035 |
| Property taxes and insurance | 163 | 492 | 820 | 1,068 |
| Impairments | 594 | 1,023 | 2,829 | 5,190 |
| Net losses on OREO sales | 293 | 195 | 511 | 1,864 |
| Rental income | (78 |) (109 |) (274 |) (348 |
| Total | \$1,537 | \$2,440 | \$5,359 | \$9,809 |

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

As part of the loan portfolio and OREO fair value estimation in connection with FDIC-assisted acquisitions, a FDIC loss-share indemnification asset is established, which represents the present value as of the acquisition date of the estimated losses on covered assets to be reimbursed by the FDIC. Pursuant to the terms of both of our loss-share agreements, the FDIC is obligated to reimburse the Bank for 80% of all eligible losses with respect to covered assets, beginning with the first dollar of loss incurred. The Bank has a corresponding obligation to reimburse the FDIC for 80% of eligible recoveries with respect to covered assets. The estimated losses are based on the same cash flow estimates used in determining the fair value of the covered assets. The FDIC loss-share indemnification asset is reduced as losses are recognized on covered assets and loss-share payments are received from the FDIC. Realized losses in excess of estimates as of the date of the acquisition increase the FDIC loss-share indemnification asset. Conversely, when realized losses are less than these estimates, the portion of the FDIC loss-share indemnification asset no longer expected to result in a payment from the FDIC is amortized into interest income using the effective interest method.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

| | | |
|---|----------|---|
| Balance at January 1, 2013 | \$44,153 | |
| Changes in expected cash flows from initial estimates on: | | |
| Covered Loans | 476 | |
| Covered OREO | 3,589 | |
| Reimbursable expenses | 3,278 | |
| Accretion | 600 | |
| Reimbursements received from the FDIC | (24,271 |) |
| Balance at September 30, 2013 | \$27,825 | |

Note F – Mortgage Servicing Rights

(In Thousands)

The Company retains the right to service certain mortgage loans that it sells to secondary market investors. These mortgage servicing rights, included in “Other assets” on the Consolidated Balance Sheets, are recognized as a separate asset on the date the corresponding mortgage loan is sold. Mortgage servicing rights are amortized in proportion to and over the period of estimated net servicing income. These servicing rights are carried at the lower of amortized cost or fair value. Fair value is determined using an income approach with various assumptions including expected cash flows, prepayment speeds, market discount rates, servicing costs, and other factors. Mortgage servicing rights were carried at amortized cost at September 30, 2013 and December 31, 2012.

Impairment losses on mortgage servicing rights are recognized to the extent by which the unamortized cost exceeds fair value. No impairment losses on mortgage servicing rights were recognized in earnings for the three or nine months ended September 30, 2013 and 2012.

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

| | | |
|-------------------------------|---------|---|
| Balance at January 1, 2013 | \$4,233 | |
| Capitalization | 4,674 | |
| Amortization | (571 |) |
| Balance at September 30, 2013 | \$8,336 | |

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

| | | |
|---|-----------|---|
| Unpaid principal balance | \$802,454 | |
| Weighted-average prepayment speed (CPR) | 2.70 | % |
| Estimated impact of a 10% increase | \$(601 |) |
| Estimated impact of a 20% increase | (795 |) |
| Discount rate | 11.26 | % |
| Estimated impact of a 10% increase | \$(677 |) |
| Estimated impact of a 20% increase | (940 |) |
| Weighted-average coupon interest rate | 3.22 | % |

| | |
|--|-------|
| Weighted-average servicing fee (basis points) | 25.09 |
| Weighted-average remaining maturity (in years) | 24.17 |

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note G - Employee Benefit and Deferred Compensation Plans

(In Thousands, Except Share Data)

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

| | Pension Benefits | | Other Benefits | |
|------------------------------------|-------------------------------------|--------|-------------------------------------|------|
| | Three Months Ended September 30, | | Three Months Ended September 30, | |
| | 2013 | 2012 | 2013 | 2012 |
| Service cost | \$— | \$— | \$8 | \$6 |
| Interest cost | 222 | 216 | 21 | 16 |
| Expected return on plan assets | (359 |) (298 |) — | — |
| Prior service cost recognized | — | — | — | — |
| Recognized actuarial loss | 114 | 88 | 70 | 18 |
| Net periodic benefit cost (return) | \$(23 |) \$6 | \$99 | \$40 |

| | Pension Benefits | | Other Benefits | |
|------------------------------------|------------------------------------|--------|------------------------------------|-------|
| | Nine Months Ended September 30, | | Nine Months Ended September 30, | |
| | 2013 | 2012 | 2013 | 2012 |
| Service cost | \$— | \$— | \$21 | \$18 |
| Interest cost | 597 | 646 | 48 | 48 |
| Expected return on plan assets | (979 |) (894 |) — | — |
| Prior service cost recognized | — | — | — | — |
| Recognized actuarial loss | 313 | 266 | 125 | 54 |
| Net periodic benefit cost (return) | \$(69 |) \$18 | \$194 | \$120 |

In January 2013 and 2012, the Company granted stock options which generally vest and become exercisable in equal installments of 33 1/3% upon completion of one, two and three years of service measured from the grant date. The fair value of stock option grants is estimated on the grant date using the Black-Scholes option-pricing model. The Company employed the following assumptions with respect to its stock option grants in 2013 and 2012 for the nine month periods ended September 30, 2013 and 2012:

| | 2013 Grant | 2012 Grant | |
|---------------------------------|------------|------------|---|
| Shares granted | 52,500 | 172,000 | |
| Dividend yield | 3.55 | % 4.55 | % |
| Expected volatility | 37 | % 37 | % |
| Risk-free interest rate | 0.76 | % 0.79 | % |
| Expected lives | 6 years | 6 years | |
| Weighted average exercise price | \$19.14 | \$14.96 | |
| Weighted average fair value | \$4.47 | \$3.10 | |

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

In connection with its merger with First M&F, the Company assumed First M&F's 2005 Equity Incentive Plan and Stock Option Plan, under which options to purchase an aggregate of 11,557 shares of the Company's common stock were outstanding as of the date of assumption. The assumed options had a weighted average exercise price of \$21.16 and a weighted average remaining contractual life of 2.05 years at the date of assumption. The fair value of the stock options assumed on the date of assumption was \$68 and was estimated using the Black-Scholes option-pricing model. No additional options or other forms of equity incentives will be granted or awarded under this plan.

The following table summarizes the changes in stock option grants as of and for the nine months ended September 30, 2013:

| | Shares | Weighted Average Exercise Price |
|--|-----------|------------------------------------|
| Options outstanding at beginning of period | 1,279,244 | \$18.79 |
| Assumed from acquisition | 11,557 | 21.16 |
| Granted | 52,500 | 19.14 |
| Exercised | (216,805 |) 19.63 |
| Forfeited | (10,000 |) 27.20 |
| Options outstanding at end of period | 1,116,496 | \$18.59 |

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

| | Performance-Based Restricted Stock | Weighted Average Grant-Date Fair Value | Time- Based Restricted Stock | Weighted Average Grant-Date Fair Value |
|----------------------------------|---------------------------------------|---|------------------------------------|---|
| Nonvested at beginning of period | — | \$— | 9,684 | \$15.49 |
| Granted | 69,850 | 19.14 | 32,338 | 22.70 |
| Vested | — | — | (9,038 |) 15.49 |
| Cancelled | — | — | (646 |) 15.49 |
| Nonvested at end of period | 69,850 | \$19.14 | 32,338 | \$22.70 |

During the nine months ended September 30, 2013, the Company reissued 84,712 shares from treasury in connection with the exercise of stock options and issuance of restricted stock. The Company recorded total stock-based compensation expense of \$885 and \$329 for the three months ended September 30, 2013 and 2012, respectively, and \$1,840 and \$937 for the nine months ended September 30, 2013 and 2012, respectively.

Note H – Segment Reporting

(In Thousands)

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

•

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

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

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

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

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

| | Community Banks | Insurance | Wealth Management | Other | Consolidated |
|---------------------------------------|--------------------|-----------|----------------------|----------|--------------|
| Three months ended September 30, 2013 | | | | | |
| Net interest income | 39,133 | 29 | 331 | (745) |) 38,748 |
| Provision for loan losses | 2,307 | — | (7) |) — | 2,300 |
| Noninterest income | 16,160 | 1,428 | 1,325 | 22 | 18,935 |
| Noninterest expense | 43,590 | 1,021 | 1,768 | 234 | 46,613 |
| Income (loss) before income taxes | 9,396 | 436 | (105) |) (957) |) 8,770 |
| Income taxes | 2,428 | 77 | — | (372) |) 2,133 |
| Net income (loss) | 6,968 | 359 | (105) |) (585) |) 6,637 |
| Total assets | \$5,662,257 | \$16,661 | \$42,291 | \$14,839 | \$5,736,048 |
| Goodwill | 272,545 | 2,783 | — | — | 275,328 |
| Three months ended September 30, 2012 | | | | | |
| Net interest income | \$33,444 | \$23 | \$314 | \$(649) |) \$33,132 |
| Provision for loan losses | 4,659 | — | (34) |) — | 4,625 |
| Noninterest income | 15,428 | 887 | 1,720 | 20 | 18,055 |
| Noninterest expense | 36,042 | 786 | 1,661 | 183 | 38,672 |
| Income (loss) before income taxes | 8,171 | 124 | 407 | (812) |) 7,890 |
| Income taxes | 1,203 | 48 | 51 | (449) |) 853 |
| Net income (loss) | \$6,968 | \$76 | \$356 | \$(363) |) \$7,037 |
| Total assets | \$4,105,716 | \$10,725 | \$35,172 | \$12,993 | \$4,164,606 |
| Goodwill | 182,076 | 2,783 | — | — | 184,859 |

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

| | Community Banks | Insurance | Wealth Management | Other | Consolidated |
|--------------------------------------|--------------------|-----------|----------------------|-----------|--------------|
| Nine months ended September 30, 2013 | | | | | |
| Net interest income | 107,061 | 76 | 950 | (1,554) |) 106,533 |
| Provision for loan losses | 8,214 | — | 136 | — | 8,350 |
| Noninterest income | 46,282 | 3,434 | 3,866 | 48 | 53,630 |
| Noninterest expense | 113,613 | 2,647 | 5,085 | 602 | 121,947 |
| Income (loss) before income taxes | 31,516 | 863 | (405) | (2,108) |) 29,866 |
| Income taxes | 8,230 | 242 | — | (833) |) 7,639 |
| Net income (loss) | 23,286 | 621 | (405) | (1,275) |) 22,227 |
| | | | | | |
| Total assets | \$5,662,257 | \$16,661 | \$42,291 | \$14,839 | \$5,736,048 |
| Goodwill | 272,545 | 2,783 | — | — | 275,328 |
| | | | | | |
| Nine months ended September 30, 2012 | | | | | |
| Net interest income | \$100,210 | \$71 | \$1,018 | \$(1,914) |) \$99,385 |
| Provision for loan losses | 14,176 | — | (51) |) — | 14,125 |
| Noninterest income | 42,507 | 2,957 | 5,234 | 63 | 50,761 |
| Noninterest expense | 104,525 | 2,362 | 4,773 | 424 | 112,084 |
| Income (loss) before income taxes | 24,016 | 666 | 1,530 | (2,275) |) 23,937 |
| Income taxes | 4,990 | 258 | 340 | (1,007) |) 4,581 |
| Net income (loss) | \$19,026 | \$408 | \$1,190 | \$(1,268) |) \$19,356 |
| | | | | | |
| Total assets | \$4,105,716 | \$10,725 | \$35,172 | \$12,993 | \$4,164,606 |
| Goodwill | 182,076 | 2,783 | — | — | 184,859 |

Note I – Fair Value Measurements

(In Thousands)

Fair Value Measurements and the Fair Level Hierarchy

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

Recurring Fair Value Measurements

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

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

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

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

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

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

| | Level 1 | Level 2 | Level 3 | Totals |
|--|---------|-----------|----------|-----------|
| September 30, 2013 | | | | |
| Financial assets: | | | | |
| Securities available for sale: | | | | |
| Obligations of other U.S. Government agencies and corporations | \$— | \$6,086 | \$— | \$6,086 |
| Residential mortgage-backed securities: | | | | |
| Government agency mortgage backed securities | — | 220,930 | — | 220,930 |
| Government agency collateralized mortgage obligations | — | 149,356 | — | 149,356 |
| Commercial mortgage-backed securities: | | | | |
| Government agency mortgage backed securities | — | 42,379 | — | 42,379 |
| Government agency collateralized mortgage obligations | — | 5,111 | — | 5,111 |
| Trust preferred securities | — | — | 16,753 | 16,753 |
| Other debt securities | — | 20,241 | — | 20,241 |
| Other equity securities | — | 3,877 | — | 3,877 |
| Total securities available for sale | — | 447,980 | 16,753 | 464,733 |
| Derivative instruments: | | | | |
| Interest rate contracts | — | 1,488 | — | 1,488 |
| Interest rate lock commitments | — | 2,376 | — | 2,376 |
| Total derivative instruments | — | 3,864 | — | 3,864 |
| Mortgage loans held for sale | — | 28,466 | — | 28,466 |
| Total financial assets | \$— | \$480,310 | \$16,753 | \$497,063 |
| Financial liabilities: | | | | |
| Derivative instruments: | | | | |
| Interest rate swaps | \$— | \$1,904 | \$— | \$1,904 |
| Interest rate contracts | — | 1,488 | — | 1,488 |
| Forward commitments | — | 1,392 | — | 1,392 |
| Total derivative instruments | — | 4,784 | — | 4,784 |
| Total financial liabilities | \$— | \$4,784 | \$— | \$4,784 |

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

The Company reviews fair value hierarchy classifications on a quarterly basis. Changes in the Company's ability to observe inputs to the valuation may cause reclassification of certain assets or liabilities within the fair value hierarchy. Transfers between levels of the hierarchy are deemed to have occurred at the end of period. There were no such transfers between levels of the fair value hierarchy during the three or nine months ended September 30, 2013.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

The following tables provide a reconciliation for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs, or Level 3 inputs, during the three and nine months ended September 30, 2013 and 2012, respectively:

| Three Months Ended September 30, 2013 | Securities available for sale | | Total |
|---|-------------------------------|-------------------------|----------|
| | Trust preferred securities | Other equity securities | |
| Balance at July 1, 2013 | \$15,960 | \$— | \$15,960 |
| Realized gains included in net income | — | — | — |
| Unrealized gains included in other comprehensive income | 875 | — | 875 |
| Purchases | — | — | — |
| Sales | — | — | — |
| Issues | — | — | — |
| Settlements | (82 |) — | (82 |
| Transfers into Level 3 | — | — | — |
| Transfers out of Level 3 | — | — | — |
| Balance at September 30, 2013 | \$16,753 | \$— | \$16,753 |

| Three Months Ended September 30, 2012 | Securities available for sale | | Total |
|---|-------------------------------|-------------------------|----------|
| | Trust preferred securities | Other equity securities | |
| Balance at July 1, 2012 | \$12,672 | \$2,790 | \$15,462 |
| Realized gains included in net income | — | — | — |
| Unrealized gains included in other comprehensive income | 2,670 | 243 | 2,913 |
| Reclassification adjustment | — | — | — |
| Purchases | — | — | — |
| Sales | — | — | — |
| Issues | — | — | — |
| Settlements | — | — | — |
| Transfers into Level 3 | — | — | — |
| Transfers out of Level 3 | — | (3,033 |) (3,033 |
| Balance at September 30, 2012 | \$15,342 | \$— | \$15,342 |

| Nine Months Ended September 30, 2013 | Securities available for sale | | Total |
|---|-------------------------------|-------------------------|----------|
| | Trust preferred securities | Other equity securities | |
| Balance at January 1, 2013 | \$15,068 | \$— | \$15,068 |
| Realized gains included in net income | — | — | — |
| Unrealized gains included in other comprehensive income | 2,669 | — | 2,669 |
| Purchases | — | — | — |
| Sales | — | — | — |
| Issues | — | — | — |
| Settlements | — | — | — |
| Transfers into Level 3 | (984 |) — | (984 |
| Transfers out of Level 3 | — | — | — |
| Balance at September 30, 2013 | \$16,753 | \$— | \$16,753 |

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

| Nine Months Ended September 30, 2012 | Securities available for sale | | Total |
|---|-------------------------------|-------------------------|------------|
| | Trust preferred securities | Other equity securities | |
| Balance at January 1, 2012 | \$12,785 | \$2,237 | \$15,022 |
| Realized gains included in net income | — | 14 | 14 |
| Unrealized gains included in other comprehensive income | 3,509 | 782 | 4,291 |
| Reclassification adjustment | (952 |) — | (952) |
| Purchases | — | — | — |
| Sales | — | — | — |
| Issues | — | — | — |
| Settlements | — | — | — |
| Transfers into Level 3 | — | — | — |
| Transfers out of Level 3 | — | (3,033 |) (3,033) |
| Balance at September 30, 2012 | \$15,342 | \$— | \$15,342 |

For the three and nine months ended September 30, 2013 and 2012, there were no gains or losses included in earnings that were attributable to the change in unrealized gains or losses related to assets or liabilities held at the end of each respective period that were measured on a recurring basis using significant unobservable inputs.

The following table presents information as of September 30, 2013 about significant unobservable inputs (Level 3) used in the valuation of assets and liabilities measured at fair value on a recurring basis:

| Financial instrument | Fair Value | Valuation Technique | Significant Unobservable Inputs | Range of Inputs |
|----------------------------|------------|-----------------------|---------------------------------|-----------------|
| Trust preferred securities | \$16,753 | Discounted cash flows | Default rate | 0-100% |

Nonrecurring Fair Value Measurements

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

| September 30, 2013 | Level 1 | Level 2 | Level 3 | Totals |
|--------------------|---------|---------|----------|----------|
| Impaired loans | \$— | \$— | \$8,574 | \$8,574 |
| OREO | — | — | 16,650 | 16,650 |
| Total | \$— | \$— | \$25,224 | \$25,224 |
| December 31, 2012 | Level 1 | Level 2 | Level 3 | Totals |
| Impaired loans | \$— | \$— | \$20,178 | \$20,178 |
| OREO | — | — | 33,761 | 33,761 |
| Total | \$— | \$— | \$53,939 | \$53,939 |

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

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Notes to Consolidated Financial Statements (Unaudited)

Impaired loans: Loans considered impaired are reserved for at the time the loan is identified as impaired taking into account the fair value of the collateral less estimated selling costs. Collateral may be real estate and/or business assets including but not limited to equipment, inventory and accounts receivable. The fair value of real estate is determined based on appraisals by qualified licensed appraisers. The fair value of the business assets is generally based on amounts reported on the business's financial statements. Appraised and reported values may be adjusted based on changes in market conditions from the time of valuation and management's knowledge of the client and the client's business. Since not all valuation inputs are observable, these nonrecurring fair value determinations are classified as Level 3. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors previously identified. Impaired loans covered under loss-share agreements were recorded at their fair value upon the acquisition date, and no fair value adjustments were necessary for the three or nine months ended September 30, 2013 and 2012, respectively. Impaired loans not covered under loss-share agreements that were measured or re-measured at fair value had a carrying value of \$10,782 and \$27,149 at September 30, 2013 and December 31, 2012, respectively, and a specific reserve for these loans of \$2,208 and \$6,971 was included in the allowance for loan losses for the periods ended on such respective dates.

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

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

| | September 30, 2013 | December 31, 2012 |
|---|-----------------------|----------------------|
| OREO covered under loss-share agreements: | | |
| Carrying amount prior to remeasurement | \$13,946 | \$19,254 |
| Impairment recognized in results of operations | (500 |) (901 |
| Increase in FDIC loss-share indemnification asset | (2,001 |) (3,602 |
| Receivable from other guarantor | — | (41 |
| Fair value | \$11,445 | \$14,710 |
| OREO not covered under loss-share agreements: | | |
| Carrying amount prior to remeasurement | \$6,401 | \$22,277 |
| Impairment recognized in results of operations | (1,196 |) (3,226 |
| Fair value | \$5,205 | \$19,051 |

Mortgage servicing rights: The Company retains the right to service certain mortgage loans that it sells to secondary market investors. These servicing rights are carried at the lower of amortized cost or fair value. Fair value is determined using an income approach with various assumptions including expected cash flows, market discount rates, prepayment speeds, servicing costs, and other factors. Because these factors are not all observable and include management's assumptions, mortgage servicing rights are classified within Level 3 of the fair value hierarchy. Mortgage servicing rights were carried at amortized cost at September 30, 2013 and December 31, 2012, and no impairment charges were recognized in earnings for the three or nine months ended September 30, 2013 and 2012, respectively.

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The following table presents information as of September 30, 2013 about significant unobservable inputs (Level 3) used in the valuation of assets and liabilities measured at fair value on a nonrecurring basis:

| Financial instrument | Fair Value | Valuation Technique | Significant Unobservable Inputs | Range of Inputs |
|----------------------|------------|--|---------------------------------|-----------------|
| Impaired loans | \$8,574 | Appraised value of collateral less estimated costs to sell | Estimated costs to sell | 4-10% |
| OREO | 16,650 | Appraised value of property less estimated costs to sell | Estimated costs to sell | 4-10% |

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Notes to Consolidated Financial Statements (Unaudited)

Fair Value Option

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

Net losses of \$1,315 and \$472 resulting from fair value changes of these mortgage loans were recorded in income during the three and nine months ended September 30, 2013, respectively. The amount does not reflect changes in fair values of related derivative instruments used to hedge exposure to market-related risks associated with these mortgage loans. The change in fair value of both mortgage loans held for sale and the related derivative instruments are recorded in "Gains on sales of mortgage loans held for sale" in the Consolidated Statements of Income.

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

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

| September 30, 2013 | Aggregate Fair Value | Aggregate Unpaid Principal Balance | Difference |
|---|-------------------------|---|------------|
| Mortgage loans held for sale measured at fair value | \$28,466 | \$28,096 | \$370 |
| Past due loans of 90 days or more | — | — | — |
| Nonaccrual loans | — | — | — |

Fair Value of Financial Instruments

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

| As of September 30, 2013 | Carrying Value | Fair Value | | | Total |
|--|-------------------|------------|---------|-----------|-----------|
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets | | | | | |
| Cash and cash equivalents | \$233,149 | \$233,149 | \$— | \$— | \$233,149 |
| Securities held to maturity | 440,055 | — | 438,014 | — | 438,014 |
| Securities available for sale | 464,733 | — | 447,980 | 16,753 | 464,733 |
| Mortgage loans held for sale | 28,466 | — | 28,466 | — | 28,466 |
| Loans covered under loss-share agreements | 195,997 | — | — | 195,458 | 195,458 |
| Loans not covered under loss-share agreements, net | 3,685,535 | — | — | 3,644,023 | 3,644,023 |
| FDIC loss-share indemnification asset | 27,825 | — | — | 27,825 | 27,825 |
| Mortgage servicing rights | 8,336 | — | — | 8,974 | 8,974 |
| Derivative instruments | 3,869 | — | 3,869 | — | 3,869 |
| Financial liabilities | | | | | |

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| | | | | | |
|---------------------------------|-------------|-------------|-------------|-----|-------------|
| Deposits | \$4,834,756 | \$3,284,858 | \$1,558,356 | \$— | \$4,843,214 |
| Short-term borrowings | 6,649 | 6,649 | — | — | 6,649 |
| Federal Home Loan Bank advances | 76,429 | — | 82,356 | — | 82,356 |
| Junior subordinated debentures | 94,089 | — | 71,723 | — | 71,723 |
| Derivative instruments | 4,899 | — | 4,899 | — | 4,899 |

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Notes to Consolidated Financial Statements (Unaudited)

| As of December 31, 2012 | Carrying Value | Fair Value | | | Total |
|--|----------------|-------------|-------------|-----------|-------------|
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets | | | | | |
| Cash and cash equivalents | \$ 132,420 | \$ 132,420 | \$— | \$— | \$ 132,420 |
| Securities held to maturity | 317,766 | — | 334,475 | — | 334,475 |
| Securities available for sale | 356,311 | — | 341,243 | 15,068 | 356,311 |
| Mortgage loans held for sale | 34,845 | — | 34,845 | — | 34,845 |
| Loans covered under loss-share agreements | 237,088 | — | — | 235,890 | 235,890 |
| Loans not covered under loss-share agreements, net | 2,528,818 | — | — | 2,452,937 | 2,452,937 |
| FDIC loss-share indemnification asset | 44,153 | — | — | 44,153 | 44,153 |
| Mortgage servicing rights | 4,233 | — | — | 4,259 | 4,259 |
| Derivative instruments | 4,654 | — | 4,654 | — | 4,654 |
| Financial liabilities | | | | | |
| Deposits | \$3,461,221 | \$2,268,568 | \$1,200,785 | \$— | \$3,469,353 |
| Short-term borrowings | 5,254 | 5,254 | — | — | 5,254 |
| Federal Home Loan Bank advances | 83,843 | — | 99,870 | — | 99,870 |
| Junior subordinated debentures | 75,609 | — | 27,985 | — | 27,985 |
| Derivative instruments | 5,514 | — | 5,514 | — | 5,514 |

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

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

Securities held to maturity: Securities held to maturity consist of debt securities such as obligations of U.S.

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

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

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

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

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Notes to Consolidated Financial Statements (Unaudited)

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

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

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

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

Note J - Derivative Instruments

(In Thousands)

The Company utilizes derivative financial instruments, including interest rate contracts such as swaps, caps and/or floors, as part of its ongoing efforts to mitigate its interest rate risk exposure and to facilitate the needs of its customers. The Company also from time to time enters into derivative instruments that are not designated as hedging instruments to help its commercial customers manage their exposure to interest rate fluctuations. To mitigate the interest rate risk associated with these customer contracts, the Company enters into an offsetting derivative contract position. The Company manages its credit risk, or potential risk of default by its commercial customers, through credit limit approval and monitoring procedures. At September 30, 2013, the Company had notional amounts of \$76,484 on interest rate contracts with corporate customers and \$76,484 in offsetting interest rate contracts with other financial institutions to mitigate the Company’s rate exposure on its corporate customers’ contracts and certain fixed-rate loans. In March and April 2012, the Company entered into two interest rate swap agreements effective March 30, 2014 and March 17, 2014, respectively. Beginning on the respective effective date, the Company will receive a variable rate of interest based on the three-month LIBOR plus a pre-determined spread and pay a fixed rate of interest. The agreements, which both terminate in March 2022, are accounted for as cash flow hedges to reduce the variability in cash flows resulting from changes in interest rates on \$32,000 of the Company’s junior subordinated debentures. In connection with its merger with First M&F, the Company assumed an interest rate swap designed to convert floating rate interest payments into fixed rate payments. Based on the terms of the agreement, which terminates in March 2018, the Company will receive a variable rate of interest based on the three-month LIBOR plus a pre-determined spread and pay a fixed rate of interest. The interest rate swap is accounted for as a cash flow hedge to reduce the variability in cash flows resulting from changes in interest rates on \$30,000 of the junior subordinated debentures assumed in the merger with First M&F.

In May 2010, the Company terminated two interest rate swaps, each designated as a cash flow hedge, designed to convert the variable interest rate on an aggregate of \$75,000 of loans to a fixed rate. As of the termination date, there were \$1,679 of deferred gains related to the swaps, which are being amortized into interest income over the designated hedging periods ending in August 2012 and August 2013, respectively. Deferred gains amortized into net interest income were \$37 and \$115 for the three months ended September 30, 2013 and 2012, respectively, and \$203 and \$419 for the nine months ended September 30, 2013 and 2012, respectively.

The Company enters into interest rate lock commitments with its customers to mitigate the interest rate risk associated with the commitments to fund fixed-rate residential mortgage loans. The notional amount of commitments to fund fixed-rate mortgage loans was \$80,076 and \$72,757 at September 30, 2013 and December 31, 2012, respectively. The Company also enters into forward commitments to sell residential mortgage loans to secondary market investors. The notional amount of commitments to sell residential mortgage loans to secondary market investors was \$74,542 and

\$100,000 at September 30, 2013 and December 31, 2012, respectively.

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

| | Balance Sheet Location | Fair Value September 30, 2013 | December 31, 2012 |
|--|---------------------------|-------------------------------------|----------------------|
| Derivative assets: | | | |
| Not designated as hedging instruments: | | | |
| Interest rate contracts | Other Assets | \$1,488 | \$3,083 |
| Interest rate lock commitments | Other Assets | 2,376 | 1,571 |
| Totals | | \$3,864 | \$4,654 |
| Derivative liabilities: | | | |
| Designated as hedging instruments: | | | |
| Interest rate swap | Other Liabilities | \$1,904 | \$2,164 |
| Totals | | \$1,904 | \$2,164 |
| Not designated as hedging instruments: | | | |
| Interest rate contracts | Other Liabilities | \$1,488 | \$3,152 |
| Forward commitments | Other Liabilities | 1,392 | 198 |
| Totals | | \$2,880 | \$3,350 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|----------|------------------------------------|---------|
| | 2013 | 2012 | 2013 | 2012 |
| Derivatives designated as hedging instruments: | | | | |
| Interest rate swaps (terminated May 2010): | | | | |
| Included in interest income on loans | \$37 | \$115 | \$203 | \$419 |
| Total | \$37 | \$115 | \$203 | \$419 |
| Derivatives not designated as hedging instruments: | | | | |
| Interest rate contracts: | | | | |
| Included in interest income on loans | \$798 | \$583 | \$2,398 | \$1,466 |
| Included in other noninterest expense | 2 | (14 |) 69 | 20 |
| Interest rate lock commitments: | | | | |
| Included in gains on sales of mortgage loans held for sale | 2,905 | 1,145 | 804 | 1,667 |
| Forward commitments | | | | |
| Included in gains on sales of mortgage loans held for sale | (3,599 |) (2,684 |) 1,276 | (3,626 |
| Total | \$106 | \$(970 |) \$4,547 | \$(473 |

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Notes to Consolidated Financial Statements (Unaudited)

Offsetting

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

| | Offsetting Derivative Assets | | Offsetting Derivative Liabilities | |
|---|------------------------------|-------------------|-----------------------------------|-------------------|
| | September 30, 2013 | December 31, 2012 | September 30, 2013 | December 31, 2012 |
| Gross amounts recognized | \$3,864 | \$4,654 | \$4,784 | \$5,514 |
| Gross amounts offset in the consolidated balance sheets | — | — | — | — |
| Net amounts presented in the consolidated balance sheets | 3,864 | 4,654 | 4,784 | 5,514 |
| Gross amounts not offset in the consolidated balance sheets | | | | |
| Financial instruments | 584 | — | 584 | — |
| Financial collateral pledged | — | — | 2,183 | 4,950 |
| Net amounts | \$3,280 | \$4,654 | \$2,017 | \$564 |

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

Note K – Other Comprehensive Income

(In Thousands)

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

| | Pre-Tax | Tax Expense (Benefit) | Net of Tax |
|---|---------|--------------------------|------------|
| Three months ended September 30, 2013 | | | |
| Securities available for sale: | | | |
| Unrealized holding losses on securities | \$1,269 | \$487 | \$782 |
| Non-credit related portion of other-than-temporary impairment on securities | — | — | — |
| Reclassification adjustment for gains realized in net income | — | — | — |
| Amortization of unrealized holding gains on securities transferred to the held to maturity category | (80) |) (31 |) (49 |
| Total securities available for sale | 1,189 | 456 | 733 |
| Derivative instruments: | | | |
| Unrealized holding gains on derivative instruments | (481 |) (184 |) (297 |
| Reclassification adjustment for gains realized in net income | (35 |) (13 |) (22 |
| Total derivative instruments | (516 |) (197 |) (319 |
| Defined benefit pension and post-retirement benefit plans: | | | |
| Net gain (loss) arising during the period | — | — | — |
| Amortization of net actuarial loss recognized in net periodic pension cost | 183 | 70 | 113 |
| Total defined benefit pension and post-retirement benefit plans | 183 | 70 | 113 |
| Total other comprehensive income | \$856 | \$329 | \$527 |
| Three months ended September 30, 2012 | | | |
| Securities available for sale: | | | |
| Unrealized holding gains on securities | \$4,025 | \$1,539 | \$2,486 |
| Non-credit related portion of other-than-temporary impairment on securities | — | — | — |
| Reclassification adjustment for gains realized in net income | — | — | — |
| Amortization of unrealized holding gains on securities transferred to the held to maturity category | (134 |) (51 |) (83 |
| Total securities available for sale | 3,891 | 1,488 | 2,403 |
| Derivative instruments: | | | |
| Unrealized holding losses on derivative instruments | (391 |) (150 |) (241 |
| Reclassification adjustment for gains realized in net income | (115 |) (44 |) (71 |
| Total derivative instruments | (506 |) (194 |) (312 |
| Defined benefit pension and post-retirement benefit plans: | | | |
| Net gain (loss) arising during the period | — | — | — |
| Amortization of net actuarial loss recognized in net periodic pension cost | 107 | 41 | 66 |
| Total defined benefit pension and post-retirement benefit plans | 107 | 41 | 66 |
| Total other comprehensive income | \$3,492 | \$1,335 | \$2,157 |

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

| | Pre-Tax | Tax Expense (Benefit) | Net of Tax |
|---|-----------|--------------------------|---------------|
| Nine months ended September 30, 2013 | | | |
| Securities available for sale: | | | |
| Unrealized holding losses on securities | \$ (9,864 |) \$ (3,773 |) \$ (6,091) |
| Non-credit related portion of other-than-temporary impairment on securities | — | — | — |
| Reclassification adjustment for losses realized in net income | 115 | 44 | 71 |
| Amortization of unrealized holding gains on securities transferred to the held to maturity category | (274 |) (105 |) (169) |
| Total securities available for sale | (10,023 |) (3,834 |) (6,189) |
| Derivative instruments: | | | |
| Unrealized holding gains on derivative instruments | 1,461 | 559 | 902 |
| Reclassification adjustment for gains realized in net income | (203 |) (77 |) (126) |
| Total derivative instruments | 1,258 | 482 | 776 |
| Defined benefit pension and post-retirement benefit plans: | | | |
| Net gain (loss) arising during the period | — | — | — |
| Amortization of net actuarial loss recognized in net periodic pension cost | 437 | 167 | 270 |
| Total defined benefit pension and post-retirement benefit plans | 437 | 167 | 270 |
| Total other comprehensive income | \$ (8,328 |) \$ (3,185 |) \$ (5,143) |
| Nine months ended September 30, 2012 | | | |
| Securities available for sale: | | | |
| Unrealized holding gains on securities | \$ 7,439 | \$ 2,845 | \$ 4,594 |
| Non-credit related portion of other-than-temporary impairment on securities | — | — | — |
| Reclassification adjustment for gains realized in net income | (1,773 |) (678 |) (1,095) |
| Amortization of unrealized holding gains on securities transferred to the held to maturity category | (447 |) (171 |) (276) |
| Total securities available for sale | 5,219 | 1,996 | 3,223 |
| Derivative instruments: | | | |
| Unrealized holding losses on derivative instruments | (2,234 |) (855 |) (1,379) |
| Reclassification adjustment for gains realized in net income | (419 |) (160 |) (259) |
| Total derivative instruments | (2,653 |) (1,015 |) (1,638) |
| Defined benefit pension and post-retirement benefit plans: | | | |
| Net gain (loss) arising during the period | — | — | — |
| Amortization of net actuarial loss recognized in net periodic pension cost | 321 | 123 | 198 |
| Total defined benefit pension and post-retirement benefit plans | 321 | 123 | 198 |
| Total other comprehensive income | \$ 2,887 | \$ 1,104 | \$ 1,783 |

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

| | September 30, 2013 | December 31, 2012 |
|--|-----------------------|----------------------|
| Unrealized gains on securities | \$11,239 | \$17,428 |
| Non-credit related portion of other-than-temporary impairment on securities | (17,474) | (17,474) |
| Unrealized losses on derivative instruments | (435) | (1,211) |
| Unrecognized defined benefit pension and post-retirement benefit plans obligations | (6,974) | (7,244) |
| Total accumulated other comprehensive loss | \$(13,644) | \$(8,501) |

Note L – Net Income Per Common Share

(In Thousands, Except Share Data)

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

| | Three Months Ended September 30, | |
|---|-------------------------------------|------------|
| | 2013 | 2012 |
| Basic | | |
| Net income applicable to common stock | \$6,637 | \$7,037 |
| Average common shares outstanding | 27,234,927 | 25,114,672 |
| Net income per common share - basic | \$0.24 | \$0.28 |
| Diluted | | |
| Net income applicable to common stock | \$6,637 | \$7,037 |
| Average common shares outstanding | 27,234,927 | 25,114,672 |
| Effect of dilutive stock-based compensation | 212,455 | 106,215 |
| Average common shares outstanding - diluted | 27,447,382 | 25,220,887 |
| Net income per common share - diluted | \$0.24 | \$0.28 |
| | | |
| | Nine Months Ended September 30, | |
| | 2013 | 2012 |
| Basic | | |
| Net income applicable to common stock | \$22,227 | \$19,356 |
| Average common shares outstanding | 25,889,139 | 25,101,507 |
| Net income per common share - basic | \$0.86 | \$0.77 |
| Diluted | | |
| Net income applicable to common stock | \$22,227 | \$19,356 |
| Average common shares outstanding | 25,889,139 | 25,101,507 |
| Effect of dilutive stock-based compensation | 164,034 | 60,404 |
| Average common shares outstanding - diluted | 26,053,173 | 25,161,911 |
| Net income per common share - diluted | \$0.85 | \$0.77 |

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Renasant Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

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

| | Three Months Ended September 30, | |
|--------------------------|-------------------------------------|-------------------|
| | 2013 | 2012 |
| Number of shares | 109,068 | 740,199 |
| Range of exercise prices | \$29.57 - \$30.63 | \$16.91 - \$30.63 |
| | Nine Months Ended September 30, | |
| | 2013 | 2012 |
| Number of shares | 169,638 | 1,186,644 |
| Range of exercise prices | \$19.14 - \$30.63 | \$14.96 - \$30.63 |

Note M – Mergers and Acquisitions

On September 1, 2013, the Company completed its acquisition by merger of First M&F, a bank holding company headquartered in Kosciusko, Mississippi, and the parent of Merchants and Farmers Bank, a Mississippi banking corporation. On the same date, Merchants and Farmers Bank was merged into Renasant Bank. On August 31, 2013, First M&F operated 43 banking and insurance locations in Mississippi, Alabama and Tennessee. The acquisition of First M&F allowed the Company to further its strategic initiatives by expanding its geographic footprint into certain markets of Mississippi, Alabama and Tennessee. The Company issued 6,175,586 shares of its common stock for 100% of the voting equity interests in First M&F. The aggregate transaction value, including the dilutive impact of First M&F's stock based compensation assumed by the Company, was \$156.8 million.

The Company recorded approximately \$115.6 million in intangible assets which consist of goodwill of \$90,548 and core deposit intangible of \$25,033. The fair value of the core deposit intangible is being amortized on an accelerated basis over the estimated useful life, currently expected to be approximately 10 years. The intangible assets are not deductible for income tax purposes.

The Company assumed \$30.9 million in fixed/floating rate junior subordinated deferrable interest debentures payable to First M&F Statutory Trust I that mature in March 2036. The acquired subordinated debentures require interest to be paid quarterly at a rate of 90-day LIBOR plus 1.33%. The fair value adjustment on the junior subordinated debentures of \$12,371 will be amortized on a straight line basis over the remaining life.

The following table summarizes the allocation of purchase price to assets and liabilities acquired in connection with the Company's acquisition of First M&F based on their fair values on September 1, 2013. The Company is finalizing the fair value of certain assets and liabilities. As a result, the adjustments included in the following table are preliminary and may change.

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Allocation of Purchase Price for First M&F Corporation.

Purchase Price:

| | | |
|--|-----------|-----------|
| Shares issued to common shareholders | 6,175,586 | |
| Purchase price per share | \$25.17 | |
| Value of stock paid | | \$155,439 |
| Cash paid for fractional shares | | 17 |
| Fair value of stock based compensation assumed | | 68 |
| Deal charges | | 1,255 |
| Total Purchase Price | | \$156,779 |

Net Assets Acquired:

| | | |
|---|----------|----------|
| Stockholders' equity at 9/1/13 | \$79,440 | |
| Increase (decrease) to net assets as a result of fair value adjustments to assets acquired and liabilities assumed: | | |
| Securities | 253 | |
| Loans, net of First M&F's allowance for loan losses ⁽¹⁾ | (45,751) |) |
| Fixed assets | (2,314) |) |
| Core deposits intangible, net of First M&F's existing core deposit intangible | 21,158 | |
| Other real estate owned ⁽¹⁾ | (5,797) |) |
| Deposits | (3,207) |) |
| Junior Subordinated Debt | 12,371 | |
| Other liabilities | 1,804 | |
| Deferred income taxes | 8,274 | |
| Total Net Assets Acquired | | 66,231 |
| Goodwill resulting from merger ⁽²⁾ | | \$90,548 |

(1) The fair value adjustments to acquired loans and other real estate owned reflect management's expectations to more aggressively market and liquidate problem assets quickly.

(2) The goodwill resulting from the merger has been assigned to the Community Banks operating segment.

The following table summarizes the fair value of assets acquired and liabilities assumed at acquisition date in connection with the merger with First M&F. The Company is finalizing the fair value of certain assets and liabilities. As a result, the values included in the following table are preliminary and may change.

| | |
|-------------------------------|-----------|
| Cash and cash equivalents | \$170,061 |
| Securities | 227,693 |
| Mortgage loans held for sale | 1,659 |
| Loans, net of unearned income | 899,246 |
| Premises and equipment | 33,014 |
| Other real estate owned | 13,527 |
| Intangible assets | 115,581 |
| Other assets | 55,767 |
| Total assets | 1,516,548 |
| Deposits | 1,325,872 |
| Borrowings | 25,346 |
| Other liabilities | 9,806 |

The following unaudited pro forma combined condensed consolidated financial information presents the results of operations for the nine months ended September 30, 2013 and 2012 of the Company as though the merger with First M&F and the equity offering to fund the cash portion of the merger consideration had been completed as of the

beginning of each respective period.

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| | Nine Months Ended September 30, | |
|----------------------------|------------------------------------|-----------|
| | 2013 | 2012 |
| Interest income | \$165,592 | \$171,897 |
| Interest expense | 21,845 | 28,421 |
| Net interest income | 143,747 | 143,476 |
| Provision for loan losses | 11,030 | 20,665 |
| Noninterest income | 62,833 | 67,702 |
| Noninterest expense | 163,993 | 157,927 |
| Income before income taxes | 31,557 | 32,586 |
| Income taxes | 6,576 | 5,666 |
| Net income | \$24,981 | \$26,920 |
| Earnings per share: | | |
| Basic | \$0.80 | \$0.82 |
| Diluted | \$0.79 | \$0.81 |

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

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

Financial Condition

The following discussion provides details regarding the changes in significant balance sheet accounts at September 30, 2013 compared to December 31, 2012.

Acquisition of First M&F Corporation

On September 1, 2013, the Company completed its acquisition of First M&F Corporation ("First M&F"), a bank holding company headquartered in Kosciusko, Mississippi, and the parent of Merchants and Farmers Bank, a Mississippi banking corporation. On the same date, Merchants and Farmers Bank was merged into Renasant Bank. At August 31, 2013, First M&F operated 35 full-service banking offices and 8 insurance offices in Mississippi, Alabama and Tennessee and had total assets of \$1,451,432, loans of \$944,997, deposits of \$1,322,665 and total shareholders' equity of \$79,440 prior to the application of any purchase accounting adjustments. See Note M, "Mergers and Acquisitions," in the Notes to Consolidated Financial Statements included in Item 1, "Financial Statements," for additional details regarding the Company's merger with First M&F.

Assets

Total assets were \$5,736,048 at September 30, 2013 compared to \$4,178,616 at December 31, 2012.

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 following table shows the carrying value of our securities portfolio by investment type and the percentage of such investment type relative to the entire securities portfolio as of the dates presented:

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| | September 30, 2013 | Percentage of Portfolio | December 31, 2012 | Percentage of Portfolio | |
|--|-----------------------|----------------------------|----------------------|----------------------------|---|
| Obligations of other U.S. Government agencies and corporations | \$155,142 | 17.15 | % \$92,487 | 13.72 | % |
| Obligations of states and political subdivisions | 290,999 | 32.16 | 312,803 | 46.40 | |
| Mortgage-backed securities | 417,776 | 46.17 | 227,721 | 33.78 | |
| Trust preferred securities | 16,753 | 1.85 | 15,068 | 2.24 | |
| Other debt securities | 20,241 | 2.24 | 22,930 | 3.40 | |
| Other equity securities | 3,877 | 0.43 | 3,068 | 0.46 | |
| | \$904,788 | 100.00 | % \$674,077 | 100.00 | % |

The balance of our securities portfolio at September 30, 2013 increased \$230,711 to \$904,788 from \$674,077 at December 31, 2012. The acquisition of First M&F contributed \$227,693 to the security portfolio. During the first nine months of 2013, we purchased \$176,596 in investment securities. Mortgage-backed securities and collateralized mortgage obligations (“CMOs”) held in our securities portfolio, included in the “Mortgage-backed securities” line item in the above table, are primarily issued by government sponsored entities and comprised 57% of the purchases. U.S. Government agency securities and obligations of state and political subdivisions accounted for the remaining 38% and 5%, respectively, of total securities purchased. The carrying value of securities sold during the first nine months of 2013 totaled \$13,422, of which \$9,128 were CMOs. The remainder consisted of obligations of states and political subdivisions. Maturities and calls of securities during the first nine months of 2013 totaled \$147,273.

The Company holds investments in pooled trust preferred securities. This portfolio had a cost basis of \$27,629 and \$28,612 and a fair value of \$16,753 and \$15,068 at September 30, 2013 and December 31, 2012, respectively. The investment in pooled trust preferred securities consists of four securities representing interests in various tranches of trusts collateralized by debt issued by over 330 financial institutions. Management’s determination of the fair value of each of its holdings is based on the current credit ratings, the known deferrals and defaults by the underlying issuing financial institutions and the degree to which future deferrals and defaults would be required to occur before the cash flow for our tranches is negatively impacted. Management has determined that there has been an adverse change in estimated cash flows for each of the four pooled trust preferred securities. The Company’s quarterly evaluation of these investments for other-than-temporary-impairment resulted in no additional write-downs during the third quarter of 2013 or 2012. Furthermore, based on the qualitative factors discussed above, each of the four pooled trust preferred securities was classified as a nonaccruing asset at September 30, 2013 and December 31, 2012. Investment interest income is recorded on the cash-basis method until qualifying for return to accrual status.

Loans

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

| | September 30, 2013 | Percentage of Total Loans | December 31, 2012 | Percentage of Total Loans | |
|-------------------------------------|-----------------------|------------------------------|----------------------|------------------------------|---|
| Commercial, financial, agricultural | \$481,243 | 12.40 | % \$317,050 | 11.28 | % |
| Lease financing | 75 | 0.01 | 190 | 0.01 | |
| Real estate – construction | 152,217 | 3.92 | 105,706 | 3.76 | |
| Real estate – 1-4 family mortgage | 1,192,223 | 30.72 | 903,423 | 32.15 | |
| Real estate – commercial mortgage | 1,960,584 | 50.51 | 1,426,643 | 50.76 | |
| Installment loans to individuals | 95,190 | 2.44 | 57,241 | 2.04 | |
| Total loans, net of unearned income | \$3,881,532 | 100.00 | % \$2,810,253 | 100.00 | % |

Loan concentrations are considered to exist when there are amounts loaned to a number of borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. At September 30, 2013, there were no concentrations of loans exceeding 10% of total loans which are not disclosed as a category of loans separate from the categories listed above.

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Total loans at September 30, 2013 were \$3,881,532, an increase of \$1,071,279 from \$2,810,253 at December 31, 2012. The acquisition of First M&F increased total loans \$891,420. Loans covered under loss-share agreements with the FDIC (referred to as “covered loans”) were \$195,997 at September 30, 2013, a decrease of \$41,091, or 17.33%, compared to \$237,088 at

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December 31, 2012. For covered loans, the FDIC will reimburse Renasant Bank 80% of the losses incurred on these loans. Management intends to continue the Company's aggressive efforts to bring those covered loans that are commercial in nature to resolution and thus the balance of covered loans is expected to continue to decline. The loss-share agreements applicable to this portfolio provides reimbursement for five years from the acquisition date. Loans not covered under loss-share agreements with the FDIC (sometimes referred to as "not covered loans") at September 30, 2013 were \$3,685,535, compared to \$2,573,165 at December 31, 2012. The acquisition of First M&F increased not covered loans by \$891,420 at September 30, 2013. Excluding the loans acquired from First M&F, not covered loans increased \$220,950 during the first nine months of 2013. The increase in loans not covered under loss-share agreements was attributable to growth in owner and non-owner occupied commercial real estate loans and commercial loans, as well as loan production generated by our de novo expansion. Loans from our de novo locations in Columbus and Starkville, Mississippi, Tuscaloosa and Montgomery, Alabama and Maryville, Bristol, Jonesborough and Johnson City, Tennessee contributed \$116,309 of the total increase in loans from December 31, 2012. During the first nine months of 2013, loans in our Mississippi, Tennessee and Alabama markets, excluding the contribution from First M&F, increased \$20,024, \$142,302 and \$24,829, respectively. Loans in our Georgia markets not covered under loss-share agreements increased \$40,564 from December 31, 2012. The following table provides a breakdown of covered loans and loans not covered under loss-share agreements as of the dates presented:

| | September 30, 2013 | | | December 31, 2012 | | |
|---|--------------------|-------------------|-------------|-------------------|-------------------|-------------|
| | Covered Loans | Not Covered Loans | Total Loans | Covered Loans | Not Covered Loans | Total Loans |
| Commercial, financial, agricultural | \$10,295 | \$470,948 | \$481,243 | \$10,800 | \$306,250 | \$317,050 |
| Lease financing | — | 75 | 75 | — | 190 | 190 |
| Real estate – construction: | | | | | | |
| Residential | 1,648 | 69,901 | 71,549 | 1,648 | 46,805 | 48,453 |
| Commercial | — | 79,709 | 79,709 | — | 56,201 | 56,201 |
| Condominiums | — | 959 | 959 | — | 1,052 | 1,052 |
| Total real estate – construction | 1,648 | 150,569 | 152,217 | 1,648 | 104,058 | 105,706 |
| Real estate – 1-4 family mortgage: | | | | | | |
| Primary | 17,236 | 665,595 | 682,831 | 20,623 | 445,659 | 466,282 |
| Home equity | 13,636 | 229,364 | 243,000 | 15,622 | 183,159 | 198,781 |
| Rental/investment | 20,465 | 175,036 | 195,501 | 26,586 | 130,370 | 156,956 |
| Land development | 5,386 | 65,505 | 70,891 | 10,617 | 70,787 | 81,404 |
| Total real estate – 1-4 family mortgage | 56,723 | 1,135,500 | 1,192,223 | 73,448 | 829,975 | 903,423 |
| Real estate – commercial mortgage: | | | | | | |
| Owner-occupied | 57,235 | 757,256 | 814,491 | 63,683 | 577,223 | 640,906 |
| Non-owner occupied | 39,833 | 933,876 | 973,709 | 50,879 | 587,607 | 638,486 |
| Land development | 30,232 | 142,152 | 172,384 | 36,599 | 110,652 | 147,251 |
| Total real estate – commercial mortgage | 127,300 | 1,833,284 | 1,960,584 | 151,161 | 1,275,482 | 1,426,643 |
| Installment loans to individuals | 31 | 95,159 | 95,190 | 31 | 57,210 | 57,241 |
| Total loans, net of unearned income | \$195,997 | \$3,685,535 | \$3,881,532 | \$237,088 | \$2,573,165 | \$2,810,253 |

Mortgage loans held for sale were \$28,466 at September 30, 2013 compared to \$34,845 at December 31, 2012. The decrease in mortgage loans held for sale at September 30, 2013 compared to December 31, 2012 is reflective of the

reduction in mortgage production resulting from an increase in mortgage rates during this period. Originations of mortgage loans to be sold totaled \$501,818 in the first nine months of 2013 compared to \$404,222 for the same period in 2012. Gains and losses are realized at the time consideration is received and all other criteria for sales treatment have been met. These loans are typically sold within thirty days after the loan is funded. Although loan fees and some interest income are derived from mortgage loans held for sale, the main source of income is gains from the sale of these loans in the secondary market.

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Deposits

The Company relies on deposits as its major source of funds. Total deposits were \$4,834,756 and \$3,461,221, at September 30, 2013 and December 31, 2012, respectively. Noninterest-bearing deposits were \$876,138 and \$568,214 at September 30, 2013 and December 31, 2012, respectively, while interest-bearing deposits were \$3,958,618 and \$2,893,007 at September 30, 2013 and December 31, 2012, respectively. The acquisition of First M&F increased total deposits \$1,317,719 at September 30, 2013, of which \$295,775 were noninterest-bearing deposits and the remaining \$1,021,944 were interest-bearing deposits. Excluding the contribution from First M&F, the balance of total deposits at September 30, 2013 as compared to December 31, 2012 increased slightly, 1.61%, and is primarily attributable to management's focus on growing and maintaining a stable source of funding, specifically core deposits, and allowing more costly deposits, including certain time deposits, to mature. The source of funds that we select depends on the terms and how those terms assist us in mitigating interest rate risk and maintaining our net interest margin.

Accordingly, funds are only acquired when needed and at a rate that is prudent under the circumstances.

Public fund deposits are those of counties, municipalities, or other political subdivisions and may be readily obtained based on the Company's pricing bid in comparison with competitors. Since public fund deposits are obtained through a bid process, these deposit balances may fluctuate as competitive and market forces change. The Company has focused on growing stable sources of deposits which has resulted in the Company relying less on public fund deposits.

However, the Company continues to participate in the bidding process for public fund deposits. Our public fund transaction accounts are principally obtained from municipalities including school boards and utilities. Public fund deposits were \$407,476 and \$344,342 at September 30, 2013 and December 31, 2012, respectively.

After excluding the contribution from the First M&F acquisition, deposits in our Alabama and Georgia markets decreased \$51,007 and \$18,717, respectively, at September 30, 2013 from December 31, 2012. Deposits in our Mississippi and Tennessee markets increased \$100,404 and \$63,612, respectively, at September 30, 2013 from December 31, 2012.

Borrowed Funds

Total borrowings include federal funds purchased, securities sold under agreements to repurchase, advances from the Federal Home Loan Bank (the "FHLB") and junior subordinated debentures. Funds are borrowed from the FHLB primarily to match-fund against certain loans, negating interest rate exposure when rates rise. Such match-funded loans are typically large commercial or real estate loans. In addition, short-term FHLB advances and federal funds purchased are used, as needed, to meet day to day liquidity needs. Total FHLB advances were \$76,429 and \$83,843 at September 30, 2013 and December 31, 2012, respectively. At September 30, 2013, \$1,636 of the total FHLB advances outstanding were short-term. The Company had no short-term FHLB advances or federal funds purchased outstanding at December 31, 2012. The Company had \$1,193,445 of availability on unused lines of credit with the FHLB at September 30, 2013 compared to \$1,160,984 at December 31, 2012. The cost of our FHLB advances was 4.22% and 4.33% for the first nine months of 2013 and 2012, respectively.

In connection with the acquisition of First M&F, the Company assumed \$30,928 in fixed/floating rate junior subordinated deferrable interest debentures payable to First M&F Statutory Trust I that mature in March 2036. The acquired subordinated debentures require interest to be paid quarterly at a rate of 90-day LIBOR plus 1.33%. The fair value adjustment on the junior subordinated debentures of \$12,371 will be amortized on a straight line basis over their remaining life.

In March 2012, the Company repaid \$50,000 of qualifying senior debt securities issued under the Temporary Liquidity Guaranty Program ("TLGP") at maturity. The cost of the TLGP debt was 3.94% while outstanding during 2012.

Results of Operations

Three Months Ended September 30, 2013 as Compared to the Three Months Ended September 30, 2012

Net Income

Net income for the three month period ended September 30, 2013 was \$6,637, a decrease of 5.68%, as compared to net income of \$7,037 for the three month period ended September 30, 2012. Basic and diluted earnings per share for the three month period ended September 30, 2013 were \$0.24 as compared to \$0.28 for the three month period ended

September 30, 2012. The Company's 2013 third quarter results include \$2,848, or \$0.10 per share, in after-tax merger expenses associated with the acquisition of First M&F. Excluding merger expenses, basic and diluted earnings per share were \$0.34 for the third quarter of 2013. No merger expenses were recognized during the third quarter of 2012.

Net Interest Income

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Net interest income, the difference between interest earned on assets and the cost of interest-bearing liabilities, is the largest component of our net income. The primary concerns in managing net interest income are the mix and the repricing of rate-sensitive assets and liabilities.

Net interest income increased to \$38,748 for the third quarter of 2013 compared to \$33,132 for the same period in 2012. On a tax equivalent basis, net interest income was \$40,201 for the third quarter of 2013 as compared to \$34,591 for the third quarter of 2012. Net interest margin, the tax equivalent net yield on earning assets, decreased to 3.86% during the third quarter of 2013 from 3.94% for the same period in 2012.

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

| | Three Months Ended September 30, 2013 | | | 2012 | | | | |
|--|--|--------------------------------|----------------|--------------------|--------------------------------|----------------|---|--|
| | Average Balance | Interest Income/ Expense | Yield/ Rate | Average Balance | Interest Income/ Expense | Yield/ Rate | | |
| Assets | | | | | | | | |
| Interest-earning assets: | | | | | | | | |
| Loans ⁽¹⁾ | \$3,250,739 | \$39,458 | 4.82 | % \$2,754,017 | \$34,553 | 4.99 | % | |
| Securities: | | | | | | | | |
| Taxable ⁽²⁾ | 601,158 | 3,438 | 2.27 | 448,960 | 2,672 | 2.36 | | |
| Tax-exempt | 218,401 | 3,147 | 5.72 | 233,163 | 3,355 | 5.76 | | |
| Interest-bearing balances with banks | 64,470 | 48 | 0.30 | 55,801 | 33 | 0.23 | | |
| Total interest-earning assets | 4,134,768 | 46,091 | 4.42 | 3,491,941 | 40,613 | 4.63 | | |
| Cash and due from banks | 128,780 | | | 57,487 | | | | |
| Intangible assets | 214,436 | | | 191,442 | | | | |
| FDIC loss-share indemnification asset | 29,368 | | | 51,727 | | | | |
| Other assets | 221,693 | | | 285,736 | | | | |
| Total assets | \$4,729,045 | | | \$4,078,333 | | | | |
| Liabilities and shareholders' equity | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | |
| Deposits: | | | | | | | | |
| Interest-bearing demand ⁽³⁾ | \$1,675,891 | \$1,071 | 0.25 | % \$1,285,793 | \$867 | 0.26 | % | |
| Savings deposits | 283,690 | 196 | 0.27 | 211,421 | 124 | 0.21 | | |
| Time deposits | 1,314,129 | 3,046 | 0.92 | 1,383,034 | 3,456 | 1.21 | | |
| Total interest-bearing deposits | 3,273,710 | 4,313 | 0.52 | 2,880,248 | 4,447 | 0.63 | | |
| Borrowed funds | 189,894 | 1,577 | 3.29 | 259,387 | 1,575 | 3.55 | | |
| Total interest-bearing liabilities | 3,463,604 | 5,890 | 0.67 | 3,139,635 | 6,022 | 0.80 | | |
| Noninterest-bearing deposits | 660,415 | | | 480,699 | | | | |
| Other liabilities | 51,324 | | | 39,396 | | | | |
| Shareholders' equity | 553,702 | | | 483,121 | | | | |
| Total liabilities and shareholders' equity | \$4,729,045 | | | \$4,142,851 | | | | |
| Net interest income/net interest margin | | \$40,201 | 3.86 | % | \$34,591 | 3.94 | % | |

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

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

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

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

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

| | Volume | Rate | Net ⁽¹⁾ | |
|--------------------------------------|---------|----------|--------------------|---|
| Interest income: | | | | |
| Loans ⁽²⁾ | \$6,111 | \$(1,206 |) \$4,905 | |
| Securities: | | | | |
| Taxable | 854 | (88 |) 766 | |
| Tax-exempt | (208 |) — | (208 |) |
| Interest-bearing balances with banks | 6 | 9 | 15 | |
| Total interest-earning assets | 6,763 | (1,285 |) 5,478 | |
| Interest expense: | | | | |
| Interest-bearing demand deposits | 425 | (221 |) 204 | |
| Savings deposits | 31 | 41 | 72 | |
| Time deposits | 235 | (645 |) (410 |) |
| Borrowed funds | 112 | (110 |) 2 | |
| Total interest-bearing liabilities | 803 | (935 |) (132 |) |
| Change in net interest income | \$5,960 | \$(350 |) \$5,610 | |

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

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

Our improvement in net interest income for the third quarter of 2013 as compared to the same period in 2012 was due largely to an increase of \$496,722, or 18.04%, in the average balance of loans. First M&F contributed \$312,486 to the average balance increase and the remainder was funded primarily by growth in non-time deposits. The improvement in the level of earning assets was partially offset by a 21 basis points reduction in their yield. The cost of interest bearing liabilities declined 13 basis points due both to the run off and repricing of contractual liabilities and the downward repricing of core deposits. The mix of interest bearing liabilities improved as growth in non-time deposits not only helped fund loan growth but also allowed a reduction in higher cost time deposits and borrowing. The 8 basis points reduction in the net interest margin from 3.94% for the third quarter of 2012 to 3.86% for the third quarter of 2013 was due to the decline in the rate on interest-earning assets exceeding the decline in the cost of interest bearing liabilities.

Interest income, on a tax equivalent basis, was \$46,091 for the third quarter of 2013 compared to \$40,613 for the same period in 2012. The increase in interest income was driven primarily by the increased level of the average balance of interest-earning assets offset by a decline in the yield on interest-earning assets. The following table presents the percentage of total average earning assets, by type and yield, for the periods presented:

| | Percentage of Total | | Yield | | |
|----------------------|---------------------|----------|--------------------|--------|---|
| | Three Months Ended | | Three Months Ended | | |
| | September 30, | | September 30, | | |
| | 2013 | 2012 | 2013 | 2012 | |
| Loans | 78.62 | % 78.87 | % 4.82 | % 4.99 | % |
| Securities | 19.82 | 19.53 | 3.19 | 3.52 | |
| Other | 1.56 | 1.60 | 0.30 | 0.23 | |
| Total earning assets | 100.00 | % 100.00 | % 4.42 | % 4.63 | % |

Interest income on loans, on a tax equivalent basis, was \$39,458 for the third quarter of 2013 compared to \$34,553 for the same period in 2012. The increase in interest income on loans is attributable to the \$496,722 increase in the average balance of loans during the third quarter of 2013 compared to the same period in 2012 offset by a decline of 17 basis points on the loan yields over the same period.

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Investment income, on a tax equivalent basis, increased \$558 to \$6,585 for the third quarter of 2013 from \$6,027 for the third quarter of 2012. The average balance in the investment portfolio for the third quarter of 2013 was \$819,559 compared to \$682,123 for the same period in 2012. First M&F contributed \$65,903 to the average balance increase. The tax equivalent yield on the investment portfolio for the third quarter of 2013 was 3.19%, down 33 basis points from the same period in 2012. The decline in yield was a result of the cash flows generated by calls, maturities and sales of higher yielding securities in the Company's securities portfolio used in part to fund the purchase securities that in the current market environment were lower yielding.

Interest expense was \$5,890 for the third quarter of 2013, a decrease of \$132, or 2.19%, as compared to the same period in 2012. The decrease in interest expense was due to the decrease in the cost of interest-bearing liabilities as a result of the run off and repricing of contractual liabilities, the downward repricing of core deposits and an improved mix of our interest-bearing liabilities in which we utilized lower cost deposits to replace higher costing liabilities, specifically time deposits and borrowed funds. In addition, excluding \$96,382 contributed by First M&F, the average balance of noninterest-bearing deposits increased \$83,334, or 17.34%, during the third quarter of 2013 as compared to the same period in 2012. These changes to our funding mix, coupled with a reduction in borrowed funds, reduced our total cost of funds 11 basis points to 0.57% for the third quarter of 2013 as compared to 0.68% for the third quarter of 2012.

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

| | Percentage of Total | | Cost of Funds | | |
|-----------------------------------|---------------------|----------|--------------------|--------|---|
| | Three Months Ended | | Three Months Ended | | |
| | September 30, | | September 30, | | |
| | 2013 | 2012 | 2013 | 2012 | |
| Noninterest-bearing demand | 16.01 | % 15.39 | % — | % — | % |
| Interest-bearing demand | 40.64 | 38.28 | 0.25 | 0.26 | |
| Savings | 6.88 | 6.58 | 0.27 | 0.21 | |
| Time deposits | 31.87 | 34.74 | 0.92 | 1.12 | |
| Federal Home Loan Bank advances | 1.86 | 2.40 | 4.23 | 4.33 | |
| Other borrowed funds | 2.74 | 2.61 | 2.69 | 2.84 | |
| Total deposits and borrowed funds | 100.00 | % 100.00 | % 0.57 | % 0.68 | % |

Interest expense on deposits was \$4,313 and \$4,447 for the third quarter of 2013 and 2012, respectively. The cost of interest-bearing deposits was 0.52% and 0.63% for the same periods. Interest expense on total borrowings was \$1,577 and \$1,575 for the third quarter of 2013 and 2012, respectively. A more detailed discussion of the cost of our funding sources is set forth below under the heading "Liquidity and Capital Resources" in this item.

Noninterest Income

Noninterest Income to Average Assets

(Excludes securities gains/losses)

Three Months Ended September 30,

| 2013 | 2012 |
|-------|-------|
| 1.58% | 1.76% |

Total noninterest income includes fees generated from deposit services, mortgage loan originations, insurance products, trust and other wealth management products and services, security gains and all other noninterest income. Our focus is to develop and enhance our products that generate noninterest income in order to diversify our revenue sources. Noninterest income was \$18,935 for the third quarter of 2013 as compared to \$18,055 for the same period in

2012.

Service charges on deposit accounts include maintenance fees on accounts, per item charges, account enhancement charges for additional packaged benefits and overdraft fees. Service charges on deposit accounts were \$5,361 and \$4,818 for the third quarter of 2013 and 2012, respectively. Overdraft fees, the largest component of service charges on deposits, were \$4,222 for the three months ended September 30, 2013 compared to \$3,884 for the same period in 2012. The enactment of recent regulations has restricted the Company's ability to impose and collect overdraft fees. As a result, future revenues from overdraft fees may be adversely impacted, but management is unable at this time to predict the extent or timing of such impact.

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Fees and commissions include fees related to deposit services, such as interchange fees on debit card transactions, as well as fees charged on mortgage loans originated to be sold, such as origination, underwriting, documentation and other administrative fees. Fees and commissions increased 7.39% to \$4,982 during the third quarter of 2013 as compared to \$4,639 for the same period in 2012. For the third quarter of 2013, fees associated with debit card usage were \$2,342 as compared to \$2,030 for the same period in 2012. We expect income from use of our debit cards to continue to grow as our customers use this convenient method of payment. Federal Reserve regulations governing the “reasonableness” of certain fees associated with debit cards and also restricting the rates charged for interchange fees on debit card transactions applicable to financial institutions with more than \$10 billion in assets may ultimately have an adverse impact on our interchange fees if we are forced to adjust our rates to remain competitive. Mortgage loan fees increased \$175 to \$1,969 during the third quarter of 2013 as compared to \$1,794 for the same period in 2012. Although mortgage loan originations to be sold in the secondary market during the third quarter of 2013 were down when compared to the same period in 2012, the serviced loan portfolio increased year over year driving the increase in mortgage loan fees.

Through Renasant Insurance, we offer a range of commercial and personal insurance products through major insurance carriers. Income earned on insurance products was \$1,295 and \$889 for the three months ended September 30, 2013 and 2012, respectively. The increase is primarily attributable to the acquisition of First M&F which contributed \$372 in income during the third quarter of 2013.

The Trust division within the Wealth Management segment operates on a custodial basis which includes administration of benefit plans, as well as accounting and money management for trust accounts. The division manages a number of trust accounts inclusive of personal and corporate benefit accounts, self-directed IRAs, and custodial accounts. Fees for managing these accounts are based on changes in market values of the assets under management in the account, with the amount of the fee depending on the type of account. Additionally, the Financial Services division within the Wealth Management segment provides specialized products and services to our customers, which include fixed and variable annuities, mutual funds, and stocks offered through a third party provider. Wealth Management revenue was \$2,091 for the third quarter of 2013 compared to \$1,707 for the same period in 2012. The market value of trust assets under management was \$2,061,987 and \$1,090,908 at September 30, 2013 and December 31, 2012, respectively.

Gains on the sale of mortgage loans held for sale were \$2,788 and \$4,397 for the three months ended September 30, 2013 and 2012, respectively. Originations of mortgage loans to be sold totaled \$127,370 for the third quarter of 2013 as compared to \$170,939 for the same period of 2012.

Noninterest Expense

Noninterest Expense to Average Assets

Three Months Ended September 30,

| | |
|-------|-------|
| 2013 | 2012 |
| 3.91% | 3.77% |

Noninterest expense was \$46,613 and \$38,672 for the third quarter of 2013 and 2012, respectively. Noninterest expense for the third quarter of 2013 included \$3,763 in pre-tax expenses related to the First M&F merger. No merger-related expenses were recognized during the same period in 2012.

Salaries and employee benefits increased \$4,467 to \$25,689 for the third quarter of 2013 as compared to \$21,222 for the same period in 2012. The increase is primarily attributable to the addition of First M&F operations and personnel costs associated with our de novo operations in eastern Tennessee.

Data processing costs increased to \$2,236 in the third quarter of 2013 from \$2,192 for the same period in 2012. The increase in data processing costs over this period is reflective of the data processing costs associated with additions of the First M&F loans and deposits.

Net occupancy and equipment expense for the third quarter of 2013 was \$4,576, up from \$3,886 for the same period in 2012.

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Expenses related to other real estate owned for the third quarter of 2013 were \$1,537 compared to \$2,440 for the same period in 2012. Expenses on other real estate owned for the third quarter of 2013 include write downs of \$594 of the carrying value to fair value on certain pieces of property held in other real estate owned. Other real estate owned with a cost basis of \$19,274 was sold during the three months ended September 30, 2013, resulting in a net loss of \$293. Expenses on other real estate owned for the three months ended September 30, 2012 included a \$1,023 write down of the carrying value to fair value on certain pieces of property held in other real estate owned. Other real estate owned with a cost basis of \$16,088 was sold during the three months ended September 30, 2012, resulting in a net loss of \$195.

Professional fees include fees for legal and accounting services. Professional fees were \$1,542 for the third quarter of 2013 as compared to \$1,115 for the same period in 2012. Professional fees attributable to legal fees associated with loan workouts and foreclosure proceedings remain at higher levels in correlation with the overall economic downturn and credit deterioration identified in our loan portfolio and the Company's efforts to bring these credits to resolution.

Advertising and public relations expense was \$1,514 for the third quarter of 2013 compared to \$1,216 for the same period in 2012.

Amortization of intangible assets totaled \$724 and \$341 for the third quarter of 2013 and 2012, respectively. This amortization relates to finite-lived intangible assets which are being amortized over the useful lives as determined at acquisition. These finite-lived intangible assets have remaining estimated useful lives ranging from one and a half to thirteen years. The increase in amortization of intangible assets is attributable to amortization of finite-lived intangible assets associated with the acquisition of First M&F.

Communication expenses, those expenses incurred for communication to clients and between employees, were \$1,310 for the third quarter of 2013 as compared to \$1,115 for the same period in 2012.

Efficiency Ratio

Three Months Ended September 30,

| | |
|--------|--------|
| 2013 | 2012 |
| 78.82% | 73.44% |

The efficiency ratio is one measure of productivity in the banking industry. This ratio is calculated to measure the cost of generating one dollar of revenue. That is, the ratio is designed to reflect the percentage of one dollar which must be expended to generate that dollar of revenue. The Company calculates this ratio by dividing noninterest expense by the sum of net interest income on a fully tax equivalent basis and noninterest income. Excluding the \$3,763 in merger-related costs incurred during the third quarter of 2013, the efficiency ratio was 72.46%. We remain committed to aggressively managing our costs within the framework of our business model. After excluding the impact from merger-related costs, the increase in net interest income and noninterest income was slightly offset by an increase in noninterest expense resulting in the decrease in the Company's efficiency ratio for the third quarter of 2013 as compared to the same period in 2012.

Income Taxes

Income tax expense for the third quarter of 2013 and 2012 was \$2,133 and \$853, respectively. The effective tax rates for those periods were 24.32% and 10.81%, respectively. The lower effective tax rate for the third quarter of 2012 was attributable to reversals of valuation allowances against the deferred tax assets related to state net operating loss carryforwards and additional benefits from investments in low-income housing tax credits that were utilized on state income tax returns filed during the third quarter of 2012. Further contributing to the increase in the effective tax rate for the third quarter of 2013 as compared to the same period in 2012 was higher levels of pre-tax income in 2013 compared to 2012 from taxable income sources.

Nine Months Ended September 30, 2013 as Compared to the Nine Months Ended September 30, 2012

Net Income

Net income for the nine month period ending September 30, 2013 was \$22,227, an increase of 14.83%, as compared to net income of \$19,356 for the same month period in 2012. Basic and diluted earnings per share for the nine month period ending September 30, 2013 were \$0.86 and \$0.85, respectively. Basic and diluted EPS was \$0.77 for the nine month period ending September 30, 2012. The Company's results for the nine months ended September 30, 2013 include \$3,087, or \$0.12 per share, in after-tax merger expenses associated with the acquisition of First M&F. Excluding merger expenses, basic and diluted

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earnings per share were \$0.98 and \$0.97, respectively, for the nine months ended September 30, 2013. No merger expenses were recognized during the same period in 2012.

Net Interest Income

Net interest income increased to \$106,533 for the first nine months of 2013 as compared to \$99,385 for the same period in 2012. On a tax equivalent basis, net interest income was \$110,790 for the first nine months of 2013 as compared to \$103,849 for the same period in 2012. Net interest margin, the tax equivalent net yield on earning assets, decreased to 3.87% during the first nine months of 2013 from 3.93% for the same period in 2012.

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

| | Nine Months Ended September 30, 2013 | | | | 2012 | | |
|--|---|--------------------------------|----------------|---|--------------------|--------------------------------|----------------|
| | Average Balance | Interest Income/ Expense | Yield/ Rate | | Average Balance | Interest Income/ Expense | Yield/ Rate |
| Assets | | | | | | | |
| Interest-earning assets: | | | | | | | |
| Loans ⁽¹⁾ | \$2,986,646 | \$108,503 | 4.86 | % | \$2,672,079 | \$103,152 | 5.16 % |
| Securities: | | | | | | | |
| Taxable ⁽²⁾ | 529,266 | 9,352 | 2.36 | % | 529,458 | 10,530 | 2.65 |
| Tax-exempt | 228,822 | 9,780 | 5.71 | | 233,347 | 10,247 | 5.86 |
| Interest-bearing balances with banks | 77,424 | 150 | 0.26 | | 97,301 | 172 | 0.24 |
| Total interest-earning assets | 3,822,158 | 127,785 | 4.47 | | 3,532,185 | 124,101 | 4.69 |
| Cash and due from banks | 57,928 | | | | 67,006 | | |
| Intangible assets | 203,135 | | | | 191,789 | | |
| FDIC loss-share indemnification asset | 35,359 | | | | 63,182 | | |
| Other assets | 272,730 | | | | 292,685 | | |
| Total assets | \$4,391,310 | | | | \$4,146,847 | | |
| Liabilities and shareholders' equity | | | | | | | |
| Interest-bearing liabilities: | | | | | | | |
| Deposits: | | | | | | | |
| Interest-bearing demand ⁽³⁾ | \$1,550,108 | \$2,928 | 0.25 | % | \$1,371,053 | \$3,045 | 0.30 |
| Savings deposits | 261,714 | 442 | 0.23 | | 228,677 | 413 | 0.24 |
| Time deposits | 1,246,186 | 9,118 | 0.98 | | 1,265,664 | 11,377 | 1.20 |
| Total interest-bearing deposits | 3,058,008 | 12,488 | 0.55 | | 2,865,394 | 14,835 | 0.69 |
| Borrowed funds | 173,018 | 4,507 | 3.48 | | 194,871 | 5,417 | 3.71 |
| Total interest-bearing liabilities | 3,231,026 | 16,995 | 0.70 | | 3,060,265 | 20,252 | 0.88 |
| Noninterest-bearing deposits | 591,394 | | | | 536,640 | | |
| Other liabilities | 48,190 | | | | 56,663 | | |
| Shareholders' equity | 520,700 | | | | 493,279 | | |
| Total liabilities and shareholders' equity | \$4,391,310 | | | | \$4,146,847 | | |
| Net interest income/net interest margin | | \$110,790 | 3.87 | % | | \$103,849 | 3.93 % |

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

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

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

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

The following table sets forth a summary of the changes in interest earned, on a tax equivalent basis, and interest paid resulting from changes in volume and rates for the Company for the nine months ending September 30, 2013 compared to the same period in 2012:

| | Volume | Rate | Net ⁽¹⁾ |
|--------------------------------------|-----------|----------|--------------------|
| Interest income: | | | |
| Loans ⁽²⁾ | \$ 11,609 | \$(6,258 |) \$5,351 |
| Securities: | | | |
| Taxable | (4 |) (1,174 |) (1,178 |
| Tax-exempt | (193 |) (274 |) (467 |
| Interest-bearing balances with banks | (36 |) 14 | (22 |
| Total interest-earning assets | 11,376 | (7,692 |) 3,684 |
| Interest expense: | | | |
| Interest-bearing demand deposits | (516 |) 399 | (117 |
| Savings deposits | 49 | (20 |) 29 |
| Time deposits | (175 |) (2,084 |) (2,259 |
| Borrowed funds | (586 |) (324 |) (910 |
| Total interest-bearing liabilities | (1,228 |) (2,029 |) (3,257 |
| Change in net interest income | \$12,604 | \$(5,663 |) \$6,941 |

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

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

Our improvement in net interest income for the first nine months of 2013 as compared to the same period in 2012 was due largely to an increase of \$314,567, or 11.77%, in the average balance of loans. The acquisition of First M&F contributed \$98,324 to the average balance of loans with the remaining increase funded by the redeployment of interest-bearing balances with banks, reduction in the investment portfolio and growth in non-time deposits. The improvement in level and mix of earning assets was partially offset by a 22 basis points reduction in their yield. The cost of interest bearing liabilities declined 18 basis points due both to the run off and repricing of contractual liabilities and the downward repricing of core deposits. The mix of interest bearing liabilities improved as growth in non-time deposits not only helped fund loan growth but also allowed a reduction in higher cost time deposits and borrowing. The 6 basis points reduction in the net interest margin from 3.93% for the first nine months of 2012 to 3.87% for the first nine months of 2013 was due to the decline in the rate on interest-earning assets exceeding the decline in the cost of interest bearing liabilities.

Interest income, on a tax equivalent basis, was \$127,785 for the first nine months of 2013 compared to \$124,101 for the same period in 2012. The increase in interest income was attributable primarily to the improved level and mix of interest earning assets during the first nine months of 2013 when compared to the same period in 2012 offset by a decline of 22 basis points on the yields of interest earning assets during the same period. The following table presents the percentage of total average earning assets, by type and yield, for the periods presented:

| | Percentage of Total Nine Months Ended September 30, | | Yield Nine Months Ended September 30, | | |
|-------|---|---------|---|--------|---|
| | 2013 | 2012 | 2013 | 2012 | |
| Loans | 78.14 | % 75.65 | % 4.86 | % 5.16 | % |

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| | | | | | |
|----------------------|--------|----------|--------|--------|---|
| Securities | 19.83 | 21.60 | 3.37 | 3.63 | |
| Other | 2.03 | 2.75 | 0.26 | 0.24 | |
| Total earning assets | 100.00 | % 100.00 | % 4.47 | % 4.69 | % |

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Investment income, on a tax equivalent basis, decreased \$1,645 to \$19,132 for the first nine months of 2013 from \$20,777 for the same period in 2012. The average balance in the investment portfolio for the first nine months of 2013 was \$758,088 compared to \$762,805 for the same period in 2012. First M&F contributed \$22,209 to the average balance for the nine months ended September 30, 2013. The tax equivalent yield on the investment portfolio for the first nine months of 2013 was 3.37%, down 26 basis points from the same period in 2012. The decline in yield was a result of the cash flows generated by calls, maturities and sales of higher yielding securities in the Company's securities portfolio that were used to purchase securities that in the current market environment were lower yielding.

Interest expense was \$16,995 for the first nine months of 2013, a decrease of 16.08%, as compared to the same period in 2012. The decrease in interest expense was due to the decrease in the cost of interest-bearing liabilities as a result of the run off and repricing of contractual liabilities, the downward repricing of core deposits and an improved mix of our interest-bearing liabilities in which we utilized lower cost deposits to replace higher costing liabilities, specifically time deposits and borrowed funds. In addition, excluding the contribution from the acquisition of First M&F, the average balance of noninterest-bearing deposits increased \$22,273, or 4.15%, during the first nine months of 2013 as compared to the same period in 2012. These changes to our funding mix, coupled with a reduction in borrowed funds, reduced our total cost of funds 16 basis points to 0.59% for the first nine months of 2013 as compared to 0.75% for the same period in 2012.

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

| | Percentage of Total Nine Months Ended September 30, | | Cost of Funds Nine Months Ended September 30, | | |
|-----------------------------------|---|----------|---|--------|---|
| | 2013 | 2012 | 2013 | 2012 | |
| Noninterest-bearing demand | 15.47 | % 14.92 | % — | % — | % |
| Interest-bearing demand | 40.55 | 38.12 | 0.25 | 0.30 | |
| Savings | 6.85 | 6.36 | 0.23 | 0.24 | |
| Time deposits | 32.60 | 35.19 | 0.98 | 1.20 | |
| Federal Home Loan Bank advances | 2.07 | 2.56 | 4.22 | 4.29 | |
| Other borrowed funds | 2.46 | 2.85 | 2.85 | 3.18 | |
| Total deposits and borrowed funds | 100.00 | % 100.00 | % 0.59 | % 0.75 | % |

Interest expense on deposits was \$12,488 and \$14,835 for the first nine months of 2013 and 2012, respectively. The cost of interest-bearing deposits was 0.55% and 0.69% for the same periods. Interest expense on total borrowings was \$4,507 and \$5,417 for the first nine months of 2013 and 2012, respectively. A more detailed discussion of the cost of our funding sources is set forth below under the heading "Liquidity and Capital Resources" in this item.

Noninterest Income

Noninterest Income to Average Assets

(Excludes securities gains/losses)

Nine Months Ended September 30,

| 2013 | 2012 |
|-------|-------|
| 1.63% | 1.57% |

Noninterest income was \$53,630 for the first nine months of 2013 as compared to \$50,761 for the same period in 2012.

Service charges on deposit accounts include maintenance fees on accounts, per item charges, account enhancement charges for additional packaged benefits and overdraft fees. Service charges on deposit accounts were \$14,370 and

\$13,838 for the first nine months of 2013 and 2012, respectively. Overdraft fees, the largest component of service charges on deposits, were \$11,340 for the nine months ended September 30, 2013 compared to \$11,406 for the same period in 2012. The decline in overdraft fees was primarily the result of regulations enacted which have restricted the Company's ability to impose overdraft fees. As such, future revenues from overdraft fees may be adversely impacted but management is unable at this time to predict the extent or timing of such impact.

Fees and commissions include fees related to deposit services, such as interchange fees on debit card transactions, as well as fees charged on mortgage loans originated to be sold, such as origination, underwriting, documentation and other

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administrative fees. Fees and commissions increased 13.75% to \$14,661 during the first nine months of 2013 as compared to \$12,889 for the same period in 2012. For the first nine months of 2013, fees associated with debit card usage were \$6,594 as compared to \$6,319 for the same period in 2012. We expect income from use of our debit cards to grow as our customers use this convenient method of payment, subject to the potential negative effects of the recent Federal Reserve regulations, as was discussed above. Mortgage loan fees increased \$1,043 to \$5,706 during the first nine months of 2013 as compared to \$4,663 for the same period in 2012. This is due to the increase in mortgage loan originations to be sold in the secondary market during the same period in 2013 as compared to 2012.

Through Renasant Insurance, we offer a range of commercial and personal insurance products through major insurance carriers. Income earned on insurance products was \$3,107 and \$2,710 for the nine months ended September 30, 2013 and 2012, respectively. The increase is primarily attributable to the acquisition of First M&F which contributed \$372 in income during the nine month period ended September 30, 2013.

Wealth Management revenue was \$5,530 for the first nine months of 2013 compared to \$5,200 for the same period in 2012. The market value of trust assets under management was \$2,061,987 and \$1,090,908 at September 30, 2013 and December 31, 2012, respectively.

Gains on sales of securities for the first nine months of 2013 and 2012 were \$54 and \$1,773, respectively. These gains resulted from the sale of \$13,422 and \$85,077 in securities during the first nine months of 2013 and 2012, respectively.

Gains on the sale of mortgage loans held for sale were \$10,223 and \$8,068 for the nine months ended September 30, 2013 and 2012, respectively. Originations of mortgage loans to be sold totaled \$501,818 for the first nine months of 2013 as compared to \$404,222 for the same period of 2012.

Noninterest Expense

Noninterest Expense to Average Assets

Nine Months Ended September 30,

| 2013 | 2012 |
|-------|-------|
| 3.71% | 3.61% |

Noninterest expense was \$121,947 and \$112,084 for the nine months ending September 30, 2013 and 2012, respectively. Noninterest expense for the first nine months of 2013 included \$4,148 in pre-tax merger-related expenses. The Company did not recognize any merger-related expenses during the same period in 2012.

Salaries and employee benefits increased \$9,128, or 15.28%, to \$68,869 for the first nine months of 2013 as compared to \$59,741 for the same period in 2012. The increase is primarily attributable to the addition of First M&F operations, commissions related to the increase in mortgage production during the first nine months of 2013 as compared to the same period in 2012 as well as personnel costs associated with our de novo operations in eastern Tennessee.

Data processing costs decreased slightly to \$6,324 for the first nine months of 2013 from \$6,443 for the same period in 2012. The decrease in data processing costs over this period is reflective of efforts to improve the cost structure of loan and deposit processing by renegotiating contracts with data processing service providers.

Net occupancy and equipment expense for the first nine months of 2013 was \$11,852, up from \$11,091 for the same period in 2012.

Expenses related to other real estate owned for the first nine months of 2013 were \$5,359, a decrease of 45.37% compared to \$9,809 for the same period in 2012. Expenses on other real estate owned for the first nine months of 2013 include write downs of \$2,829 of the carrying value to fair value on certain pieces of property held in other real estate owned. Other real estate owned with a cost basis of \$52,585 was sold during the nine months ended September 30, 2013, resulting in a net loss of \$511. Expenses on other real estate owned for the nine months ended September 30, 2012 included a \$5,190 write down of the carrying value to fair value on certain pieces of property held in other real estate owned. Other real estate owned with a cost basis of \$46,750 was sold during the nine months ended September 30, 2012, resulting in a net loss of \$1,864.

Professional fees include fees for legal and accounting services. Professional fees were \$4,019 for the first nine months of 2013 as compared to \$3,101 for the same period in 2012. Professional fees attributable to legal fees

associated with loan workouts and foreclosure proceedings remain at higher levels in correlation with the overall economic downturn and credit deterioration identified in our loan portfolio and the Company's efforts to bring these credits to resolution.

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Advertising and public relations expense was \$4,250 for the first nine months of 2013 compared to \$3,715 for the same period in 2012. This increase is attributable to advertising and marketing costs associated with the Company's expansion into new markets since the first quarter of 2012.

Amortization of intangible assets totaled \$1,361 and \$1,048 for the nine months ending September 30, 2013 and 2012, respectively. This amortization relates to finite-lived intangible assets which are being amortized over the useful lives as determined at acquisition. These finite-lived intangible assets have remaining estimated useful lives ranging from one and a half to thirteen years. The increase in amortization of intangible assets is attributable to amortization of finite-lived intangible assets associated with the acquisition of First M&F.

Communication expenses, those expenses incurred for communication to clients and between employees, were \$3,572 for the first nine months of 2013 as compared to \$3,144 for the same period in 2012.

Efficiency Ratio

Nine Months Ended September 30,

| 2013 | 2012 |
|--------|--------|
| 74.17% | 72.41% |

Excluding the \$4,148 in merger-related costs incurred during the first nine months of 2013, the efficiency ratio was 71.64%. We remain committed to aggressively managing our costs within the framework of our business model. After excluding the impact from merger-related costs, the increase in net interest income and noninterest income more than offset the increase in noninterest expense resulting in a decrease in the Company's efficiency ratio for the first nine months of 2013 as compared to the same period in 2012.

Income Taxes

Income tax expense for the first nine months of 2013 and 2012 was \$7,639 and \$4,581, respectively. The effective tax rates for those periods were 25.58% and 19.14%, respectively. The lower effective tax rate for the first nine months of 2012 was attributable to reversals of valuation allowances against the deferred tax assets related to state net operating loss carryforwards and additional benefits from investments in low-income housing tax credits that were utilized on state income tax returns filed during the third quarter of 2012. Further contributing to the increase in the effective tax rate for the first nine months of 2013 as compared to the same period in 2012 was higher levels of pre-tax income in 2013 compared to 2012 from taxable income sources.

Risk Management

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

Credit Risk and Allowance for Loan Losses

The allowance for loan losses is available to absorb probable credit losses inherent in the entire loan portfolio. The appropriate level of the allowance is based on an ongoing analysis of the loan portfolio and represents an amount that management deems adequate to provide for inherent losses, including collective impairment as recognized under the Financial Accounting Standards Board Accounting Standards Codification Topic ("ASC") 450, "Contingencies." Collective impairment is calculated based on loans grouped by grade. Another component of the allowance is losses on loans assessed as impaired under ASC 310, "Receivables." The balance of these loans and their related allowance is included in management's estimation and analysis of the allowance for loan losses. Other considerations in establishing the allowance for loan losses include economic conditions reflected within industry segments, the unemployment rate in our markets, loan segmentation and historical losses that are inherent in the loan portfolio. The allowance for loan losses is established after input from management, loan review and the loss management committee. An evaluation of the adequacy of the allowance is calculated quarterly based on the types of loans, an analysis of credit losses and risk in the portfolio, economic conditions and trends within each of these factors. In addition, on a regular basis, management and the Board of Directors review loan ratios. These ratios include the allowance for loan losses as a percentage of total loans, net charge-offs as a percentage of average loans, the provision

for loan losses as a percentage of average loans, nonperforming loans as a percentage of total loans and the allowance coverage on nonperforming loans. Also, management reviews past due ratios by officer, community bank and the Company as a whole.

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

| | September 30, 2013 | December 31, 2012 | September 30, 2012 |
|-------------------------------------|-----------------------|----------------------|-----------------------|
| Commercial, financial, agricultural | \$2,947 | \$3,307 | \$3,252 |
| Lease financing | 1 | 1 | 1 |
| Real estate – construction | 914 | 711 | 1,048 |
| Real estate – 1-4 family mortgage | 18,390 | 18,347 | 18,190 |
| Real estate – commercial mortgage | 23,021 | 21,416 | 21,011 |
| Installment loans to individuals | 977 | 565 | 567 |
| Total | \$46,250 | \$44,347 | \$44,069 |

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

| | September 30, 2013 | December 31, 2012 | September 30, 2012 |
|--|-----------------------|----------------------|-----------------------|
| Specific reserves for impaired loans | \$14,908 | \$17,597 | \$19,169 |
| Allocated reserves for remaining portfolio | 31,342 | 26,750 | 24,900 |
| Total | \$46,250 | \$44,347 | \$44,069 |

The provision for loan losses charged to operating expense is an amount which, in the judgment of management, is necessary to maintain the allowance for loan losses at a level that is believed to be adequate to meet the inherent risks of losses in our loan portfolio. Factors considered by management in determining the amount of the provision for loan losses include the internal risk rating of individual credits, historical and current trends in net charge-offs, trends in nonperforming loans, trends in past due loans, trends in the market values of underlying collateral securing loans and the current economic conditions in the markets in which we operate. The Company has recorded higher levels of provision for loan losses since 2008 to address credit deterioration resulting from the effects of the economic downturn on our borrowers' ability to make timely payments or repay their loans at maturity, especially in connection with the construction and land development segment of the loan portfolio. This deterioration was reflected in the increase in nonperforming loans, as well as the decline in market values of underlying collateral securing loans, primarily real estate, which peaked in 2010. In addition, the increase in the provision for loan losses during these periods is attributable to management identifying potential credit deterioration through the internal loan grading system and increasing the allowance for loan losses in response. Lower levels of classified loans and nonperforming loans in 2013 as compared to 2012 in combination with improving credit quality measures has resulted in a decrease in the provision for loan losses for both the three month and nine month periods ending September 30, 2013 as compared to the same periods in 2012. The provision for loan losses was \$2,300 and \$4,625 for the third quarter of 2013 and 2012, respectively, and \$8,350 and \$14,125 for the nine months ended September 30, 2013 and 2012, respectively.

All of the loans acquired in the Company's FDIC-assisted acquisitions and certain loans acquired in the First M&F merger and in previous acquisitions that are accounted for under ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality" ("ASC 310-30"), are carried at values which, in management's opinion, reflect the estimated future cash flows, based on the facts and circumstances surrounding each respective loan at the date of acquisition. The Company continually monitors these loans as part of our normal credit review and monitoring procedures for changes in the estimated future cash flows; to the extent future cash flows deteriorate below initial projections, the Company may be required to reserve for these loans in the allowance for loan losses through future provision for loan losses. The Company did not increase the allowance for loan losses for loans accounted for under

ASC 310-30 during the three or nine months ended September 30, 2013 or 2012. However, the provision for loan losses charged to operating expense attributable to loans accounted for under ASC 310-30 totaled \$225 and \$430 during the third quarter of 2013 and 2012, respectively, and \$594 and \$2,787 during the nine months ended September 30, 2013 and 2012, respectively, to cover charge-offs of such loans accounted for under ASC 310-30.

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Charge-offs reflect the realization of losses in the portfolio that were recognized previously through the provision for loan losses. Net charge-offs were \$3,084 and \$5,335 for the third quarter of 2013 and 2012, respectively, and \$6,447 and \$14,396 for the nine months ended September 30, 2013 and 2012, respectively.

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

| | Three Months Ended | | Nine Months Ended | | | |
|---|--------------------|----------|-------------------|----------|---|---|
| | September 30, | | September 30, | | | |
| | 2013 | 2012 | 2013 | 2012 | | |
| Balance at beginning of period | \$47,034 | \$44,779 | \$44,347 | \$44,340 | | |
| Charge-offs | | | | | | |
| Commercial, financial, agricultural | 887 | 2,590 | 1,167 | 4,623 | | |
| Lease financing | — | — | — | — | | |
| Real estate – construction | — | — | — | 42 | | |
| Real estate – 1-4 family mortgage | 1,251 | 2,682 | 2,517 | 7,230 | | |
| Real estate – commercial mortgage | 1,107 | 780 | 4,227 | 3,806 | | |
| Installment loans to individuals | 81 | 118 | 433 | 321 | | |
| Total charge-offs | 3,326 | 6,170 | 8,344 | 16,022 | | |
| Recoveries | | | | | | |
| Commercial, financial, agricultural | 54 | 145 | 301 | 323 | | |
| Lease financing | — | — | — | — | | |
| Real estate – construction | 7 | 3 | 70 | 6 | | |
| Real estate – 1-4 family mortgage | 120 | 648 | 591 | 981 | | |
| Real estate – commercial mortgage | 38 | 23 | 885 | 247 | | |
| Installment loans to individuals | 23 | 16 | 50 | 69 | | |
| Total recoveries | 242 | 835 | 1,897 | 1,626 | | |
| Net charge-offs | 3,084 | 5,335 | 6,447 | 14,396 | | |
| Provision for loan losses | 2,300 | 4,625 | 8,350 | 14,125 | | |
| Balance at end of period | \$46,250 | \$44,069 | \$46,250 | \$44,069 | | |
| Net charge-offs (annualized) to average loans | 0.38 | % 0.77 | % 0.29 | % 0.72 | % | % |
| Allowance for loan losses to: | | | | | | |
| Total loans not covered under loss share agreements | 1.25 | % 1.74 | % 1.25 | % 1.74 | % | % |
| Nonperforming loans not covered under loss share agreements | 149.85 | % 137.57 | % 149.85 | % 137.57 | % | % |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|---------|------------------------------------|---------|
| | 2013 | 2012 | 2013 | 2012 |
| Real estate – construction: | | | | |
| Residential | \$(7 |) \$(3 |) \$(70 |) \$32 |
| Commercial | — | — | — | 4 |
| Condominiums | — | — | — | — |
| Total real estate – construction | (7 |) (3 |) (70 |) 36 |
| Real estate – 1-4 family mortgage: | | | | |
| Primary | (67 |) 10 | 335 | 817 |
| Home equity | 275 | 476 | 687 | 2,302 |
| Rental/investment | 547 | 349 | 644 | 1,154 |
| Land development | 376 | 1,199 | 260 | 1,976 |
| Total real estate – 1-4 family mortgage | 1,131 | 2,034 | 1,926 | 6,249 |
| Real estate – commercial mortgage: | | | | |
| Owner-occupied | 216 | 189 | 711 | 766 |
| Non-owner occupied | 469 | 71 | 2,246 | 1,735 |
| Land development | 384 | 497 | 385 | 1,058 |
| Total real estate – commercial mortgage | 1,069 | 757 | 3,342 | 3,559 |
| Total net charge-offs of loans secured by real estate | \$2,193 | \$2,788 | \$5,198 | \$9,844 |

Nonperforming Assets

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

Management, the loss management committee and our loan review staff closely monitor loans that are considered to be nonperforming.

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

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

| | Covered Assets | Not Covered Assets | Total Assets | |
|--|-------------------|-----------------------|-----------------|---|
| September 30, 2013 | | | | |
| Nonaccruing loans | \$49,585 | \$20,219 | \$69,804 | |
| Accruing loans past due 90 days or more | 505 | 10,647 | 11,152 | |
| Total nonperforming loans | 50,090 | 30,866 | 80,956 | |
| Other real estate owned | 16,580 | 40,581 | 57,161 | |
| Total nonperforming loans and OREO | 66,670 | 71,447 | 138,117 | |
| Nonaccruing securities available-for-sale, at fair value | — | 16,753 | 16,753 | |
| Total nonperforming assets | \$66,670 | \$88,200 | \$154,870 | |
| Nonperforming loans to total loans | | | 2.09 | % |
| Nonperforming assets to total assets | | | 2.70 | % |
| Allowance for loan losses to total loans | | | 1.19 | % |
| December 31, 2012 | | | | |
| Nonaccruing loans | \$53,186 | \$26,881 | \$80,067 | |
| Accruing loans past due 90 days or more | — | 3,307 | 3,307 | |
| Total nonperforming loans | 53,186 | 30,188 | 83,374 | |
| Other real estate owned | 45,534 | 44,717 | 90,251 | |
| Total nonperforming loans and OREO | 98,720 | 74,905 | 173,625 | |
| Nonaccruing securities available-for-sale, at fair value | — | 15,068 | 15,068 | |
| Total nonperforming assets | \$98,720 | \$89,973 | \$188,693 | |
| Nonperforming loans to total loans | | | 2.97 | % |
| Nonperforming assets to total assets | | | 4.52 | % |
| Allowance for loan losses to total loans | | | 1.58 | % |

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

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

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The following table shows the principal amounts of nonperforming and restructured loans as of the dates presented. All loans where information exists about possible credit problems that would cause us to have serious doubts about the borrower's ability to comply with the current repayment terms of the loan have been reflected in the table below.

| | September 30, 2013 | December 31, 2012 | September 30, 2012 | |
|--|-----------------------|----------------------|-----------------------|---|
| Nonaccruing loans | \$20,219 | \$26,881 | \$29,677 | |
| Accruing loans past due 90 days or more | 10,647 | 3,307 | 2,358 | |
| Total nonperforming loans | 30,866 | 30,188 | 32,035 | |
| Restructured loans in compliance with modified terms | 22,236 | 29,436 | 30,918 | |
| Total nonperforming and restructured loans | \$53,102 | \$59,624 | \$62,953 | |
| Nonperforming loans to: | | | | |
| Loans – period-end | 0.84 | % 1.17 | % 1.26 | % |
| Loans – average | 1.03 | % 1.11 | % 1.16 | % |

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

| | September 30, 2013 | December 31, 2012 | September 30, 2012 |
|---|-----------------------|----------------------|-----------------------|
| Commercial, financial, agricultural | \$1,222 | \$1,641 | \$1,738 |
| Real estate – construction: | | | |
| Residential | — | — | — |
| Commercial | 592 | — | — |
| Condominiums | — | — | — |
| Total real estate – construction | 592 | — | — |
| Real estate – 1-4 family mortgage: | | | |
| Primary | 3,834 | 6,708 | 5,141 |
| Home equity | 976 | 860 | 953 |
| Rental/investment | 5,129 | 4,100 | 4,596 |
| Land development | 4,112 | 4,260 | 3,910 |
| Total real estate – 1-4 family mortgage | 14,051 | 15,928 | 14,600 |
| Real estate – commercial mortgage: | | | |
| Owner-occupied | 1,463 | 2,313 | 2,263 |
| Non-owner occupied | 12,595 | 8,665 | 10,023 |
| Land development | 758 | 1,313 | 3,070 |
| Total real estate – commercial mortgage | 14,816 | 12,291 | 15,356 |
| Installment loans to individuals | 185 | 328 | 341 |
| Total nonperforming loans | \$30,866 | \$30,188 | \$32,035 |

Excluding the contribution of \$8,793 to nonperforming loans from the acquisition of First M&F, nonperforming loans decreased \$8,115, or 26.88%, from December 31, 2012. The decrease is attributable to the Company's continued efforts to bring problem credits to resolution. Total nonperforming loans as a percentage of total loans were 0.84% as of September 30, 2013 compared to 1.17% as of December 31, 2012 and 1.26% as of September 30, 2012. The Company's coverage ratio, or its allowance for loan losses as a percentage of nonperforming loans, was 149.84% as of September 30, 2013 as compared to 146.90% as of December 31, 2012 and 137.57% as of September 30, 2012. Management has evaluated the aforementioned loans and other loans classified as nonperforming and believes that all nonperforming loans have been adequately reserved for in the allowance for loan losses at September 30, 2013. Management also continually monitors past due loans for potential credit quality deterioration. Total loans 30-89 days

past due were \$19,908 at September 30, 2013 as compared to \$8,044 at December 31, 2012 and \$14,147 at September 30, 2012. The acquisition of First M&F contributed \$11,812 to loans 30-89 days past due.

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As shown above, restructured loans totaled \$22,236 at September 30, 2013 compared to \$29,436 at December 31, 2012 and \$30,918 at September 30, 2012. At September 30, 2013, loans restructured through interest rate concessions represented 75% of total restructured loans, while loans restructured by a concession in payment terms represented the remainder. The following table provides further details of the Company's restructured loans in compliance with their modified terms as of the dates presented:

| | September 30, 2013 | December 31, 2012 | September 30, 2012 |
|--|-----------------------|----------------------|-----------------------|
| Commercial, financial, agricultural | \$20 | \$— | \$— |
| Real estate – construction: | | | |
| Residential | — | — | — |
| Commercial | — | — | — |
| Condominiums | — | — | — |
| Total real estate – construction | — | — | — |
| Real estate – 1-4 family mortgage: | | | |
| Primary | 2,074 | 1,469 | 3,268 |
| Home equity | — | — | — |
| Rental/investment | 1,892 | 1,923 | 1,592 |
| Land development | 6,659 | 7,461 | 7,581 |
| Total real estate – 1-4 family mortgage | 10,625 | 10,853 | 12,441 |
| Real estate – commercial mortgage: | | | |
| Owner-occupied | 3,725 | 11,138 | 11,392 |
| Non-owner occupied | 5,371 | 6,934 | 6,909 |
| Land development | 2,323 | 337 | — |
| Total real estate – commercial mortgage | 11,419 | 18,409 | 18,301 |
| Installment loans to individuals | 172 | 174 | 176 |
| Total restructured loans in compliance with modified terms | \$22,236 | \$29,436 | \$30,918 |

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

| | 2013 | 2012 |
|-------------------------------------|----------|----------|
| Balance at January 1 | \$29,436 | \$36,311 |
| Additional loans with concessions | 4,319 | 4,731 |
| Reductions due to: | | |
| Reclassified as nonperforming | (3,227) | (5,622) |
| Charge-offs | (877) | (1,632) |
| Transfer to other real estate owned | — | (419) |
| Paydowns | (1,674) | (1,600) |
| Lapse of concession period | (5,741) | (851) |
| Balance at September 30 | \$22,236 | \$30,918 |

Other real estate owned consists of properties acquired through foreclosure or acceptance of a deed in lieu of foreclosure. These properties are carried at the lower of cost or fair market value based on appraised value less estimated selling costs. Losses arising at the time of foreclosure of properties are charged against the allowance for loan losses. Reductions in the carrying value subsequent to acquisition are charged to earnings and are included in "Other real estate owned" in the Consolidated Statements of Income. Other real estate owned with a cost basis of \$22,939 was sold during the nine months ended September 30, 2013, resulting in a net loss of \$511, while other real estate owned with a cost basis of \$25,674 was sold during the nine months ended September 30, 2012, resulting in a net loss of \$1,211.

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

| | September 30, 2013 | December 31, 2012 | September 30, 2012 |
|-------------------------------|-----------------------|----------------------|-----------------------|
| Residential real estate | \$3,519 | \$7,842 | \$8,068 |
| Commercial real estate | 9,122 | 7,779 | 9,268 |
| Residential land development | 14,448 | 22,490 | 25,013 |
| Commercial land development | 13,492 | 6,221 | 6,219 |
| Other | — | 385 | — |
| Total other real estate owned | \$40,581 | \$44,717 | \$48,568 |

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

| | 2013 | 2012 |
|--------------------------|----------|----------|
| Balance at January 1 | \$44,717 | \$70,079 |
| Acquired OREO | 13,674 | — |
| Additions | 6,575 | 7,161 |
| Capitalized improvements | 129 | 508 |
| Impairments | (1,574) | (3,689) |
| Dispositions | (22,939) | (25,674) |
| Other | (1) | 183 |
| Balance at September 30 | \$40,581 | \$48,568 |

Interest Rate Risk

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

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

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

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

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| Change in Interest Rates ⁽¹⁾ (In Basis Points) | Percentage Change In: | | | | |
|--|------------------------------------|----------------------|--|----------------------|----|
| | Net Interest Income ⁽²⁾ | | Economic Value of Equity ⁽³⁾ | | |
| | September 30, 2013 | December 31, 2012 | September 30, 2013 | December 31, 2012 | |
| +400 | 2.29 | % 2.75 | % 11.90 | % 19.35 | % |
| +300 | 1.86 | % 2.35 | % 11.04 | % 17.86 | % |
| +200 | 1.08 | % 1.44 | % 9.64 | % 14.80 | % |
| +100 | 0.38 | % 0.62 | % 8.04 | % 10.98 | % |
| -100 | (1.65 |)% (4.08 |)% (5.19 |)% (2.54 |)% |

(1) On account of the present position of the target federal funds rate, the Company did not perform an analysis assuming a downward movement in rates of more than 100 bps.

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

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

The interest rate risk table indicates that the Company was less asset sensitive at September 30, 2013, as compared to December 31, 2012, most notable in the change in the EVE variances in the rate shocks vs. under the flat rate scenario. This shift was due to changes in the balance sheet, including the addition of assets and liabilities from the First M&F acquisition. Fixed rate loans and securities are now a higher percentage of total assets than as of year-end; however this was partially offset by a reduction in the percentage of non-earning assets, a beneficial impact on earnings. The deposit mix has a higher percentage of non-time deposits, both non-interest bearing and interest bearing and a smaller percentage of time deposits. This shift, while also beneficial to earnings as lower / no cost deposits increased while higher costing time deposits decreased, does make the balance sheet less asset sensitive.

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

The Company utilizes derivative financial instruments, including interest rate contracts such as swaps, caps and/or floors, as part of its ongoing efforts to mitigate its interest rate risk exposure and to facilitate the needs of its customers. The Company also enters into derivative instruments that are not designated as hedging instruments to help its commercial customers manage their exposure to interest rate fluctuations. To mitigate the interest rate risk associated with these customer contracts, the Company enters into an offsetting derivative contract position. The Company manages its credit risk, or potential risk of default by its commercial customers, through credit limit approval and monitoring procedures. At September 30, 2013, the Company had notional amounts of \$80,408 on interest rate contracts with corporate customers and \$80,408 in offsetting interest rate contracts with other financial institutions to mitigate the Company's rate exposure on its corporate customers' contracts and certain fixed-rate loans. In March and April 2012, the Company entered into two interest rate swap agreements effective September 30, 2014 and March 17, 2014, respectively. Beginning on the respective effective date, the Company will receive a variable rate

of interest based on the three-month LIBOR plus a pre-determined spread and pay a fixed rate of interest. The agreements, which both terminate in March 2022, are accounted for as cash flow hedges to reduce the variability in cash flows resulting from changes in interest rates on \$32,000 of the Company's junior subordinated debentures.

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Finally, the Company enters into interest rate lock commitments with its customers to mitigate the Company's interest rate risk associated with its commitments to fund fixed-rate residential mortgage loans. Under the interest rate lock commitments, interest rates for a mortgage loan are locked in with the customer for a period of time, typically thirty days. Once an interest rate lock commitment is entered into with a customer, the Company also enters into a forward commitment to sell the residential mortgage loan to secondary market investors. Accordingly, the Company does not incur risk if the interest rate lock commitment in the pipeline fails to close.

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

Liquidity and Capital Resources

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

Core deposits, which are deposits excluding time deposits and public fund deposits, are a major source of funds used by Renasant Bank to meet cash flow needs. Maintaining the ability to acquire these funds as needed in a variety of markets is the key to assuring Renasant Bank's liquidity. Management continually monitors the liquidity through review of a variety of reports.

Our investment portfolio is another alternative for meeting liquidity needs. These assets generally have readily available markets that offer conversions to cash as needed. Within the next twelve months the securities portfolio is forecasted to generate cash flow through principal payments and maturities equal to 11% of the carrying value of the total securities portfolio. Securities within our investment portfolio are also used to secure certain deposit types and short-term borrowings. At September 30, 2013, securities with a carrying value of \$586,950 were pledged to secure public fund deposits and as collateral for short-term borrowings and derivative instruments as compared to securities with a carrying value of \$327,368 similarly pledged at December 31, 2012.

Other sources available for meeting liquidity needs include federal funds purchased and advances from the FHLB. Interest is charged at the prevailing market rate on federal funds purchased and FHLB advances. There were no outstanding federal funds purchased at September 30, 2013 or December 31, 2012. Funds obtained from the FHLB are used primarily to match-fund fixed rate loans in order to minimize interest rate risk and also be used to meet day to day liquidity needs, particularly when the cost of such borrowing compares favorably to the rates that we would be required to pay to attract deposits. At September 30, 2013, the balance of our outstanding advances with the FHLB was \$76,429, of which \$1,636 were short-term advances. The total amount of the remaining credit available to us from the FHLB at September 30, 2013 was \$1,193,445. We also maintain lines of credit with other commercial banks totaling \$75,000. These are unsecured lines of credit maturing at various times within the next twelve months. There were no amounts outstanding under these lines of credit at September 30, 2013 or December 31, 2012.

In March 2012, the Company repaid \$50,000 of qualifying senior debt securities issued under the TLGP at maturity. The cost of the TLGP debt was 3.94% while outstanding during 2012.

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

| | Percentage of Total Nine Months Ended September 30, | | Cost of Funds Nine Months Ended September 30, | | |
|----------------------------|---|---------|---|------|---|
| | 2013 | 2012 | 2013 | 2012 | |
| Noninterest-bearing demand | 15.47 | % 14.92 | % — | % — | % |
| Interest-bearing demand | 40.55 | 38.12 | 0.25 | 0.30 | |
| Savings | 6.85 | 6.36 | 0.23 | 0.24 | |
| Time deposits | 32.60 | 35.19 | 0.98 | 1.20 | |
| FHLB advances | 2.07 | 2.56 | 4.22 | 4.29 | |
| Other borrowed funds | 2.46 | 2.85 | 2.85 | 3.18 | |

100.00 % 100.00 % 0.59 % 0.75 %

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Our strategy in choosing funds is focused on attempting to mitigate interest rate risk, and thus we utilize funding sources that are commensurate with the interest rate risk associated with the assets. Accordingly, management targets growth of non-interest bearing deposits. While we do not control the types of deposit instruments our clients choose, we do influence those choices with the rates and the deposit specials we offer. For example, we could obtain time deposits based on our aggressiveness in pricing and length of term. We constantly monitor our funds position and evaluate the effect that various funding sources have on our financial position. Our cost of funds decreased for the three months ended September 30, 2013 as compared to the same period in 2012 as management used lower costing deposits and repaid higher costing funding sources.

Cash and cash equivalents were \$233,149 at September 30, 2013 compared to \$118,418 at September 30, 2012. Cash used in investing activities for the nine months ended September 30, 2013 was \$44,481 compared to \$165,107 for the nine months ended September 30, 2012. Proceeds from the sale, maturity or call of securities within our investment portfolio were \$160,749 for the first nine months of 2013. These proceeds were primarily reinvested in the securities portfolio. Proceeds from the sale, maturity, or call of securities within our investment portfolio during the first nine months of 2012 were \$324,724. These proceeds were primarily used to fund loan growth. Purchases of investment securities were \$176,596 for the first nine months of 2013 compared to \$206,280 for the same period in 2012.

Cash provided by financing activities for the nine months ended September 30, 2013 was \$21,088 compared to cash used in financing activities of \$60,267 for the same period in 2012. Deposits increased \$47,505 for the nine months ended September 30, 2013 compared to a decrease of \$16,209 for the same period in 2012. Cash provided from the sale of securities during the first nine months of 2012 was partially used to reduce FHLB borrowings by \$24,000 prior to maturity. In addition, in March 2012, the Company repaid \$50,000 of qualifying senior debt securities issued under the TLGP at maturity. There were no prepayments of long term debt during the first nine months of 2013.

Restrictions on Bank Dividends, Loans and Advances

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

Accordingly, the approval of this supervisory authority is required prior to Renasant Bank paying dividends to the Company.

Federal Reserve regulations also limit the amount Renasant Bank may loan to the Company unless such loans are collateralized by specific obligations. At September 30, 2013, the maximum amount available for transfer from Renasant Bank to the Company in the form of loans was \$49,980. The Company maintains a line of credit collateralized by cash with Renasant Bank totaling \$3,000. Amounts outstanding under this line of credit totaled \$1,500 at September 30, 2013. These restrictions did not have any impact on the Company's ability to meet its cash obligations in the first nine months of 2013, nor does management expect such restrictions to materially impact the Company's ability to meet its currently-anticipated cash obligations.

Off-Balance Sheet Transactions

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

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

December 31,

| | September 30, 2012 | 2013 |
|---------------------------|--------------------|-----------|
| Loan commitments | \$591,525 | \$463,684 |
| Standby letters of credit | 36,036 | 34,391 |

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

Shareholders' Equity and Regulatory Matters

Total shareholders' equity of the Company was \$657,256 at September 30, 2013 compared to \$498,208 at December 31, 2012. Book value per share was \$20.96 and \$19.80 at September 30, 2013 and December 31, 2012, respectively. The growth in shareholders' equity was attributable to the acquisition of First M&F along with earnings retention offset by dividends declared and changes in accumulated other comprehensive income.

On September 5, 2012, the Company filed a shelf registration statement with the Securities and Exchange Commission ("SEC"). The shelf registration statement, which the SEC declared effective on September 17, 2012, allows the Company to raise capital from time to time, up to an aggregate of \$150,000, through the sale of common stock, preferred stock, debt securities, warrants and units, or a combination thereof, subject to market conditions. Specific terms and prices will be determined at the time of any offering under a separate prospectus supplement that the Company will be required to file with the SEC at the time of the specific offering. The proceeds of the sale of securities, if and when offered, will be used for general corporate purposes as described in any prospectus supplement and could include the expansion of the Company's banking, insurance and wealth management operations as well as other business opportunities.

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

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

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

As of September 30, 2013, Renasant Bank met all capital adequacy requirements to which it is subject. Also, as of September 30, 2013, the most recent notification from the FDIC categorized Renasant Bank as well capitalized under the regulatory framework for prompt corrective action. Management does not believe any conditions or events have occurred since that notification that would change Renasant Bank's category.

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

| | Actual | | Minimum Capital Requirement to be Well Capitalized | | Minimum Capital Requirement to be Adequately Capitalized | | | |
|--|-----------|-------|--|-------|--|-------|---|--|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio | | |
| September 30, 2013 | | | | | | | | |
| Renasant Corporation: | | | | | | | | |
| Tier 1 Capital to Average Assets | \$468,053 | 8.61 | % \$271,718 | 5.00 | % \$217,375 | 4.00 | % | |
| Tier 1 Capital to Risk-Weighted Assets | 468,053 | 11.34 | % 247,657 | 6.00 | % 165,104 | 4.00 | % | |
| Total Capital to Risk-Weighted Assets | 514,803 | 12.47 | % 412,761 | 10.00 | % 330,209 | 8.00 | % | |
| Renasant Bank: | | | | | | | | |
| Tier 1 Capital to Average Assets | \$452,141 | 8.39 | % \$269,542 | 5.00 | % \$215,633 | 4.00 | % | |
| Tier 1 Capital to Risk-Weighted Assets | 452,141 | 10.99 | % 246,741 | 6.00 | % 164,494 | 4.00 | % | |
| Total Capital to Risk-Weighted Assets | 498,390 | 12.12 | % 411,235 | 10.00 | % 328,988 | 8.00 | % | |
| December 31, 2012 | | | | | | | | |
| Renasant Corporation: | | | | | | | | |
| Tier 1 Capital to Average Assets | \$388,362 | 9.86 | % \$196,871 | 5.00 | % \$157,497 | 4.00 | % | |
| Tier 1 Capital to Risk-Weighted Assets | 388,362 | 12.74 | % 182,964 | 6.00 | % 121,976 | 4.00 | % | |
| Total Capital to Risk-Weighted Assets | 426,877 | 14.00 | % 304,940 | 10.00 | % 243,952 | 8.00 | % | |
| Renasant Bank: | | | | | | | | |
| Tier 1 Capital to Average Assets | \$379,602 | 9.67 | % \$196,192 | 5.00 | % \$156,954 | 4.00 | % | |
| Tier 1 Capital to Risk-Weighted Assets | 379,602 | 12.47 | % 182,580 | 6.00 | % 121,720 | 4.00 | % | |
| Total Capital to Risk-Weighted Assets | 417,717 | 13.73 | % 304,300 | 10.00 | % 243,440 | 8.00 | % | |

For purposes of calculating the "Tier 1 Capital to Average Assets" ratio in the table above, the acquisition of First M&F was assumed to have occurred on July 1, 2013.

In July 2013, the Federal Reserve, the FDIC and the Office of the Comptroller of the Currency each adopted final rules providing broad and comprehensive revision of regulatory capital standards for U.S. banking organizations. The final rules are effective for periods beginning after January 1, 2015. The Company projects it will remain above "well-capitalized" capital requirements after the implementation of the new capital standards.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Item 4. CONTROLS AND PROCEDURES

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

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Part II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

As previously disclosed, on March 5, 2013, a class action complaint captioned Zeng v. Potts, et al., was filed in the United States District Court for the Northern District of Mississippi, Greenville Division, against First M&F Corporation (“First M&F”), its directors, Merchants and Farmers Bank, the Company and the Bank. This lawsuit was purportedly filed on behalf of First M&F’s shareholders. The complaint, as amended, alleges that the Company and the Bank breached their fiduciary duties by, among other claims, not making complete disclosures, as recited in the last filing by the Company.

On April 5, 2013, a derivative class action complaint captioned Silverii v. Potts, et al., was filed in the Circuit Court of Attala County of the State of Mississippi, Fifth Judicial District, against First M&F, its directors, Merchants and Farmers Bank, the Company and the Bank. This lawsuit likewise represented it was filed on behalf of First M&F’s shareholders. The state court complaint contains substantially the same allegations against the Company and the Bank as asserted in the Zeng lawsuit.

Both lawsuits sought to enjoin completion of the Company’s acquisition of First M&F and an award of costs and attorneys’ fees. While the defendants believe these actions were without merit, in order to avoid the expense of litigation, First M&F and Renasant reached an accord with the claimants, subject to court approval after notice to the shareholders. The plaintiff in the Silverii lawsuit dismissed his lawsuit; the plaintiff in the Zeng lawsuit withdrew his request to enjoin the merger of First M&F into Renasant. The Court provisionally approved the class settlement and approved notice of the settlement to the class members. This notice was mailed on October 9, 2013. The Court scheduled a December 19, 2013 hearing to determine whether to approve the settlement that provided supplemental disclosures to the shareholders on June 11, 2013 in a Form 8-K and may lead to payment of attorney’s fees and costs of \$435,000, which would conclude the litigation if accepted by the Court.

Item 1A. RISK FACTORS

Information regarding risk factors appears in Part I, Item 1A, “Risk Factors,” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2012. There have been no material changes in the risk factors disclosed in our Annual Report on Form 10-K.

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

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

The Company did not repurchase any shares of its outstanding stock during the three month period ended September 30, 2013.

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

Item 6. EXHIBITS

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| Exhibit Number | Description |
|-------------------|--|
| (2)(i) | Agreement and Plan of Merger by and among Renasant Corporation, Renasant Bank, First M&F Corporation and Merchants and Farmers Bank dated as of February 6, 2013(1) |
| (3)(i) | Articles of Incorporation of Renasant Corporation, as amended(2) |
| (3)(ii) | Restated Bylaws of Renasant Corporation (3) |
| (4)(i) | Articles of Incorporation of Renasant Corporation, as amended(2) |
| (4)(ii) | Restated Bylaws of Renasant Corporation (3) |
| (10)(i) | Renasant Corporation M&F Legacy Option Plan |
| (31)(i) | Certification of the Principal Executive Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| (31)(ii) | Certification of the Principal Financial Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| (32)(i) | Certification of the Principal Executive Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| (32)(ii) | Certification of the Principal Financial Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| (101) | The following materials from Renasant Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 were formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements (Unaudited). |

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

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

(3) Filed as exhibit 3(ii) to the Company's Form 10-Q filed with the Securities and Exchange Commission on May 8, 2013 and incorporated herein by reference.

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

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SIGNATURES

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

RENASANT CORPORATION
(Registrant)

Date: November 8, 2013

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

Date: November 8, 2013

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

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EXHIBIT INDEX

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|----------------|--|
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