RENASANT CORP
Form 10-K
March 09, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2010

Commission file number 001-13253

RENASANT CORPORATION

(Exact name of registrant as specified in its charter)

Mississippi (State or other jurisdiction of incorporation or organization)	64-0676974 (I.R.S. Employer Identification No.)
209 Troy Street, Tupelo, Mississippi (Address of principal executive offices)	38804-4827 (Zip Code)
Registrant s telephone number, including area code	(662) 680-1001

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $5.00 par value	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ¨ No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ¨ No þ

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 þ 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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 þ
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 þ

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As of June 30, 2010, the aggregate market value of the registrant s common stock, $5.00 par value, held by non-affiliates of the registrant, computed by reference to the last sale price as reported on The NASDAQ Global Select Market for such date, was $287,946,239.

As of February 28, 2011, 25,056,431 shares of the registrant s common stock, $5.00 par value, were outstanding. The registrant has no other classes of securities outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement relating to the 2011 Annual Meeting of Shareholders of Renasant Corporation are incorporated by reference into Part III of this Form 10-K.

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Renasant Corporation and Subsidiaries

Form 10-K

For the Year Ended December 31, 2010

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PART I

This Annual Report on Form 10-K may contain or incorporate by reference statements 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. 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 those risks identified in Item 1A, Risk Factors, of this Form 10-K as well as difficulties encountered in the integration of our recent acquisitions, significant fluctuations in interest rates, inflation, economic recession, significant changes in the federal and state legal and regulatory environment, significant underperformance in our portfolio of outstanding loans and competition in our markets. We undertake 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.

The information set forth in this Annual Report on Form 10-K is as of February 28, 2011, unless otherwise indicated herein.

ITEM 1. BUSINESS

General

Renasant Corporation (referred to herein as the Company, we, our, or us), a Mississippi corporation incorporated in 1982, owns and operat Renasant Bank, a Mississippi banking association with operations in Mississippi, Tennessee, Alabama and Georgia, and Renasant Insurance, Inc., a Mississippi corporation with operations in Mississippi. Renasant Insurance, Inc. is a wholly-owned subsidiary of Renasant Bank. Renasant Bank is referred to herein as the Bank and Renasant Insurance, Inc. is referred to herein as Renasant Insurance.

Our vision is to be the financial services advisor and provider of choice in each community we serve. With this vision in mind, management has organized the branch banks into community banks using a franchise concept. The franchise approach empowers community bank presidents to execute their own business plans in order to achieve our vision. Specific performance measurement tools are available to assist these presidents in determining the success of their plan implementation. A few of the ratios used in measuring the success of their business plan include:

return on average assets	net interest margin and spread
the efficiency ratio	fee income shown as a percentage of loans and deposits
loan and deposit growth	the number and type of services provided per household
net charge-offs to average loans	the percentage of loans past due and nonaccruing

While we have preserved decision-making at a local level, we have centralized our legal, accounting, investment, loan review, human resources, audit and data processing functions. The centralization of these processes enables us to maintain consistent quality of these functions and achieve certain economies of scale.

Our vision is further validated through our core values. These values state that (1) employees are our greatest assets, (2) quality is not negotiable and (3) clients trust is foremost. Centered on these values was the development of five different objectives that are the focal point of our strategic plan. Those objectives include: (1) client satisfaction and development, (2) financial soundness and profitability, (3) growth, (4) employee satisfaction and development and (5) shareholder satisfaction and development.

Members of our Board of Directors also serve as members of the Board of Directors of the Bank. Responsibility for the management of our Bank remains with the Board of Directors and officers of the Bank; however, management services rendered by the Company to the Bank are intended to supplement internal management and expand the scope of banking services normally offered by the Bank.

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

On July 23, 2010, the Bank acquired specified assets and assumed specified liabilities of Crescent Bank & Trust Company, a Georgia-chartered bank headquartered in Jasper, Georgia (Crescent), from the Federal Deposit Insurance Corporation (the FDIC), as receiver for Crescent. Crescent operated, and the Company acquired and retained, 11 branches in the northwest region of Georgia. The Bank acquired assets with a fair value of $959

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million, including loans with a fair value of $371 million, and assumed liabilities with a fair value of $917 million, including deposits with a fair value of $890 million. At the acquisition date, approximately $361 million of acquired loans and $50 million of other real estate owned were covered by loss-sharing agreements between the FDIC and the Bank. The acquisition of Crescent resulted in a pre-tax gain of $42 million.

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

On February 4, 2011, the Bank acquired specified assets and assumed specified liabilities of American Trust Bank, a Georgia-chartered bank headquartered in Roswell, Georgia (American Trust), from the FDIC, as receiver for American Trust. American Trust operated, and the Company acquired and retained, 3 branches in the northwest region of Georgia. Excluding the effects of purchase accounting adjustments, the Bank acquired $158 million in total assets, including loans of $95 million, and assumed $237 million in total liabilities, including $223 million in deposits. Approximately $93 million of acquired loans are covered by loss-sharing agreements between the FDIC and the Bank. We expect the acquisition to provide a one-time gain in the first quarter of 2011, and the acquisition was immediately accretive to the Company s earnings per share and tangible book value.

Operations

We currently have four reportable segments: a Mississippi community bank, a Tennessee community bank, an Alabama community bank and an insurance agency. The Georgia operations are included in the operations of the Tennessee community bank. Management believes future strategic opportunities in eastern Tennessee will result from the operations acquired in Georgia. Financial information about our segments for each of the last three years, including information with respect to revenues from external customers, profit or loss and total assets for each segment, is contained in Note P, Segment Reporting, in the Notes to Consolidated Financial Statements of the Company in Item 8, Financial Statements and Supplementary Data. The description of the operations of the Bank immediately below applies to the operations of each of our three banking segments.

Neither we nor the Bank have any foreign operations.

Operations of the Bank

Substantially all of our business activities are conducted through, and substantially all of our assets and revenues are derived from, the Bank, which is a community bank offering a complete range of banking and financial services to individuals and to small to medium-size businesses. These services include checking and savings accounts, business and personal loans, interim construction and residential mortgage loans, equipment leasing, as well as safe deposit and night depository facilities. Automated teller machines are located throughout our market area. Our Internet Banking product and our call center also provide 24-hour banking services. Accounts receivable financing is also available to qualified businesses.

On February 28, 2011, we had 78 banking and financial services offices located throughout our markets in north and north central Mississippi, west and middle Tennessee, north and north central Alabama and north Georgia.

Lending Activities. Income generated by our lending activities, in the form of both interest income and loan-related fees, comprises a substantial portion of our revenue, accounting for approximately 53.92%, 63.56% and 68.03% of our total gross revenues in 2010, 2009 and 2008, respectively. Total gross revenues consist of interest income on a fully taxable equivalent basis and noninterest income. Our lending philosophy is to minimize credit losses by following strict credit approval standards, diversifying our loan portfolio and conducting ongoing review and management of the loan portfolio. The following is a description of each of the principal types of loans in our loan portfolio, the relative risk of each type of loan and the steps we take to reduce credit risk. A further discussion of our risk reduction policies and procedures can be found in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, under the heading Risk Management Credit Risk and Allowance for Loan Losses. We have omitted a discussion of lease financing, as such financing comprised approximately 0.02% of our portfolio at December 31, 2010.

Commercial, Financial and Agricultural Loans. Commercial, financial and agricultural loans (referred to as commercial loans), which accounted for approximately 10.51% of our total loans at December 31, 2010, are customarily granted to established local business customers in our market area on a fully collateralized basis to meet their credit needs. Many of these loans have terms allowing the loan to be extended for periods of between one and five years. Loans are usually structured either to fully amortize over the term of the loan or to balloon after the third year or fifth year of the loan, typically with an amortization period not to exceed 15 years. The terms and loan

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structure are dependent on the collateral and strength of the borrower. The loan-to-value ratios range from 50% to 80%, depending on the type of collateral.

Commercial lending generally involves different risks from those associated with commercial real estate lending or construction lending. Although commercial loans may be collateralized by equipment or other business assets, the repayment of these types of loans depends primarily on the creditworthiness and projected cash flow of the borrower (and any guarantors). Thus, the general business conditions of the local economy and the local business borrower s ability to sell its products and services, thereby generating sufficient operating revenue to repay us under the agreed upon terms and conditions, are the chief considerations when assessing the risk of a commercial loan. The liquidation of collateral is considered a secondary source of repayment because equipment and other business assets may, among other things, be obsolete or of limited resale value. To manage these risks, the Bank s policy is to secure its commercial loans with both the assets of the borrowing business and any other additional collateral and guarantees that may be available. In addition, we actively monitor certain financial measures of the borrower, including advance rate, cash flow, collateral value and other appropriate credit factors. We use commercial loan credit scoring models for smaller level commercial loans.

Real Estate Construction. Our real estate construction loans (construction loans) represented approximately 3.26% of our total loans at December 31, 2010. Our construction loan portfolio consists of loans for the construction of single family residential properties, multi-family properties and commercial projects. Maturities for construction loans generally range from 6 to 12 months for residential property and from 12 to 24 months for non-residential and multi-family properties. Construction lending entails significant additional risks compared to residential real estate or commercial real estate lending. A significant additional risk is that loan funds are advanced upon the security of the property under construction, which is of uncertain value prior to the completion of construction. Thus, it is more difficult to evaluate accurately the total loan funds required to complete a project and to calculate related loan-to-value ratios. To minimize the risks associated with construction lending, we limit loan-to-value ratios to 85% of when-completed appraised values for owner-occupied and investor-owned residential or commercial properties.

Real Estate 1-4 Family Mortgage. We are active in the real estate 1-4 family mortgage area (referred to as residential real estate loans), with approximately 34.56% of our total loans at December 31, 2010 being residential real estate loans. We offer both first and second mortgages on residential real estate. Loans secured by residential real estate in which the property is the principal residence of the borrower are referred to as primary 1-4 family mortgages. Loans secured by residential real estate in which the property is rented to tenants or is not the principal residence of the borrower are referred to as rental/investment 1-4 family mortgages. We also offer loans for the preparation of residential real property prior to construction (referred to in this Annual Report as residential land development loans). In addition, we offer home equity lines of credit and term loans secured by first and second mortgages on the residences of borrowers for purchases, refinances, home improvements, education and other personal expenditures. Both fixed and variable rate loans are offered with competitive terms and fees. Originations of residential real estate loans are generated through either retail efforts in our branches or wholesale marketing, which involves obtaining mortgage referrals from third-party mortgage brokers. We attempt to minimize the risk associated with residential real estate loans by strictly scrutinizing the financial condition of the borrower; typically, we also limit the maximum loan-to-value ratio.

We retain loans for our portfolio when the Bank has sufficient liquidity to fund the needs of established customers and when rates are favorable to retain the loans. We also originate residential real estate loans with the intention of selling them in the secondary market to third party private investors. These loans are collateralized by one-to-four family residential real estate and are sold with servicing rights released. Residential real estate originations to be sold are locked in at a contractual rate with third party private investors, and we are obligated to sell the mortgages to such investors only if the mortgages are closed and funded. The risk we assume is conditioned upon loan underwriting and market conditions in the national mortgage market. The Company does not actively market or originate subprime mortgage loans.

We also offer home equity loans or lines of credit as an option to borrowers who elect to utilize the accumulated equity in their homes by borrowing money through either a first or second lien home equity loan or line of credit. We limit our exposure to second lien home equity loans or lines of credit, which inherently carry a higher risk of loss upon default, by limiting these types of loans to borrowers with high credit scores.

Real Estate Commercial Mortgage. Our real estate commercial mortgage loans (commercial real estate loans) represented approximately 49.11% of our total loans at December 31, 2010. We offer loans in which the owner develops a property with the intention of locating its business there. These loans are referred to as owner-occupied commercial real estate loans. Because payments on these loans are often dependent on the successful development, operation and management of the properties, repayment of these loans may be affected by adverse conditions in the real estate market or the economy as a whole, in addition to the borrower s ability to generate sufficient operating revenue to repay us. If our estimate of value proves to be inaccurate, we may not be able to obtain full repayment on the loan in the event of default and foreclosure. In most instances, these loans are secured by the underlying real estate of the business and other non-real estate collateral, such as equipment or other assets used in the course of business.

In addition to owner-occupied commercial real estate loans, we offer loans in which the owner develops a property where the source of repayment of the loan will come from the sale or lease of the developed property, for example, retail shopping centers, hotels, storage facilities, nursing homes, etc. These loans are referred to as non-owner occupied commercial real estate loans. We also offer commercial real estate loans to developers of commercial properties for purposes of site acquisition and preparation and other development prior to actual construction (referred to in this Annual Report as commercial land development loans).

We seek to minimize risks relating to all commercial real estate loans by limiting the maximum loan-to-value ratio and strictly scrutinizing the financial condition of the borrower, the quality of the collateral and the management of the property securing the loan. We also actively monitor such financial measures as advance rate, cash flow, collateral value and other appropriate credit factors. We generally obtain loan guarantees from financially capable parties to the transaction based on a review of the guarantor s financial statements.

Installment Loans to Individuals. Installment loans to individuals (or consumer loans), which represented approximately 2.54% of our total loans at December 31, 2010, are granted to individuals for the purchase of personal goods. These loans are generally granted for periods ranging between one and six years at fixed rates of interest 1% to 5% above the prime interest rate quoted in *The Wall Street Journal*. Loss or decline of income by the borrower due to unplanned occurrences represents the primary risk of default to us. In the event of default, a shortfall in the value of the collateral may pose a loss to us in this loan category. Before granting a consumer loan, we assess the applicant s credit history and ability to meet existing and proposed debt obligations. Although the applicant s creditworthiness is the primary consideration, the underwriting process also includes a comparison of the value of the collateral, if any, to the proposed loan amount. We obtain a lien against the collateral securing the loan and hold title until the loan is repaid in full.

As the general economic environment in the United States and the markets in which we operate began to decline in late 2008, management responded by implementing a strategy to diversify the Company s loan portfolio by specifically reducing the concentration of construction and land development loans (both residential and commercial). To accomplish this, management applied more stringent levels of underwriting on new originations of such loans and required principal reductions of these loans at time of renewal. The construction loan portfolio was further reduced as such loans were refinanced into permanent financing arrangements due to the completion of the construction phase of underlying projects and thus reclassified to commercial or residential real estate loans. The Company will continue this strategy to reduce the concentration of construction and land development loans in the portfolio. At December 31, 2010, 2009 and 2008, construction and land development loans represented 15.72%, 17.67% and 21.50%, respectively, of the total loan portfolio.

Deposit Services. We offer a broad range of deposit services and products to our consumer and commercial clients. Through our community branch networks, we offer totally free consumer checking accounts with free Internet banking with bill pay and free debit cards, interest bearing checking, money market accounts and savings accounts. In addition, Renasant offers certificates of deposit, individual retirement accounts and health savings accounts.

For our commercial clients, we offer a competitive suite of cash management products which include, but are not limited to, remote deposit capture, CD-ROM statements with account reconciliation, electronic statements, positive pay, ACH origination and wire transfer, wholesale and retail lockbox, investment sweep accounts, enhanced business Internet banking, outbound data exchange, multi-bank reporting and international services.

The deposit services we offer accounted for approximately 11.15%, 12.51% and 11.29% of our total gross revenues in 2010, 2009 and 2008, respectively, in the form of fees for deposit services. The deposits held by our Bank have been primarily generated within the market areas where the branches are located.

Other Products and Services. Through the Financial Services division of the Bank, we also offer a wide variety of fiduciary services and administer (as trustee or in other fiduciary or representative capacities) qualified retirement plans, profit sharing and other employee benefit plans, personal trusts and estates. In addition, the Financial Services division offers annuities, mutual funds and other investment services through a third party broker-dealer. The Financial Services division does not constitute a separately-reportable segment for financial reporting purposes.

Operations of Renasant Insurance

Renasant Insurance is a full-service insurance agency offering all lines of commercial and personal insurance through major carriers. At December 31, 2010 Renasant Insurance contributed total revenue of $3.8 million, or 1.43%, of the Company s total gross revenues, and operated three offices in central and northern Mississippi.

Competition

Banking

Vigorous competition exists in all major product and geographic areas in which we conduct banking business. We compete through our Bank for available loans and deposits with state, regional and national banks in all of our service areas, as well as savings and loan associations, credit unions, finance companies, mortgage companies, insurance companies, brokerage firms and investment companies. All of these numerous institutions compete in the delivery of services and products through availability, quality and pricing, and many of our competitors are larger and have substantially greater resources than we do, including higher total assets and capitalization, greater access to capital markets and a broader offering of financial services.

For 2010, we maintained approximately 17% of the market share (deposit base) in our entire Mississippi area, approximately 1% in our entire Tennessee area, approximately 1% in our entire Alabama area and approximately 2% in our entire Georgia area. Certain markets in which we operate have demographics which we believe indicate the possibility of future growth at higher rates than other markets in which we operate. At December 31, 2010, 84% of our loans and 74% of our deposits were located in these key markets. We have identified these markets, which are listed in the table below, as our key growth markets.

The following table shows our deposit share in the markets that we consider our key markets as of June 30, 2010 (which is the latest date that such information is available):

Market	Available Deposits (in billions)	Deposit Share
Mississippi		
Tupelo	$ 1.5	35.3%
DeSoto County	2.0	9.6%
Oxford	0.8	2.8%
Tennessee		
Memphis	17.8	1.6%
Nashville	29.2	1.1%
Alabama		
Birmingham	22.5	0.3%
Decatur	1.6	14.8%
Huntsville/Madison	6.5	2.0%
Georgia		
Alpharetta/Roswell	6.4	4.4%
Canton/Woodstock	2.6	9.6%
Cartersville	1.0	11.7%
Cumming	1.8	9.3%
Total	$ 93.8	

Source: FDIC, As of June 30, 2010

Insurance

We encounter strong competition in the markets in which we conduct insurance operations. Through our insurance subsidiary, we compete with independent insurance agencies and agencies affiliated with other banks and/or other insurance carriers. All of these agencies compete in the delivery of personal and commercial product lines. There is no dominant insurance agency in our markets.

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Supervision and Regulation

Banking

Under the current regulatory environment, nearly every facet of our banking operations is regulated pursuant to various state and federal banking laws, rules and regulations. The primary focus of these laws and regulations is the protection of depositors and the maintenance of the safety and soundness of the banking system as a whole and the insurance funds of the FDIC. While the following summary addresses the regulatory environment in which we operate, it is not intended to be a fully inclusive discussion of the statutes and regulations affecting our operations. Discussions in this section focus only on certain provisions of such statutes and regulations and do not purport to be comprehensive. Such discussions are qualified in their entirety by reference to the relevant statutes and regulations.

In addition, the regulatory environment in which we operate is likely to change over the coming years as a result of the enactment into law of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) in July, 2010. The Dodd-Frank Act will significantly alter the current bank regulatory structure and affect the lending, investment, trading, and operating activities of financial institutions and their holding companies. The Dodd-Frank Act includes the following provisions that, among other things:

Centralize responsibility for consumer financial protection by creating a new agency, the Consumer Financial Protection Bureau, responsible for implementing, examining and, for large financial institutions, enforcing compliance with federal consumer financial laws. Banks with $10 billion or less in assets will be examined by their applicable bank regulators.

Weaken the federal preemption available for national banks and give state attorneys general the ability to enforce applicable federal consumer protection laws.

Broaden the assessment base for federal deposit insurance from the amount of insured deposits to consolidated assets less tangible capital, eliminate the ceiling on the size of the Deposit Insurance Fund (the DIF) and increase the floor of the size of the DIF.

Provide for unlimited federal deposit insurance on non-interest bearing deposit accounts until December 31, 2012, make permanent the $250,000 limit for federal deposit insurance and increase the cash limit of Securities Investor Protection Corporation protection from $100,000 to $250,000.

Repeal the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts.

Authorize the FDIC to assess the cost of examinations.

Direct the Federal Reserve to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded or not.

Some of these provisions may have the consequence of increasing the Company s expenses, decreasing its revenues and changing the activities in which the Company engages. The environment in which banking organizations will now operate, including legislative and regulatory changes affecting capital, liquidity, supervision, permissible activities, corporate governance and compensation, changes in fiscal policy and steps to eliminate government support for banking organizations, may have long-term effects on the profitability of banking organizations that cannot now be foreseen. Provisions in the legislation that revoke the Tier 1 capital treatment of trust preferred securities do not apply to the Company s trust preferred securities because of the Company s size. The specific impact of the Dodd-Frank Act on the Company s financial performance and the markets in which its operates will depend on the manner in which the relevant agencies develop and implement the required rules and the reaction of market participants to these regulatory developments. Many aspects of the Dodd-Frank Act are subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on the Company, its customers or the financial industry in general.

We elected not to participate in the U.S. Treasury Department s Capital Purchase Program, which is part of the federal government s Troubled Asset Relief Program. Thus, we will not be subject to any of the regulations enacted with respect to such program. We have, however, issued debt guaranteed under the FDIC s Debt Guarantee Program, which is part of the FDIC s Temporary Liquidity Guarantee Program (the TLGP). We also participated in the TLGP s Transaction Account Guarantee Program, which expired on December 31, 2010. The regulations

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we remain subject to on account of our participation in this program currently do not have a material effect on our business or operations.

We are a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (the Act), and are registered as such with the Board of Governors of the Federal Reserve System (the Federal Reserve). We are required to file with the Federal Reserve an annual report and such other information as the Federal Reserve may require. The Federal Reserve may also make examinations of us and the Bank pursuant to the Act. The Federal Reserve has the authority (which to date it has not exercised) to regulate provisions of certain types of our debt.

The Act requires a bank holding company to obtain the prior approval of the Federal Reserve before acquiring direct or indirect ownership or control of more than 5% of the voting shares of any bank that is not already majority-owned by such bank holding company. The Act further provides that the Federal Reserve shall not approve any acquisition, merger or consolidation which would result in a monopoly or which would be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking. The Federal Reserve will also not approve any transaction in which the effect of the transaction might be to substantially lessen competition or in any manner amount to a restraint on trade, unless the anti-competitive effects of the proposed transaction are clearly outweighed by the benefits to the public interest resulting from the probable effect of the transaction in meeting the convenience and needs of the community to be served.

The Act also prohibits a bank holding company, with certain exceptions, from itself engaging in or acquiring direct or indirect control of more than 5% of the voting shares of any company engaged in non-banking activities. The principal exception to this prohibition is for a bank holding company engaging in or acquiring shares of a company whose activities are found by the Federal Reserve to be so closely related to banking or managing banks as to be a proper incident thereto. In making determinations whether activities are closely related to banking or managing banks, the Federal Reserve is required to consider whether the performance of such activities by a bank holding company or its subsidiaries can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition or gains in efficiency of resources and whether such public benefits outweigh the risks of possible adverse effects, such as decreased or unfair competition, conflicts of interest or unsound banking practices.

The Company and the Bank are subject to certain restrictions imposed by the Federal Reserve Act and the Federal Deposit Insurance Act on any extensions of credit to the Company or the Bank, on investments in the stock or other securities of the Company or the Bank and on taking such stock or other securities as collateral for loans of any borrower.

On November 12, 1999, the Gramm-Leach-Bliley Financial Services Modernization Act of 1999 (the Financial Services Modernization Act) was signed into law. The Financial Services Modernization Act eliminates the barriers erected by the 1933 Glass-Steagall Act and amends the Act, among other statutes. Further, it allows for the affiliation of banking, securities and insurance activities in new financial services organizations.

A dominant theme of the Financial Services Modernization Act is functional regulation of financial services, with the primary regulator of the Company or its subsidiaries being the agency which traditionally regulates the activity in which the Company or its subsidiaries wish to engage. For example, the Securities and Exchange Commission (SEC) will regulate bank holding company securities transactions, and the various banking regulators will oversee banking activities.

The principal provisions of the Financial Services Modernization Act permit the Company, so long as it meets the standards for a well-managed and well-capitalized institution and has at least a satisfactory Community Reinvestment Act performance rating, to engage in any activity that is financial in nature, including security and insurance underwriting, investment banking and merchant banking investing in commercial and industrial companies. The Company, if it satisfies the above criteria, can file a declaration of its status as a financial holding company (FHC) with the Federal Reserve and thereafter engage directly or through nonbank subsidiaries in the expanded range of activities which the Financial Services Modernization Act identifies as financial in nature. Further, the Company, if it elects FHC status, will be able to pursue additional activities which are incidental or complementary in nature to a financial activity or which the Federal Reserve subsequently determines to be financial in nature. We have not elected to become an FHC.

The Reigle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the Interstate Act) permitted the Company or any other bank holding company located in Mississippi to acquire a bank located in any other state, and a bank holding company located outside Mississippi could acquire any Mississippi-based bank, in either case subject to certain deposit percentage and other restrictions. The Dodd-Frank Act removed the restrictions on interstate branching contained in the Interstate Act. National and state-chartered banks are now authorized to establish de novo branches in other states if, under the laws of the state in which the branch is to be located, a bank chartered by that state would be permitted to establish the branch. Accordingly, banks will be able to enter new markets more freely.

Bank holding companies are allowed to acquire savings associations under The Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA). Deposit insurance premiums for banks and savings associations were increased as a result of FIRREA, and losses incurred by the FDIC in connection with the default or assistance of troubled federally-insured financial institutions are required to be reimbursed by other federally-insured financial institutions.

The Company s ability to pay dividends to our shareholders is substantially dependent on the ability of Renasant Bank to transfer funds to the Company in the form of dividends, loans and advances. Under Mississippi law, a Mississippi bank may not pay dividends unless its earned surplus is in excess of three times capital stock. A Mississippi bank with earned surplus in excess of three times capital stock may pay a dividend, subject to the approval of the Mississippi Department of Banking and Consumer Finance. In addition, the FDIC must approve any payment of dividends by the Bank. Accordingly, the approval of these supervisory authorities is required prior to Renasant Bank paying dividends to the Company. Federal Reserve regulations also limit the amount Renasant Bank may loan to the Company unless such loans are collateralized by specific obligations.

The Bank s deposits are insured by the FDIC, and the Bank is subject to examination and review by that regulatory authority. The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) provides for increased funding for the DIF through risk based assessments and expands the regulatory powers of federal banking agencies to permit prompt corrective actions to resolve problems of insured depository institutions.

The Community Reinvestment Act of 1997 requires the assessment by the appropriate regulatory authority of a financial institution s record in meeting the credit needs of its local communities, including low and moderate-income neighborhoods, consistent with the safe and sound operation of those institutions. These factors are also considered in evaluating mergers, acquisitions and applications to open a branch or facility.

The USA PATRIOT Act of 2001 contains the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 (the IMLAFA). The IMLAFA substantially broadens existing anti-money laundering legislation and the extraterritorial jurisdiction of the United States, imposes new compliance and due diligence obligations, creates new crimes and penalties, compels the production of documents located both inside and outside the United States, including those of foreign institutions that have a correspondent relationship in the United States, and clarifies the safe harbor from civil liability to customers. The U.S. Treasury Department has issued a number of regulations implementing the USA PATRIOT Act that apply certain of its requirements to financial institutions such as our Bank. The regulations impose new obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing. The IMLAFA requires all financial institutions, as defined, to establish anti-money laundering compliance and due diligence programs. Such programs must include, among other things, adequate policies, the designation of a compliance officer, employee training programs and an independent audit function to review and test the program. The Company believes that it has complied with these requirements.

Insurance

Renasant Insurance is subject to licensing requirements and regulation under the laws of the United States and the State of Mississippi. The laws and regulations are primarily for the benefit of clients. In all jurisdictions, the applicable laws and regulations are subject to amendment by regulatory authorities. Generally, such authorities are vested with relatively broad discretion to grant, renew and revoke licenses and approvals and to implement regulations. Licenses may be denied or revoked for various reasons, including the violation of such regulations, conviction of crimes and the like. Other possible sanctions which may be imposed for violation of regulations include suspension of individual employees, limitations on engaging in a particular business for a specified period of time, censures and fines.

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Monetary Policy and Economic Controls

We and the Bank are affected by the policies of regulatory authorities, including the Federal Reserve. An important function of the Federal Reserve is to regulate the national supply of bank credit in order to stabilize prices. Among the instruments of monetary policy used by the Federal Reserve to implement these objectives are open market operations in U.S. Government securities, changes in the discount rate on bank borrowings and changes in reserve requirements against bank deposits. These instruments are used in varying degrees to influence overall growth of bank loans, investments and deposits and may also affect interest rates charged on loans or paid for deposits.

The monetary policies of the Federal Reserve have had a significant effect on the operating results of commercial banks in the past, especially in connection with the economic downturn currently affecting the United States, and are expected to do so in the future. In view of changing conditions in the national economy and in the various money markets, as well as the effect of actions by monetary and fiscal authorities including the Federal Reserve, the effect on our, and the Bank s, future business and earnings cannot be predicted with accuracy.

Sources and Availability of Funds

The funds essential to our, and our Bank s, business consist primarily of funds derived from customer deposits, federal funds purchased, securities sold under repurchase agreements, Federal Home Loan Bank advances and borrowings from correspondent banks by the Bank. The availability of such funds is primarily dependent upon the economic policies of the federal government, the economy in general and the general credit market for loans.

Personnel

At December 31, 2010, we employed 996 people at all of our subsidiaries on a full-time equivalent basis. Of this total, the Bank accounted for 962 employees, and Renasant Insurance employed 34 individuals. The Company has no additional employees; however, at December 31, 2010, 17 employees of the Bank served as officers of the Company in addition to their positions with the Bank.

Dependence Upon a Single Customer

No material portion of our loans have been made to, nor have our deposits been obtained from, a single or small group of customers, and the loss of any single customer or small group of customers would not have a materially adverse effect on our business. A discussion of concentrations of credit in our loan portfolio is set forth under the heading Risk Management Loan Concentrations in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations.

Available Information

Our Internet address is www.renasant.com. We make available at this address on the Investors Relations webpage under the heading SEC Filings , free of charge, our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

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Table 1 Distribution of Assets, Liabilities and Shareholders Equity; Interest Rates and Interest Differential

(In Thousands)

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 years ended December 31, 2010, 2009 and 2008:

	2010			2009			2008		
	Average Balance	**Interest Income/ Expense**	**Yield/ Rate**	**Average Balance**	**Interest Income/ Expense**	**Yield/ Rate**	**Average Balance**	**Interest Income/ Expense**	**Yield/ Rate**
Assets									
Interest-earning assets:									
Loans[(1)]	$ 2,442,761	$ 137,905	5.65%	$ 2,497,377	$ 139,808	5.60%	$ 2,591,254	$ 167,824	6.48%
Securities:									
Taxable[(2)]	574,596	21,933	3.82	574,427	26,939	4.69	552,361	28,595	5.18
Tax-exempt	162,660	10,073	6.19	128,262	8,193	6.39	125,136	7,637	6.10
Interest-bearing balances with banks	204,839	573	0.28	90,290	230	0.25	20,651	547	2.65
Total interest-earning assets	3,384,856	170,484	5.04	3,290,356	175,170	5.32	3,289,402	204,603	6.22
Cash and due from banks	55,023			52,802			74,285		
Intangible assets	191,867			192,321			195,252		
Other assets	312,263			168,871			147,086		
Total assets	$ 3,944,009			$ 3,704,350			$ 3,706,025		
Liabilities and shareholders equity									
Interest-bearing liabilities:									
Deposits:									
Interest-bearing demand[(3)]	$ 1,092,482	12,035	1.10	$ 892,545	11,874	1.33	$ 813,628	14,476	1.78
Savings deposits	152,165	1,105	0.73	91,563	154	0.17	105,281	568	0.54
Time deposits	1,438,370	31,347	2.18	1,297,685	34,680	2.67	1,276,862	48,465	3.80
Total interest-bearing deposits	2,683,017	44,487	1.66	2,281,793	46,708	2.05	2,195,771	63,509	2.89
Borrowed funds	438,140	15,790	3.60	689,020	24,390	3.54	772,952	28,011	3.62
Total interest-bearing liabilities	3,121,157	60,277	1.93	2,970,813	71,098	2.39	2,968,723	91,520	3.08
Noninterest-bearing deposits	334,849			299,465			292,145		
Other liabilities	45,692			27,894			42,132		
Shareholders equity	442,311			406,178			403,025		
Total liabilities and shareholders equity	$ 3,944,009			$ 3,704,350			$ 3,706,025		
Net interest income/ net interest margin		$ 110,207	3.26%		$ 104,072	3.16%		$ 113,083	3.44%

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

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Table 2 Volume/Rate Analysis

(In Thousands)

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 years ended December 31, as indicated:

	2010 Compared to 2009			2009 Compared to 2008		
	Volume	Rate	Net[1]	Volume	Rate	Net[1]
Interest income:						
Loans [2]	$ (3,060)	$ 1,157	$ (1,903)	$ (6,470)	$ (21,546)	$ (28,016)
Securities:						
Taxable	(162)	(4,844)	(5,006)	1,117	(2,773)	(1,656)
Tax-exempt	2,249	(369)	1,880	703	(147)	556
Interest-bearing balances with banks	291	52	343	1,846	(2,163)	(317)
Total interest-earning assets	(682)	(4,004)	(4,686)	(2,804)	(26,629)	(29,433)
Interest expense:						
Interest-bearing demand deposits	2,660	(2,499)	161	1,404	(4,006)	(2,602)
Savings deposits	102	849	951	(74)	(340)	(414)
Time deposits	3,760	(7,093)	(3,333)	791	(14,576)	(13,785)
Borrowed funds	(8,881)	281	(8,600)	(3,042)	(579)	(3,621)
Total interest-bearing liabilities	(2,359)	(8,462)	(10,821)	(921)	(19,501)	(20,422)
Change in net interest income	$ 1,677	$ 4,458	$ 6,135	$ (1,883)	$ (7,128)	$ (9,011)

[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.

Table 3 - Investment Portfolio

(In Thousands)

The following table sets forth the scheduled maturity distribution and weighted average yield based on the amortized cost of our investment portfolio as of December 31, 2010. Information regarding the carrying value of the investment securities listed below as of December 31, 2010, 2009 and 2008 is contained under the heading Financial Condition and Results of Operations Investments and Investment Interest Income in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations.

	One Year or Less		After One Year Through Five Years		After Five Years Through Ten Years		After Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Held to Maturity:								
Obligations of other U.S. Government agencies and corporations	$		$		$ 24,703	2.52%	$	
Obligations of states and political subdivisions	9,567	2.42%	44,517	3.67%	42,452	4.61%	109,547	2.42%
Available for Sale:								
			2,989	3.11%	70,667	2.90%		

Obligations of other U.S. Government agencies and corporations								
Mortgage-backed securities	203	1.57%	95	(0.07%)	37,477	4.41%	451,293	3.29%
Trust preferred securities							32,452	6.29%
Other equity securities							29,674	3.15%
	$ 9,770		$ 47,601		$ 175,299		$ 622,966	

The maturity of mortgage-backed securities reflects scheduled repayments based upon the contractual maturities of the securities. Weighted average yields on tax-exempt obligations 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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Table 4 Loan Portfolio

(In Thousands)

The following table sets forth loans, net of unearned income, outstanding at December 31, 2010, which, based on remaining scheduled repayments of principal, are due in the periods indicated. Loans with balloon payments and longer amortizations are often repriced and extended beyond the initial maturity when credit conditions remain satisfactory. Demand loans, loans having no stated schedule of repayments and no stated maturity, and overdrafts are reported below as due in one year or less. For information regarding the loan balances in each of the categories listed below as of the end of each of the last five years, see Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, under the heading Financial Condition and Results of Operations Loan and Loan Interest Income. See Risk Management Credit Risk and Allowance for Loan Losses in Item 7 for information regarding the risk elements applicable to, and a summary of our loan loss experience with respect to, the loans in each of the categories listed below.

	One Year or Less	After One Year Through Five Years	After Five Years	Total
Commercial, financial, agricultural	$ 139,364	$ 103,129	$ 22,783	$ 265,276
Lease financing	184	319		503
Real estate construction	57,083	21,570	3,708	82,361
Real estate 1-4 family mortgage	264,098	391,113	217,171	872,382
Real estate commercial mortgage	304,182	720,995	214,666	1,239,843
Installment loans to individuals	28,283	34,764	1,178	64,225
	$ 793,194	$ 1,271,890	$ 459,506	$ 2,524,590

The following table sets forth the fixed and variable rate loans maturing or scheduled to reprice after one year as of December 31, 2010:

	Interest Sensitivity	
	Fixed Rate	Variable Rate
Due after one year through five years	$ 964,907	$ 306,983
Due after five years	163,499	296,007
	$ 1,128,406	$ 602,990

Table 5 Deposits

(In Thousands)

The following table shows the maturity of certificates of deposit and other time deposits of $100 or more at December 31, 2010:

	Certificates of Deposit	Other
Three Months or Less	$ 159,251	$ 9,445
Over Three through Six Months	114,842	9,543
Over Six through Twelve Months	192,346	13,639
Over 12 Months	236,731	35,464

	$	703,170	$	68,091

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ITEM 1A. RISK FACTORS

In addition to the other information contained in or incorporated by reference into this Form 10-K and the exhibits hereto, the following risk factors should be considered carefully in evaluating our business. The risks disclosed below, either alone or in combination, could materially adversely affect the business, financial condition or results of operations of the Company. Additional risks not presently known to us, or that we currently deem immaterial, may also adversely affect our business, financial condition or results of operations.

Risks Related To Our Business and Industry

Our business may be adversely affected by current economic conditions in general and specifically in our Mississippi, Tennessee, Alabama and Georgia markets.

Over the past two years, the United States economy and the global economy have experienced a severe economic downturn. Only in recent months has it appeared that United States and global economic conditions are beginning to improve. Notwithstanding these signs of improvement, business activity across a wide range of industries and regions remains greatly reduced, and local governments and many businesses are in serious difficulty due to the lack of consumer spending and the lack of liquidity in the credit markets. Unemployment has also increased dramatically, and levels of unemployment are not expected to decline in the near future. The markets in which we operate have not been immune from the effects of this economic downturn.

Since mid-2007, the financial services industry and the securities markets generally were materially and adversely affected by significant declines in the values of nearly all asset classes and by a significant lack of liquidity in the credit markets. This was initially triggered by declines in home prices and the values of subprime mortgages. The global markets have since been characterized by substantially increased volatility and an overall loss of investor confidence, initially in financial institutions, but now in companies in virtually all other industries and in the broader markets.

Declining asset values, defaults on mortgages and consumer loans, and the lack of market and investor confidence, as well as other factors, have all combined to cause rating agencies to lower credit ratings, and to otherwise increase the cost and decrease the availability of liquidity, despite very significant and lasting declines in Federal Reserve borrowing rates and other government actions. As a result of this market volatility, many banks and other institutions have suffered significant losses and have become reluctant to lend, even on a secured basis, due to the increased risk of default and the impact of declining asset values on the value of collateral. This has significantly weakened the strength and liquidity of many financial institutions worldwide, resulting in the failure or near-failure of many institutions.

In addition, the economic conditions in the states of Mississippi, Tennessee, Alabama and Georgia and the specific local markets in which we operate will particularly affect our results of operations and our financial condition. Unlike larger national or other regional banks that are more geographically diversified, 84% of our loans and 74% of our deposits as of December 31, 2010 were principally located in the Tupelo and Oxford, Mississippi, Memphis (including its suburbs in DeSoto County, Mississippi) and Nashville, Tennessee, Birmingham, Decatur and Huntsville, Alabama metropolitan areas and our locations in north Georgia. Due to our limited market areas, the local economic conditions in these areas have a significant impact on the demand for our products and services as well as the ability of our customers to repay loans, the value of the collateral securing loans and the stability of our deposit funding sources.

Our financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, is highly dependent upon the business conditions in the markets where we operate, in the United States as a whole and abroad. These conditions include liquidity in the credit markets, short-term and long-term interest rates, inflation, deflated money supply, political issues, legislative and regulatory changes, fluctuations in both debt and equity capital markets, broad trends in industry and finance and the strength of the U.S. economy and the local economies in which we operate, all of which are beyond our control. We anticipate that the business environment in our markets and the United States as a whole could remain depressed for the foreseeable future, and there remains a possibility of further deterioration. In either case, the credit quality of our loans and the value of loan collateral, as well as our results of operations and financial condition, are likely to be materially and adversely affected. We believe that the impact of the economic downturn in the United States heightens all of the risks described in the remainder of this Item 1A.

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We are subject to lending risk.

There are inherent risks associated with our lending activities. These risks include, among other things, the impact of changes in interest rates and changes in the economic conditions in the markets where we operate as well as those across the United States. Increases in interest rates and/or weakening economic conditions could adversely impact the ability of borrowers to repay outstanding loans or the value of the collateral securing these loans. For the reasons explained below, if current trends in the housing and real estate markets continue, we may experience higher than normal delinquencies and credit losses.

As of December 31, 2010, approximately 62.88% of our loan portfolio consisted of commercial, construction and commercial real estate loans. These types of loans are generally viewed as having more risk to our financial condition than other types of loans due primarily to the large amounts loaned to individual borrowers. Because the loan portfolio contains a significant number of commercial, construction and commercial real estate loans with relatively large balances, the deterioration of one or a few of these loans could cause a significant increase in nonperforming loans. An increase in nonperforming loans could result in a net loss of earnings from these loans, an increase in the provision for possible loan losses and an increase in loan charge-offs, all of which could have a material adverse effect on our financial condition and results of operations.

Our commercial, construction and commercial real estate loan portfolios are discussed in more detail under the heading Operations Operations of the Bank in Item 1, Business.

We have a high concentration of loans secured by real estate.

At December 31, 2010, approximately 86.93% of our loan portfolio had real estate as a primary or secondary component of the collateral securing the loan. The real estate provides an alternate source of repayment in the event of a default by the borrower. Over the past two years, United States real estate, particularly Georgia real estate, has experienced a severe decline in value, and it is not clear at this point whether real estate values have begun to stabilize. Although real estates values in our Alabama, Mississippi and Tennessee markets have not declined as dramatically as in other areas of the United States, any such adverse change in our markets could significantly impair the value of the particular collateral securing our loans and our ability to sell the collateral upon foreclosure for an amount necessary to satisfy the borrower s obligations to us. Furthermore, in a declining real estate market, we often will need to further increase our allowance for loan losses to address the deterioration in the value of the real estate securing our loans, which was the case both in 2009 and in 2010. Any of the foregoing could have a material adverse effect on our financial condition and results of operations.

We have a concentration of credit exposure in commercial real estate.

At December 31, 2010, we had approximately $1.2 billion in commercial real estate loans, representing approximately 49.11% of our loans outstanding on that date. In addition to the general risks associated with our lending activities described above, including the effects of declines in real estate values, commercial real estate loans are subject to additional risks. Commercial real estate loans depend on cash flows from the property to service the debt. Cash flows, either in the form of rental income or the proceeds from sales of commercial real estate, may be affected significantly by general economic conditions. A downturn in the local economy generally or in occupancy rates where the property is located could increase the likelihood of default.

In addition, in light of the current downturn in United States real estate markets generally, banking regulators are giving commercial real estate lending greater scrutiny and, in some instances, have required banks with higher levels of commercial real estate loans to implement improved underwriting, internal controls, risk management policies and portfolio stress testing, as well as possibly higher levels of allowances for loan losses and capital levels as a result of commercial real estate lending growth and exposure. Any of these factors could have a material adverse effect on our financial condition and results of operations.

We depend on the accuracy and completeness of information furnished by others about customers and counterparties.

In deciding whether to extend credit or enter into other transactions, we often rely on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports, other financial information and appraisals of the value of collateral. We may also rely on representations of those customers, counterparties or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit reports, other financial information or appraisals could have a material adverse effect on our business and, in turn, our financial condition and results of operations.

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Our allowance for possible loan losses may be insufficient, and we may be required to further increase our provision for loan losses.

Although we try to maintain diversification within our loan portfolio in order to minimize the effect of economic conditions within a particular industry, management also maintains an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expense, to absorb probable credit losses inherent in the entire loan portfolio. The appropriate level of the allowance is based on management s ongoing analysis of the loan portfolio and represents an amount that management deems adequate to provide for inherent losses, including collateral impairment. Among other considerations in establishing the allowance for loan losses, management considers 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 determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires management to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the allowance for loan losses.

The economic downturn in the United States has made it more difficult to estimate with precision the extent to which credit risks and future trends need to be addressed through a provision to our allowance for loan losses. If current weak economic conditions continue, particularly in the construction and real estate markets, we expect that we will continue to experience higher than normal delinquencies and credit losses. As a result, we may be required to make further increases in our provision for loan losses and to charge off additional loans in the future, which could materially adversely affect our financial condition and results of operations.

In addition, bank regulatory agencies periodically review the allowance for loan losses and may require an increase in the provision for loan losses or the recognition of further loan charge-offs, based on judgments different than those of management. In addition, if charge-offs in future periods exceed the allowance for loan losses, we will need additional provisions to increase the allowance for loan losses. Any increases in the allowance for loan losses will result in a decrease in net income and, possibly, capital and may have a material adverse effect on our financial condition and results of operations. A discussion of the policies and procedures related to management s process for determining the appropriate level of the allowance for loan losses is set forth under the heading Risk Management Credit Risk and Allowance for Loan Losses in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations.

We are subject to interest rate risk.

Our earnings and cash flows are largely dependent upon our net interest income. Net interest income is the difference between interest earned on assets, such as loans and securities, and the cost of interest-bearing liabilities, such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Federal Reserve. Currently, to help combat the effects of the economic downturn in the United States, the Federal Reserve has indicated that it is likely to maintain a low interest rate policy with respect to its federal funds target rate for the foreseeable future. Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and securities and the amount of interest we pay on deposits and borrowings, but such changes could also affect (1) our ability to originate loans and obtain deposits, which could reduce the amount of fee income generated and (2) the fair value of our financial assets and liabilities.

Our financial results are constantly exposed to market risk.

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

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

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

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

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

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

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

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

A discussion of our policies and procedures used to identify, assess and manage certain interest rate risk is set forth under the heading Risk Management Interest Rate Risk in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations.

Liquidity needs could adversely affect our results of operations and financial condition.

We rely on dividends from the Bank as our primary source of funds. The primary source of the Bank s funds are customer deposits and loan repayments. While scheduled loan repayments are a relatively stable source of funds, they are subject to the ability of borrowers to repay the loans. The ability of borrowers to repay loans can be adversely affected by a number of factors, including changes in economic conditions, adverse trends or events affecting business industry groups, reductions in real estate values or markets, business closings or lay-offs, inclement weather, natural disasters and international instability. Many of these conditions have arisen during the current economic downturn. Additionally, deposit levels may be affected by a number of factors, including rates paid by competitors, general interest rate levels, returns available to customers on alternative investments and general economic conditions. Accordingly, we may be required from time to time to rely on secondary sources of liquidity to meet withdrawal demands or otherwise fund operations or to support growth. Such sources include Federal Home Loan Bank advances and federal funds lines of credit from correspondent banks. While we believe that these sources are currently adequate, there can be no assurance they will be sufficient to meet future liquidity demands.

If the aforementioned sources of liquidity are not adequate for our needs, we may attempt to raise additional capital in the capital markets. Our ability to raise additional capital, if needed, will depend on conditions in such markets at that time, which are outside our control, and on our financial performance. Accordingly, we cannot assure you of our ability to raise additional capital in this manner.

If we are unable to meet our liquidity needs, we may be required to slow or discontinue loan growth, capital expenditures or other investments or liquidate assets.

Our business strategy includes the continuation of growth plans, and our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively.

Since 2004, we have significantly grown our business outside our Mississippi footprint through the acquisition of entire financial institutions and through de novo branching. Since the beginning of 2010, we opened three de novo branches, and we acquired specified assets and the operations of, and assumed specified liabilities of, Crescent and American Trust in two FDIC-assisted transactions. We intend to continue pursuing a growth strategy for our business through de novo branching. In addition, we expect to continue to evaluate attractive acquisition opportunities that are presented to us, whether via negotiated or FDIC-assisted

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transactions. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in growth stages of development, including the following:

Management of Growth. We may be unable to successfully:

- maintain loan quality in the context of significant loan growth;
- maintain adequate management personnel and systems to oversee such growth;
- maintain adequate internal audit, loan review and compliance functions; and
- implement additional policies, procedures and operating systems required to support such growth.

Operating Results. There is no assurance that existing offices or future offices will maintain or achieve deposit levels, loan balances or other operating results necessary to avoid losses or produce profits. Our growth and de novo branching strategy necessarily entails growth in overhead expenses as we routinely add new offices and staff. Our historical results may not be indicative of future results or results that may be achieved as we continue to increase the number and concentration of our branch offices. Should any new location be unprofitable or marginally profitable, or should any existing location experience a decline in profitability or incur losses, the adverse effect on our results of operations and financial condition could be more significant than would be the case for a larger company.

Development of Offices. There are considerable costs involved in opening branches, and new branches generally do not generate sufficient revenues to offset their costs until they have been in operation for at least a year or more. Accordingly, our de novo branches can be expected to negatively impact our earnings for some period of time until the branches reach certain economies of scale. Our expenses could be further increased if we encounter delays in opening any of our de novo branches. We may be unable to accomplish future branch expansion plans due to a lack of available satisfactory sites, difficulties in acquiring such sites, increased expenses or loss of potential sites due to complexities associated with zoning and permitting processes, higher than anticipated merger and acquisition costs or other factors. Finally, we have no assurance our de novo branches or branches that we may acquire will be successful even after they have been established or acquired, as the case may be.

Expansion into New Markets. Much of our recent growth, and all of our growth through acquisitions, has been focused in the highly-competitive Memphis and Nashville, Tennessee, Birmingham and Huntsville, Alabama metropolitan and north Georgia markets. The customer demographics and financial services offerings in these markets are unlike those found in the Mississippi markets that we have historically served. In these growth markets we face competition from a wide array of financial institutions, including much larger, well-established financial institutions.

Regulatory and Economic Factors. Our growth and expansion plans may be adversely affected by a number of regulatory and economic developments or other events, including regulatory changes enacted in response to the current economic downturn (which are discussed in more detail below). Failure to obtain required regulatory approvals, changes in laws and regulations or other regulatory developments and changes in prevailing economic conditions or other unanticipated events may prevent or adversely affect our continued growth and expansion. Such factors may cause us to alter our growth and expansion plans or slow or halt the growth and expansion process, which may prevent us from entering certain target markets or allow competitors to gain or retain market share in our existing or expected markets.

Failure to successfully address these issues could have a material adverse effect on our financial condition and results of operations, and could adversely affect our ability to successfully implement our business strategy. Also, if our growth occurs more slowly than anticipated or declines, our operating results could be materially adversely affected.

We may fail to realize the anticipated benefits of our acquisitions of Crescent and American Trust.

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

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

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

- deposit attrition, customer loss and revenue loss;
- the loss of key employees;
- the disruption of our operations and business;
- our inability to maintain and increase competitive presence;
- possible inconsistencies in standards, control procedures and policies; and/or
- unexpected problems with costs, operations, personnel, technology and credit.

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

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

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

In connection with the acquisitions of Crescent s and American Trust s respective assets and operations and the assumption of their liabilities, the Bank entered into loss-sharing arrangements with the FDIC that covered approximately $700 million of acquired assets in the aggregate. Under each loss-sharing arrangement, the FDIC is obligated to reimburse the Bank for 80% of all eligible losses with respect to covered assets, beginning with the first dollar of loss incurred. The Bank has a corresponding obligation to reimburse the FDIC for 80% of eligible recoveries with respect to covered assets. In addition, each Purchase and Assumption Agreement with the FDIC provides that after the 10th anniversary of the acquisition, the FDIC has a right to recover a portion of its shared-loss reimbursements if losses on the covered assets are less than $242 million for Crescent or $16 million for American Trust. The loss-sharing agreements applicable to single-family residential mortgage loans provides for FDIC loss-sharing and Bank reimbursement to the FDIC to run for ten years, and the loss-sharing agreement applicable to commercial and other assets provides for FDIC loss-sharing and Bank reimbursement to the FDIC to run for five years, with additional recovery sharing for three years thereafter.

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

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

The FDIC s agreement to bear 80% of qualifying losses on single family residential loans for ten years and commercial loans for five years is a significant asset of the Company and a feature of the Crescent and American Trust acquisitions without which we would not have entered into either transaction. Our agreements with the FDIC require that we receive prior FDIC consent, which may be withheld by the FDIC in its sole discretion, prior to us or

our shareholders engaging in certain transactions. If any such transaction is completed without prior FDIC consent, the FDIC would have the right to discontinue either or both of the loss-sharing arrangements.

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

We may engage in additional FDIC-assisted transactions.

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

We may face risks with respect to future acquisitions.

When we attempt to expand our business through mergers and acquisitions (including FDIC-assisted transactions), we seek targets that are culturally similar to us, have experienced management and possess either significant market presence or have potential for improved profitability through economies of scale or expanded services or, in the case of FDIC-assisted transactions, on account of the loss-sharing arrangements with the FDIC associated with such transactions. In addition to the particular risks associated with FDIC-assisted transactions highlighted immediately above, in general acquiring other banks, businesses or branches involves various risks commonly associated with acquisitions, including, among other things:

- the time and costs associated with identifying and evaluating potential acquisition and merger targets;
- inaccuracies in the estimates and judgments used to evaluate credit, operations, management and market risks with respect to the target institution;
- the time and costs of evaluating new markets, hiring experienced local management and opening new bank locations, and the time lags between these activities and the generation of sufficient assets and deposits to support the costs of the expansion;
- our ability to finance an acquisition and possible dilution to our existing shareholders;
- the diversion of our management s attention to the negotiation of a transaction;
- the incurrence of an impairment of goodwill associated with an acquisition and adverse effects on our results of operations;
- entry into new markets where we lack experience; and
- risks associated with integrating the operations and personnel of the acquired business, as discussed above in the context of the Crescent and American Trust transactions.

We expect to continue to evaluate merger and acquisition opportunities (including FDIC-assisted transactions) that are presented to us and conduct due diligence activities related to possible transactions with other financial institutions. As a result, merger or acquisition discussions and, in some cases, negotiations may take place and future mergers or acquisitions involving cash, debt or equity securities may occur at any time. Historically, acquisitions of non-failed financial institutions involve the payment of a premium over book and market values, and, therefore, some dilution of our book value and net income per common share may occur in connection with any future transaction. Failure to realize the expected revenue increases, cost savings, increases in geographic or product

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presence and/or other projected benefits from an acquisition could have a material adverse effect on our financial condition and results of operations.

Competition in the banking industry is intense and may adversely affect our profitability.

We face substantial competition in all areas of our operations from a variety of different competitors, many of which are larger and have substantially greater resources than we have, including higher total assets and capitalization, greater access to capital markets and a broader offering of financial services. Such competitors primarily include national, regional and community banks within the various markets in which we operate. We also face competition from many other types of financial institutions, including savings and loans, credit unions, finance companies, brokerage firms, insurance companies, factoring companies and other financial intermediaries. The information under the heading Competition in Item 1, Business, provides more information regarding the competitive conditions in our growth markets.

Our industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. The economic downturn in the United States has already resulted in the consolidation of a number of financial institutions, in addition to acquisitions of failed institutions. We expect additional consolidation to occur. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Also, as highlighted by our discussion of the Dodd-Frank Act, legislative and regulatory changes on both the federal and state level may materially affect competitive conditions in our industry. Finally, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Many of our competitors have fewer regulatory constraints and may have lower cost structures.

Our ability to compete successfully depends on a number of factors, including, among other things:

- the ability to develop, maintain and build upon long-term customer relationships based on top quality service, high ethical standards and safe, sound assets;
- the ability to expand our market position;
- the scope, relevance and pricing of products and services offered to meet customer needs and demands;
- the rate at which we introduce new products and services relative to our competitors;
- customer satisfaction with our level of service; and
- industry and general economic trends.

Failure to perform in any of these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability, which, in turn, could have a material adverse effect on our financial condition and results of operations.

We may be adversely affected by the soundness of other financial institutions.

Entities within the financial services industry are interrelated as a result of trading, clearing, counterparty and other relationships. We have exposure to many different industries and counterparties and from time to time execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks and other institutional clients. Many of these transactions expose us to credit risk in the event of a default by a counterparty or client. In addition, our credit risk may be exacerbated when the collateral we hold cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit due to us. Any such losses could have a material adverse affect on our financial condition and results of operations.

We are subject to extensive government regulation, and such regulation could limit or restrict our activities and adversely affect our earnings.

We and the Bank are subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors funds, federal deposit insurance funds and the banking system as a whole. These regulations affect our lending practices, capital structure, investment practices, dividend policy and growth, among other things. Furthermore, as discussed below, the Dodd-Frank Act will result in significant changes to the regulations governing banks and other financial institutions, and other changes to such regulations have been proposed. We believe it is likely that some of these proposed changes will be enacted, although it is impossible to predict the ultimate substance of these changes or their likely effect on our activities or profitability. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of the foregoing,

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could affect us and/or the Bank in substantial and unpredictable ways. Such changes could subject us to additional costs, limit the types of financial services and products we may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things.

Under regulatory capital adequacy guidelines and other regulatory requirements, we and the Bank must meet guidelines that include quantitative measures of assets, liabilities and certain off-balance sheet items, subject to qualitative judgments by regulators about components, risk weightings and other factors. If we fail to meet these minimum capital guidelines and other regulatory requirements, our financial condition would be materially and adversely affected. Our failure to maintain the status of well capitalized under our regulatory framework could affect the confidence of our customers in us, thus compromising our competitive position. In addition, failure to maintain the status of well capitalized under our regulatory framework or well managed under regulatory examination procedures could compromise our status as a bank holding company and related eligibility for a streamlined review process for merger or acquisition proposals and would result in higher deposit insurance premiums assessed by the FDIC.

We are also subject to laws, regulations and standards relating to corporate governance and public disclosure in addition to the Dodd-Frank Act, including the Sarbanes-Oxley Act of 2002 and SEC regulations. These laws, regulations and standards are subject to varying interpretations in many cases, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased expenses and a diversion of management time and attention.

Failure to comply with laws, regulations or policies could also result in sanctions by regulatory agencies and/or civil money penalties, which could have a material adverse effect on our business, financial condition and results of operations. While we have policies and procedures designed to prevent any such violations, there can be no assurance that such violations will not occur. The information under the heading Supervision and Regulation in Item 1, Business, and Note O, Regulatory Matters, in the Notes to Consolidated Financial Statements of the Company in Item 8, Financial Statements and Supplementary Data, provides more information regarding the regulatory environment in which we and the Bank operate.

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

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

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

The Dodd-Frank Act also broadens the base for FDIC insurance assessments. Assessments will now be based on the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act also permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per depositor, retroactive to January 1, 2009, and non-interest bearing transaction accounts have unlimited deposit insurance through December 31, 2012.

The Dodd-Frank Act also requires publicly traded companies to give stockholders a non-binding vote on executive compensation and so-called golden parachute payments in certain circumstances. The legislation also directs the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded or not.

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

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

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

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

Changes in accounting standards issued by the Financial Accounting Standards Board (FASB) or other standard-setting bodies may adversely affect our financial statements.

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

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

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

We may not be able to attract and retain skilled people.

Our success depends in part on our ability to retain key executives and to attract and retain additional qualified personnel who have experience both in sophisticated banking matters and in operating a bank of our size. Competition for such personnel can be intense in the banking industry, and we may not be successful in attracting or

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retaining the personnel we require. The unexpected loss of one or more of our key personnel could have a material adverse effect on our business because of their skills, knowledge of our markets, years of industry experience and the difficulty of promptly finding qualified replacements. We expect to effectively compete in this area by offering financial packages that are competitive within the industry.

We are subject to environmental liability risk associated with lending activities.

A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property s value or limit our ability to use or sell the affected property. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our financial condition and results of operations. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Although management has policies and procedures to perform an environmental review before the loan is recorded and before initiating any foreclosure action on real property, these reviews may not be sufficient to detect all potential environmental hazards.

Severe weather, natural disasters, acts of war or terrorism and other external events could significantly impact our business.

Severe weather, natural disasters, acts of war or terrorism and other adverse external events could have a significant impact on our ability to conduct business. Such events could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue and/or cause us to incur additional expenses. Although management has established disaster recovery policies and procedures, the occurrence of any such event could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations.

Risks Associated With Our Common Stock

Our stock price can be volatile.

Stock price volatility may make it more difficult for an investor to resell our common stock when desired and at attractive prices. Our stock price can fluctuate significantly in response to a variety of factors including, among other things:

- actual or anticipated variations in quarterly results of operations;
- recommendations by securities analysts;
- operating and stock price performance of other companies that investors deem comparable to us;
- news reports relating to trends, concerns and other issues in the banking and financial services industry;
- perceptions in the marketplace regarding us and/or our competitors;
- new technology used, or services offered, by us or our competitors;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors;
- failure to integrate acquisitions or realize anticipated benefits from acquisitions;
- changes in government regulations; and
- geopolitical conditions such as acts or threats of terrorism or military conflicts.

General market fluctuations, industry factors and general economic and political conditions and events, such as economic slowdowns or recessions, interest rate changes or credit loss trends, could also cause our stock price to decrease regardless of operating results.

The trading volume in our common stock is less than that of other larger bank holding companies.

Although our common stock is listed for trading on The NASDAQ Global Select Market, the average daily trading volume in our common stock is lower than other publicly traded companies, generally less than that of many of our competitors and other larger bank holding companies. For the three months ended February 28, 2011, the average daily trading volume for Renasant common stock was 67,071 shares per day. A public trading market having the

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desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of our common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. Significant sales of our common stock, or the expectation of these sales, could cause volatility in the price of our common stock.

Our ability to declare and pay dividends is limited by law, and we may be unable to pay future dividends.

We are a separate and distinct legal entity from the Bank, and we receive substantially all of our revenue from dividends from the Bank. These dividends are the principal source of funds to pay dividends on our common stock and interest and principal on debt. Various federal and/or state laws and regulations limit the amount of dividends that the Bank may pay to us. In the event the Bank is unable to pay dividends to us, we may not be able to service debt, pay obligations or pay dividends on our common stock. The inability to receive dividends from the Bank could have a material adverse effect on our business, financial condition and results of operations. The information under Note N, Restrictions on Cash, Bank Dividends, Loans or Advances, in the Notes to Consolidated Financial Statements of the Company in Item 8, Financial Statements and Supplementary Data, provides a detailed discussion about the restrictions governing the Bank s ability to transfer funds to us.

Holders of our junior subordinated debentures have rights that are senior to those of our common shareholders.

We have supported a portion of our growth through the issuance of trust preferred securities from special purpose trusts and accompanying junior subordinated debentures. Also, in connection with the Heritage Financial Holding Corporation (Heritage) and Capital Bancorp, Inc. (Capital) mergers, we assumed junior subordinated debentures issued by Heritage and Capital, respectively. At December 31, 2010, we had trust preferred securities and accompanying junior subordinated debentures with a carrying value of $76 million. Payments of the principal and interest on the trust preferred securities of these trusts are conditionally guaranteed by us. Further, the junior subordinated debentures we issued to the trusts are senior to our shares of common stock. As a result, we must make payments on the junior subordinated debentures before any dividends can be paid on our common stock and, in the event of our bankruptcy, dissolution or liquidation, the holders of the junior subordinated debentures must be satisfied before any distributions can be made on our common stock. We have the right to defer distributions on our junior subordinated debentures (and the related trust preferred securities) for up to five years, during which time no dividends may be paid on our common stock.

An investment in our common stock is not an insured deposit.

Our common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC, any deposit insurance fund or by any other public or private entity. Investment in our common stock is inherently risky for the reasons described in this Risk Factors section and elsewhere in this Annual Report on Form 10-K and is subject to the same market forces that affect the price of common stock in any company. As a result, an investor may lose some or all of his investment in our common stock.

Our Articles of Incorporation and Bylaws, as well as certain banking laws, could decrease our chances of being acquired even if our acquisition is in our shareholders best interests.

Provisions of our Articles of Incorporation and Bylaws and federal banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire us, even if doing so would be perceived to be beneficial to our shareholders. The combination of these provisions impedes a non-negotiated merger or other business combination, which, in turn, could adversely affect the market price of our common stock.

Our issuance of preferred stock could adversely affect holders of our common stock and discourage a takeover.

Our shareholders authorized the Board of Directors to issue up to 5,000,000 shares of preferred stock without any further action on the part of our shareholders. Our Board of Directors also has the power, without shareholder approval, to set the terms of any series of preferred stock that may be issued, including voting rights, dividend rights, preferences over our common stock with respect to dividends or in the event of a dissolution, liquidation or winding up and other terms. In the event that we issue preferred stock in the future that has preference over our common stock with respect to payment of dividends or upon our liquidation, dissolution or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of the holders of our common stock or the market price of our common stock could be adversely affected. In addition, the ability of our Board of Directors to issue shares of preferred stock without any action on the part of our shareholders may impede a takeover of us and prevent a transaction perceived to be favorable to our shareholders.

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Shares eligible for future sale could have a dilutive effect.

Shares of our common stock eligible for future sale, including those that may be issued in any other private or public offering of our common stock for cash or as incentives under incentive plans, could have a dilutive effect on the market for our common stock and could adversely affect market prices. As of February 28, 2011, there were 75,000,000 shares of our common stock authorized, of which 25,056,431 shares were outstanding.

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The main office of the Company is located at 209 Troy Street, Tupelo, Mississippi. Various departments occupy each floor of the five-story building. The Technology Center, also located in Tupelo, houses electronic data processing, document preparation, document imaging, loan servicing and deposit operations. In addition, the Bank operates forty-four branches and one financial services office throughout north and north central Mississippi, ten branches throughout west and middle Tennessee, nine branches throughout north and north central Alabama and fourteen branches throughout north Georgia.

In Mississippi, the Bank has seven branches in Tupelo, three branches in Booneville, two branches each in Amory, Corinth, New Albany, Oxford, Pontotoc and West Point and one branch each in Aberdeen, Batesville, Belden, Calhoun City, Coffeeville, Columbus, Grenada, Guntown, Hernando, Horn Lake, Iuka, Louisville, Okolona, Olive Branch, Saltillo, Sardis, Shannon, Smithville, Southaven, Verona, Water Valley and Winona. The Bank operates one financial services office in Tupelo.

In Tennessee, the Bank operates ten branches, three branches in the Memphis area and seven branches in the Nashville area. In Memphis, the Bank operates one branch each in East Memphis, Germantown and Collierville. In Nashville, the Bank operates three branches within the city of Nashville and one branch each in Franklin, Goodlettsville, Hendersonville and Hermitage.

In Alabama, the Bank has three branches in Decatur, three branches in Birmingham and one branch each in Huntsville, Madison and Trussville.

In Georgia, the Bank has three branches in Alpharetta, two branches each in Cartersville, Cumming and Woodstock and one branch each in Adairsville, Canton, Jasper, Marble Hill and Roswell.

Renasant Insurance has one office each in Corinth, Louisville and Tupelo, Mississippi.

The Bank owns the Company s main office located at 209 Troy Street, Tupelo, Mississippi as well as forty-one of the Mississippi branch office sites and its financial services office. The Bank leases four locations in Mississippi for use in conducting banking activities as well as various storage facilities. In Tennessee, the Bank owns four branch office sites. The remaining six branch office sites as well as storage facilities in Tennessee are leased. In Alabama, the Bank owns two of the branch office sites and leases seven office sites. In Georgia, the Bank owns eleven of the branch office sites and leases three office sites. Renasant Insurance owns each of the three locations for conducting its business. The aggregate annual rental for all leased premises during the year ending December 31, 2010 was $2.3 million. None of our properties are subject to any material encumbrances.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings to which the Company, the Bank, Renasant Insurance or any other subsidiaries are a party or to which any of their property is subject, and no such legal proceedings were terminated in the fourth quarter of 2010.

ITEM 4. [RESERVED]

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information and Dividends

The Company s common stock trades on The NASDAQ Global Select Market (NASDAQ) under the ticker symbol RNST. On February 28, 2011, the Company had approximately 6,900 shareholders of record and the closing sales price of the Company s common stock was $16.07. The following table sets forth the high and low sales price for the Company s common stock for each quarterly period for the fiscal years ended December 31, 2010 and 2009 as reported on NASDAQ, and the amount of cash dividends declared during each quarterly period during such fiscal years:

	Dividends Per Share	Prices High	Prices Low
2010			
1st Quarter	$ 0.170	$ 17.17	$ 13.43
2nd Quarter	0.170	18.16	13.25
3rd Quarter	0.170	15.79	12.85
4th Quarter	0.170	18.09	15.08
2009			
1st Quarter	$ 0.170	$ 17.37	$ 7.80
2nd Quarter	0.170	16.66	11.59
3rd Quarter	0.170	16.19	12.25
4th Quarter	0.170	15.12	12.81

The Company declares dividends on a quarterly basis. Funds for the payment of cash dividends are obtained from dividends received by the Company from the Bank. Accordingly, the declaration and payment of cash dividends by the Company depends upon the Bank s earnings, financial condition, general economic conditions, compliance with regulatory requirements and other factors. Restrictions on the Bank s ability to transfer funds to the Company in the form of cash dividends exist under federal and state law and regulations. See Note N, Restrictions on Cash, Bank Dividends, Loans or Advances, in the Notes to Consolidated Financial Statements of the Company in Item 8, Financial Statements and Supplementary Data, for a discussion of these restrictions. These restrictions do not, and are not expected in the future to, materially limit the Company s ability to pay dividends to its shareholders in an amount consistent with the Company s history of dividend payments.

Please refer to Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, for a discussion of the securities authorized for issuance under the Company s equity compensation plans.

Issuer Purchases of Equity Securities

The Company did not repurchase any of its outstanding equity securities during the three month period ended December 31, 2010. However, in connection with the vesting of restricted stock held by certain of our senior executive officers on December 31, 2010, in January, 2011 the Company withheld a portion of the shares of restricted stock to pay taxes due in connection with such vesting. An aggregate of 6,714 shares were withheld, at an average price of $16.91 per share.

Stock Performance Graph

The following performance graph compares the performance of our common stock to the NASDAQ Market Index and to a peer group of regional southeast bank holding companies (which includes the Company) for our reporting period. The performance graph assumes that the value of the investment in our common stock, the NASDAQ Market Index and the peer group of regional southeast bank holding companies was $100 at December 31, 2005, and that all dividends were reinvested.

	Period Ending December 31,					
	2005	2006	2007	2008	2009	2010
Renasant Corporation	$ 100.00	$ 148.62	$ 107.79	$ 88.26	$ 74.13	$ 96.35
NASDAQ Market Index	100.00	110.39	122.15	73.32	106.57	125.91
SNL Southeast Bank Index(1)	100.00	117.26	88.33	35.76	35.90	34.86

(1) The SNL Geographic Index, Southeast Banks, is a peer group of 102 regional bank holding companies, whose common stock is traded either on the New York Stock Exchange, NYSE Amex or NASDAQ, and who are headquartered in Alabama, Arkansas, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia.

There can be no assurance that our common stock performance will continue in the future with the same or similar trends depicted in the performance graph above. We will not make or endorse any predictions as to future stock performance. The information provided under the heading Stock Performance Graph shall not be deemed to be soliciting material or to be filed with the SEC or subject to its proxy regulations or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, other than as provided in Item 201 of Regulation S-K. The information provided in this section shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

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ITEM 6. SELECTED FINANCIAL DATA[1]
(In Thousands, Except Share Data) (Unaudited)

Year ended December 31,	**2010**	**2009**	**2008**	**2007**	**2006**
Interest income	$ 165,339	$ 170,564	$ 200,962	$ 198,203	$ 154,293
Interest expense	60,277	71,098	91,520	102,382	70,230
Provision for loan losses	30,665	26,890	22,804	4,838	2,408
Noninterest income	95,915	57,558	54,042	52,187	45,943
Noninterest expense	123,619	105,753	107,968	98,000	89,006
Income before income taxes	46,693	24,381	32,712	45,170	38,592
Income taxes	15,018	5,863	8,660	14,069	11,467
Net income	$ 31,675	$ 18,518	$ 24,052	$ 31,101	$ 27,125
Per Common Share					
Net income Basic	$ 1.39	$ 0.88	$ 1.15	$ 1.66	$ 1.75
Net income Diluted	1.38	0.87	1.14	1.64	1.71
Book value at December 31	18.75	19.45	19.00	19.15	16.27
Closing price[2]	16.91	13.60	17.03	21.57	30.63
Cash dividends declared and paid	0.680	0.680	0.680	0.660	0.627
At December 31,					
Assets	$ 4,297,327	$ 3,641,081	$ 3,715,980	$ 3,612,287	$ 2,611,356
Loans, net of unearned income	2,524,590	2,347,615	2,530,886	2,586,593	1,826,762
Securities	834,472	714,164	695,106	539,590	428,065
Deposits	3,468,151	2,576,100	2,344,331	2,547,821	2,108,965
Borrowings	316,436	618,024	933,976	624,388	216,423
Shareholders equity	469,509	410,122	400,371	399,073	252,704
Selected Ratios					
Return on average:					
Total assets	0.80%	0.50%	0.65%	0.99%	1.08%
Shareholders equity	7.16%	4.56%	5.97%	9.29%	11.00%
Average shareholders equity to average assets	11.21%	10.96%	10.87%	10.69%	9.83%
At December 31,					
Shareholders equity to assets	10.93%	11.26%	10.77%	11.05%	9.67%
Allowance for loan losses to total loans, net of unearned income[3]	2.07%	1.67%	1.38%	1.02%	1.07%
Allowance for loan losses to nonperforming loans[3]	84.32%	78.25%	87.45%	162.02%	173.05%
Nonperforming loans to total loans, net of unearned income[3]	2.46%	2.13%	1.58%	0.63%	0.62%
Dividend payout	49.28%	78.16%	59.65%	40.24%	36.67%

(1) Selected consolidated financial data includes the effect of mergers and other acquisition transactions from the date of each merger or other transaction. On July 23, 2010, Renasant Bank acquired specified assets and assumed specified liabilities of Crescent Bank & Trust Company, a Georgia-chartered bank headquartered in Jasper, Georgia (Crescent), from the Federal Deposit Insurance Corporation, as receiver for Crescent. On July 1, 2007, Renasant Corporation completed the merger with Capital Bancorp, Inc. of Nashville, Tennessee. Refer to Item 1, Business, and Note B, FDIC-Assisted Acquisition of Certain Assets and Liabilities of Crescent Bank & Trust, in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data for additional information about the transaction involving Crescent. For additional information about the Capital Bancorp, Inc. merger, refer to Item 1, Business, and Note T, Mergers and Acquisitions, in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data, in Renasant Corporation s Annual Report on Form 10-K for the year ended December 31, 2007, filed with the Securities and Exchange Commission on March 12, 2008.

(2) Reflects the closing price on the NASDAQ Global Select Market on December 31, 2010, 2009, 2008, 2007 and 2006 (or the last trading day preceding such date).

(3) Excludes assets covered under loss-share agreements with the FDIC.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(In Thousands, Except Share Data)

Performance Overview

Net income was $31,675 for 2010 compared to $18,518 for 2009 and $24,052 for 2008. The fluctuation in net income since 2008 was influenced by a number of factors:

The Company expanded into north Georgia through its acquisition of the assets of Crescent Bank & Trust Company (Crescent) in an FDIC-assisted transaction. The acquisition resulted in a bargain purchase gain of $42,211 for 2010.

Net interest income increased 5.63% to $105,062 for 2010 as compared to $99,466 for 2009 and decreased 4.00% as compared to $109,442 for 2008. Interest income decreased 3.06% to $165,339 for 2010 from $170,564 for 2009; interest income was $200,962 for 2008. Interest expense decreased 15.22% to $60,277 for 2010 compared to $71,098 for 2009; interest expense was $91,520 for 2008.

Net charge-offs as a percentage of average loans increased to 1.00% in 2010 compared to 0.91% in 2009 and 0.55% in 2008. The provision for loan losses was $30,665 for 2010 compared to $26,890 for 2009 and $22,804 for 2008.

Noninterest income was $95,915 for 2010 compared to $57,558 for 2009 and $54,042 for 2008. The aforementioned gain from the acquisition of Crescent is recorded in noninterest income.

Noninterest expenses were $123,619 for 2010 compared to $105,753 for 2009 and $107,968 for 2008.

Loans, net of unearned income, totaled $2,524,590 at December 31, 2010, an increase of $176,975, or 7.54%, from December 31, 2009. The operations acquired from Crescent contributed $350,849 to total loans at December 31, 2010.

Deposits totaled $3,468,151 at December 31, 2010, an increase of $892,051, or 34.63%, from December 31, 2009. The operations acquired from Crescent contributed $664,891 to total deposits at December 31, 2010.

A historical look at key performance indicators is presented below.

	2010	2009	2008	2007	2006
Diluted EPS	$ 1.38	$ 0.87	$ 1.14	$ 1.64	$ 1.71
Diluted EPS Growth	58.62%	(23.68%)	(30.49%)	(4.09%)	11.04%
Return on Average Assets	0.80%	0.50%	0.65%	0.99%	1.08%
Return on Average Shareholders Equity	7.16%	4.56%	5.97%	9.29%	11.00%

Certain markets in which we operate have demographics which we believe indicate the possibility of future growth at higher rates than other markets in which we operate. These markets are: Tupelo, Oxford and DeSoto County, Mississippi; Birmingham, Decatur and Huntsville/Madison, Alabama; Germantown, Collierville, Memphis/Cordova, Tennessee; the Nashville-Davidson-Murfreesboro, Tennessee Metropolitan Statistical Area and our markets in north Georgia. We have identified these markets as key growth markets, and when we refer in this item to our key markets, we are referring to such markets.

We expect future loan growth to come primarily from our key markets. It is our strategy to fund this loan growth with deposits throughout all of our markets. While we believe future deposit growth will come primarily from these key markets, deposits outside of these key markets remain valuable to us given the low cost of such deposits relative to the cost of deposits in our key markets, on account of the higher level of competition in our key markets.

Critical Accounting Policies

Our financial statements are prepared using accounting estimates for various accounts. Wherever feasible, we utilize third-party information to provide management with estimates. Although independent third parties are engaged to assist us in the estimation process, management evaluates the results, challenges assumptions used and considers other factors which could impact these estimates. We monitor the status of proposed and newly issued accounting standards to evaluate the impact on our financial condition and results of operations. The impact of newly issued accounting standards is discussed in further detail in Note A, Significant Accounting Policies, in the

Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data. The following discussion presents some of the more significant estimates used in preparing our financial statements.

Allowance for Loan Losses

The critical accounting policy most important to the presentation of our financial statements relates to the allowance for loan losses and the related provision 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 (ASC 450). 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 (ASC 310). The balance of the loans determined to be impaired under ASC 310 and the related allowance is included in management s estimation and analysis of the allowance for loan losses. The determination of the appropriate level of the allowance is sensitive to a variety of internal factors, primarily historical loss ratios and assigned risk ratings, and external factors, primarily the economic environment. Additionally, the estimate of the allowance required to absorb credit losses in the entire portfolio may change due to shifts in the mix and level of loan balances outstanding and in prevailing economic conditions, as evidenced by changes in real estate demand and values, interest rates, unemployment rates and energy costs. While no one factor is dominant, each could cause actual loan losses to differ materially from originally estimated amounts. For a discussion of other considerations in establishing the allowance for loan losses and our loan policies and procedures for addressing credit risk, please refer to the disclosures in this Item under the heading Risk Management Credit Risk and Allowance for Loan Losses.

Certain loans acquired in acquisitions or mergers are accounted for under ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality (ASC 310-30). ASC 310-30 prohibits the carryover of an allowance for loan losses for loans acquired in which the acquirer concludes that it will not collect the contractual amount. As a result, these loans are carried at values which represent management s estimate of the future cash flows of these loans. Increases in expected cash flows to be collected from the contractual cash flows are required to be recognized as an adjustment of the loan s yield over its remaining life, while decreases in expected cash flows are required to be recognized as an impairment. A more detailed discussion of loans accounted for under ASC 310-30 resulting from the Capital and Heritage mergers is set forth below under the heading Risk Management Credit Risk and Allowance for Loan Losses and in Note D, Loans and the Allowance for Loan Losses, in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

Intangible Assets

Our intangible assets consist primarily of goodwill and core deposit intangibles. Goodwill arises from business combinations and represents the value attributable to unidentifiable intangible elements of the business acquired. Our reporting units are comprised of the operations we have acquired. Specifically, our reporting units are currently broken out into four geographic units of our bank and our insurance company. We review the goodwill of each reporting unit for impairment on an annual basis, or more often, if events or circumstances indicate that it is more likely than not that the fair value of the reporting unit is below the carrying value of its equity. In determining the fair value of our reporting units, we used discounted cash flow analyses, which require assumptions about short and long-term net cash flow growth rates for each reporting unit, as well as discount rates. We assess the reasonableness of the estimated fair value of the reporting units by reference to our market capitalization; however, due to the significant volatility in the equity markets with respect to the financial institution sector throughout 2009 and 2010, we also consulted supplemental information based on observable market multiples, adjusting to reflect our specific factors, as well as current market conditions.

Long-term net cash flow forecasts are developed for each reporting unit by considering several key business drivers such as new business initiatives, market share changes, anticipated loan and deposit growth, historical performance, and industry and economic trends, among other considerations. The long-term growth rate used in determining the terminal value of each reporting unit was estimated at 5.2% in 2010 based on management s assessment of the minimum expected terminal growth rate of each reporting unit, as well as broader economic considerations. In 2010, the discount rates used ranged from 13.6% to 15.1%.

The estimated fair value of a reporting unit is highly sensitive to changes in the estimates and assumptions. In some instances changes in these assumptions could impact whether the fair value of a reporting unit is greater than its carrying value. We perform sensitivity analyses around these assumptions in order to assess the reasonableness of the assumptions and the resulting estimated fair values. If the carrying value of a reporting unit s equity exceeds its estimated fair value, we then calculate the fair value of the reporting unit s implied goodwill. Implied goodwill is the excess fair value of a reporting unit (as determined using the above-described methodology) over the fair value of its net assets and is calculated by determining fair value of the reporting unit s assets and liabilities, including previously unrecognized intangible assets, on an individual basis. This calculation is performed in the same manner as goodwill is recognized in a business combination. Significant judgment and estimates are involved in estimating the fair value of the assets and liabilities of the reporting unit.

Other identifiable intangible assets, primarily core deposit intangibles, are reviewed at least annually for events or circumstances which could impact the recoverability of the intangible asset, such as loss of core deposits, increased competition or adverse changes in the economy. To the extent an other identifiable intangible asset is deemed unrecoverable, an impairment loss would be recorded as a noninterest expense to reduce the carrying amount. These events or circumstances, when or if they occur, could be material to our operating results for any particular reporting period.

Benefit Plans and Stock Based Compensation

Our independent actuary firm prepares actuarial valuations of our pension cost under ASC 715, Compensation Retirement Benefits (ASC 715). The discount rate utilized in the December 31, 2010 valuation was 5.50%, compared to 6.00% in 2009. Actual plan assets as of December 31, 2010 were used in the calculation and the expected long-term return on plan assets assumed for this valuation was 8.00%. Actual return on plan assets during 2010 approximated 14.30%. Changes in these assumptions and estimates can materially affect the benefit plan obligation and the funded status of the plan which in turn may impact shareholders equity through an adjustment to accumulated other comprehensive income and future pension expense. The pension plan covered under ASC 715 was frozen as of December 31, 1996.

The Company recognizes compensation expense for all share-based payments to employees in accordance with ASC 718, Compensation Stock Compensation. We utilize the Black-Scholes model for determining fair value of our options. Determining the fair value of, and ultimately the expense we recognize related to, our stock options requires us to make assumptions regarding dividend yields, expected stock price volatility, estimated forfeitures and the expected life of the option. Changes in these assumptions and estimates can materially affect the calculated fair value of stock-based compensation and the related expense to be recognized. Due to the low historical forfeiture rate, the Company has not estimated any forfeitures in determining the fair value of options granted in 2010, 2009 and 2008. Changes in this assumption in the future could result in lower expenses related to the Company s stock option. For a description of our assumptions utilized in calculating the fair value of our share-based payments, please refer to Note M, Employee Benefit and Deferred Compensation Plans, in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

Accounting for Acquired Loans and Related Assets

The Company accounts for its acquisitions under ASC 805, Business Combinations , which requires the use of the purchase method of accounting. All identifiable assets acquired, including loans, are recorded at fair value. No allowance for loan losses related to the acquired loans is recorded on the acquisition date because the fair value measurements incorporate assumptions regarding credit risk. The fair value measurements of acquired loans are based on estimates related to expected prepayments and the amount and timing of undiscounted expected principal, interest and other cash flows.

Over the life of the acquired loans, the Company continues to estimate cash flows expected to be collected on individual loans or on pools of loans sharing common risk characteristics. The Company evaluates, as of the end of each fiscal quarter, the present value of the acquired loans determined using the effective interest rates. If the cash flows expected to be collected have decreased, the Company recognizes a provision for loan loss in its consolidated statement of income; for any increases in cash flows expected to be collected, the Company adjusts the amount of accretable yield recognized on a prospective basis over the loan s or pool s remaining life.

Because the FDIC will reimburse the Company for losses related to a portion of the acquired loans, an indemnification asset is recorded at fair value at the acquisition date. The indemnification asset is recognized at the same time as the indemnified loans, and measured on the same basis, subject to collectability or contractual limitations. The fair value of the indemnification asset reflects the reimbursements expected to be received from the FDIC, using an appropriate discount rate, which reflects counterparty credit risk and other uncertainties.

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The indemnification asset continues to be measured on the same basis as the related indemnified loans. Subsequent changes to the fair value of the indemnification asset also follow that model. Decreases in the future cash flows expected to be collected on the loans immediately increase the fair value of the indemnification asset. Increases in the future cash flows expected to be collected on the loans decrease the fair value of the indemnification asset, with such decrease being accreted into interest income over 1) the same period or 2) the life of the fair value of the indemnification asset, whichever is shorter. Loss assumptions used in the basis of the indemnified loans are consistent with the loss assumptions used to measure the indemnification asset. Fair value accounting incorporates into the fair value of the indemnification asset an element of the time value of money, which is accreted back into income over the life of the shared loss agreements.

Upon the determination of an incurred loss the indemnification asset will be reduced by the amount owed by the FDIC. A corresponding receivable is recorded on the balance sheet until cash is received from the FDIC.

Income Taxes

Accrued taxes represent the estimated amount payable to or receivable from taxing jurisdictions, either currently or in the future, and are reported, on a net basis, as a component of Other assets in the Consolidated Balance Sheets. The calculation of our income tax expense is complex and requires the use of many estimates and judgments in its determination.

Management s determination of the realization of the net deferred tax asset is based upon management s judgment of various future events and uncertainties, including the timing and amount of future income earned by certain subsidiaries and the implementation of various tax plans to maximize realization of the deferred tax asset. Management believes that the Company and its subsidiaries will generate sufficient operating earnings to realize the deferred tax assets.

For certain business plans enacted by the Company, management bases the estimates of related tax liabilities on its belief that future events will validate management s current assumptions regarding the ultimate outcome of tax-related exposures. As part of this process, management consults with its outside advisers to assess the relative merits and risks of our proposed tax treatment of such business plans. Although we have received from these outside advisers opinions that our proposed tax treatment should prevail, the examination of our income tax returns, changes in tax law and regulatory guidance may impact the tax treatment of these transactions and resulting provisions for income taxes.

We believe we employ appropriate methods for these calculations and that the results of such calculations closely approximate the actual cost. We review the calculated results for reasonableness and compare those calculations to prior period costs. We also consider the effect of current economic conditions on the calculations.

Financial Condition and Results of Operations

Net Income

Net income for the year ended December 31, 2010 was $31,675, which represents an increase of $13,157, or 71.05%, from net income of $18,518 for the year ended December 31, 2009. Basic earnings per share increased $0.51 to $1.39 for the year ended December 31, 2010 as compared to $0.88 for the prior year. Diluted earnings per share increased $0.51 to $1.38 for the year ended December 31, 2010 as compared to $0.87 for the prior year. The increase in earnings per share in 2010 as compared to 2009 is due primarily to the acquisition of Crescent and the related one-time gain the Company recorded in connection with the acquisition.

Net income for the year ended December 31, 2009 was $18,518, which represents a decrease of $5,534, or 23.01%, from net income of $24,052 for the year ended December 31, 2008. Basic earnings per share decreased $0.27 to $0.88 for the year ended December 31, 2009 as compared to $1.15 for the prior year. Diluted earnings per share decreased $0.27 to $0.87 for the year ended December 31, 2009 as compared to $1.14 for the prior year. The decrease in earnings per share in 2009 as compared to 2008 was due primarily to the economic environment which resulted in lower net interest income and higher loan loss provisions.

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Net Interest Income

Net interest income, the difference between interest earned on assets and the cost of interest-bearing liabilities, is the largest component of our net income, comprising 53.47% of total net revenue in 2010. Total net revenue consists of net interest income on a fully taxable equivalent basis and noninterest 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 5.63% to $105,062 for 2010 compared to $99,466 for the same period in 2009. On a tax equivalent basis, net interest income increased $6,135 to $110,207 in 2010 as compared to $104,072 in 2009. Of the increase in net interest income, the increase due to the change in the volume of net earning assets was $1,677, while the increase from the changing interest rate environment was $4,458.

Net Interest Margin Tax Equivalent		
2010	**2009**	**2008**
3.26%	3.16%	3.44%

Net interest margin, the tax equivalent net yield on earning assets, increased to 3.26% during 2010 from 3.16% in 2009 and 3.44% in 2008. Net interest margin and net interest income are influenced by several factors, primarily changes in interest rates, competition and the shape of the interest rate yield curve. Significant reductions in interest rate indices throughout 2008 had a negative impact on net interest margin in 2009. With each rate reduction in rate indices, specifically, the prime rate, rates paid on U.S. Treasury securities and the London Interbank Offering Rate (LIBOR), the yield on our variable rate loans indexed to these indices decreased. At the same time, competitive and market-wide liquidity factors prevented the cost of funding sources, particularly deposits, from declining proportionately. As a result, net interest margin declined. Increased liquidity due to deposit growth, coupled with loan paydowns and higher than anticipated prepayment speeds within our investment portfolio, resulted in changes in the mix of our earning assets. These changes also had a negative impact on net interest margin. We currently intend to keep these excess funds in interest-bearing balances with banks until they are utilized in future quarters to fund loan growth, purchase investment securities or pay off borrowings. Not only do interest-bearing balances with banks typically pay a lower rate than the rates paid on investment securities and loans, but the rate has also been more sensitive to the decline in the interest rate environment as the average rate paid on such balances in 2010 was 0.28% compared to 0.25% in 2009 and 2.65% in 2008. In addition, higher levels of nonaccrual loans during 2010 and 2009 as compared to 2008 had a further negative impact on net interest margin in 2010 and 2009.

Interest income, on a tax equivalent basis, was $170,484 for 2010 compared to $175,170 for 2009. The decrease in interest income was driven primarily by a decline in the yield on interest-earning assets as the tax equivalent yield on interest-earning assets decreased 28 basis points during 2010. Although the average balance of interest-earning assets increased during 2010 as compared to 2009, the change in the mix of interest-earning assets from higher yielding loans to lower yielding interest bearing cash balances further contributed to the decline in interest income. The following table presents the percentage of total average earning assets, by type and yield, for 2010, 2009 and 2008:

	Percentage of Total			Yield		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
Loans	72.17%	75.90%	78.78%	5.65%	5.60%	6.48%
Securities	21.78	21.36	20.60	4.34	5.00	5.35
Other	6.05	2.74	0.62	0.28	0.25	2.65
Total earning assets	100.00%	100.00%	100.00%	5.04%	5.32%	6.22%

Interest expense was $60,277 for 2010, a decrease of $10,821, or 15.22% as compared to 2009. The decrease in interest expense was due to the decrease in the cost of interest-bearing liabilities as a result of the declining interest rate environment and a change in the mix of our interest-bearing liabilities in which we utilized lower cost deposits to replace higher costing liabilities. The cost of interest-bearing liabilities was 1.93% for 2010 as compared to 2.39% for 2009, while the average balance of interest-bearing liabilities increased to $3,121,157 for 2010 compared to $2,970,813 for 2009.

The following table presents the Company s funding sources which consists of total average deposits and borrowed funds, by type, and total cost of funds, for 2010, 2009 and 2008:

	Percentage of Total			Cost of Funds		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
Noninterest-bearing demand	9.69%	9.16%	8.96%	%	%	%
Interest-bearing demand	31.61	27.29	24.95	1.10	1.33	1.78
Savings	4.40	2.80	3.23	0.73	0.17	0.54
Time deposits	41.62	39.68	39.16	2.18	2.67	3.80
Federal Home Loan Bank advances	8.49	16.52	19.76	3.67	3.42	3.43
Other borrowed funds	4.19	4.55	3.94	3.47	3.99	4.60
Total deposits and borrowed funds	100.00%	100.00%	100.00%	1.74%	2.17%	2.81%

Interest income, on a tax equivalent basis, was $175,170 for 2009 compared to $204,603 for 2008. The decrease in interest income was driven primarily by a decline in the yield on interest-earning assets as the tax equivalent yield on interest-earning assets decreased 90 basis points during 2009. Although the average balance of interest-earning assets increased slightly during 2009 as compared to 2008, the change in the mix of interest-earning assets further contributed to the decline in net interest income. Interest expense was $71,098 for 2009, a decrease of $20,422, or 22.31% as compared to 2008. The decrease in interest expense was due to the decrease in the cost of interest-bearing liabilities as a result of the declining interest rate environment and a change in the mix of our interest-bearing liabilities in which we utilized lower cost deposits to replace higher costing liabilities. The cost of interest-bearing liabilities was 2.39% for 2009 as compared to 3.08% for 2008, while the average balance of interest-bearing liabilities increased slightly to $2,970,813 for 2009 compared to $2,968,723 in 2008.

Loans and Loan Interest Income

Loans, excluding mortgage loans held for sale, are the Company s most significant earning asset, comprising 58.75%, 64.48% and 68.11% of total assets at December 31, 2010, 2009 and 2008, respectively. The table below sets forth the balance of loans outstanding by loan type at December 31:

	2010	**2009**	**2008**	**2007**	**2006**
Commercial, financial, agricultural	$ 265,276	$ 281,329	$ 312,648	$ 317,866	$ 236,741
Lease financing	503	778	1,746	2,557	4,234
Real estate construction	82,361	133,299	241,818	386,184	242,669
Real estate 1-4 family mortgage	872,382	820,917	886,380	850,658	636,060
Real estate commercial mortgage	1,239,843	1,040,589	1,015,894	948,322	629,354
Installment loans to individuals	64,225	70,703	72,400	81,006	77,704
Total loans, net of unearned income	$ 2,524,590	$ 2,347,615	$ 2,530,886	$ 2,586,593	$ 1,826,762

The following table presents the percentage of loans, by category, to total loans at December 31 for the last five years:

	2010	**2009**	**2008**	**2007**	**2006**
Commercial, financial, agricultural	10.51%	11.98%	12.35%	12.29%	12.96%
Lease financing	0.02	0.03	0.07	0.10	0.23
Real estate construction	3.26	5.68	9.56	14.93	13.28
Real estate 1-4 family mortgage	34.56	34.97	35.02	32.89	34.82
Real estate commercial mortgage	49.11	44.33	40.14	36.66	34.45
Installment loans to individuals	2.54	3.01	2.86	3.13	4.26

Total	100.00%	100.00%	100.00%	100.00%	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 December 31, 2010, there were no concentrations of loans exceeding 10% of total loans which are not disclosed as a category of loans separate from the categories listed above.

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At December 31, 2010, loans increased $176,975 from December 31, 2009. The increase in total loans is a result of the acquisition of Crescent. The loans acquired in the Crescent acquisition were, for the most part, covered under loss-sharing agreements with the FDIC. For loans covered under the loss-share agreements (referred to as covered loans), the FDIC will reimburse the Bank 80% of the losses incurred on these loans. The following table provides a breakdown of covered loans and loans not covered under a loss-sharing agreement at December 31, 2010:

	Covered Loans	Not Covered Loans	Total Loans
Commercial, financial, agricultural	$ 20,921	$ 244,355	$ 265,276
Lease financing		503	503
Real estate construction:			
Residential	6,476	31,143	37,619
Commercial	9,087	30,638	39,725
Condominiums		5,017	5,017
Total real estate construction	15,563	66,798	82,361
Real estate 1-4 family mortgage:			
Primary	19,786	343,712	363,498
Home equity	21,454	161,973	183,427
Rental/investment	51,065	148,308	199,373
Land development	30,214	95,870	126,084
Total real estate 1-4 family mortgage	122,519	749,863	872,382
Real estate commercial mortgage:			
Owner-occupied	71,455	522,288	593,743
Non-owner occupied	24,863	432,872	457,735
Land development	78,254	110,111	188,365
Total real estate commercial mortgage	174,572	1,065,271	1,239,843
Installment loans to individuals	106	64,119	64,225
Total loans, net of unearned income	$ 333,681	$ 2,190,909	$ 2,524,590

Excluding the loans acquired from Crescent, total loans at December 31, 2010 were $2,173,741, down $173,874, or 7.41%, from 2009. Total loans at December 31, 2009 were $2,347,615 a decrease of $183,271, or 7.24%, from December 31, 2008. The decrease in total loans in 2010 and 2009 is a result of an overall slowdown in economic activity in our markets and a continued focus by management on diversifying the loan portfolio. As the general economic environment began to decline in the last half of 2007, management responded by implementing a strategy to diversify our loan portfolio by specifically reducing the concentration in construction and land development loans. Management reduced our exposure to construction and land development loans by applying more stringent levels of underwriting on new originations of construction and land development loans and requiring principal reductions of these loans at time of renewal. Our construction loan portfolio was also reduced as construction loans were refinanced into permanent financing arrangements due to the completion of the construction phase of underlying projects and thus reclassified to commercial or residential real estate loans.

Loans secured by real estate represented 86.93%, 84.98% and 84.72% of the Company s total loan portfolio at December 31, 2010, 2009 and 2008, respectively. The following table provides further details of the types of loans in the Company s loan portfolio secured by real estate at December 31, 2010, 2009 and 2008:

	2010	2009	2008
Real estate construction:			
Residential	$ 37,619	$ 45,559	$ 139,332
Commercial	39,725	74,440	90,039
Condominiums	5,017	13,300	12,447

Total real estate construction	82,361	133,299	241,818

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	2010	2009	2008
Real estate 1-4 family mortgage:			
Primary	363,498	345,971	361,153
Home equity	183,427	171,180	181,960
Rental/investment	199,373	158,436	178,814
Land development	126,084	145,330	164,453
Total real estate 1-4 family mortgage	872,382	820,917	886,380
Real estate commercial mortgage:			
Owner-occupied	593,743	537,387	530,938
Non-owner occupied	457,735	367,011	347,000
Land development	188,365	136,191	137,956
Total real estate commercial mortgage	1,239,843	1,040,589	1,015,894
Total loans secured by real estate	$ 2,194,586	$ 1,994,805	$ 2,144,092

During 2010, loans in our Alabama region increased $10,837 while loans in our Mississippi and Tennessee regions decreased $44,571 and $140,140, respectively, from December 31, 2009. Loans in our Georgia markets totaled $350,849 at December 31, 2010. During 2009, loans in our Mississippi, Alabama and Tennessee regions decreased $95,701, $30,221 and $57,349, respectively. At December 31, 2010, 84% of our loans were from our key markets as compared to 82% at December 31, 2009.

Mortgage loans held for sale were $27,704 at December 31, 2010 compared to $25,749 at December 31, 2009 and $41,805 at December 31, 2008. Originations of mortgage loans to be sold totaled $519,447 in 2010, $815,067 in 2009 and $742,090 in 2008. The decrease in originations of mortgage loans to be sold in 2010 as compared to 2009 is due the higher levels of refinancings made possible by historically lower mortgage interest rates during periods in 2009 compared to 2010. The historically lower mortgage rates in 2009 also were the primary reason for the increased production in 2009 as compared to 2008. Mortgage loans to be sold are locked in at a contractual rate with third party private investors, and the Company is obligated to sell the mortgages to such investors only if the mortgages are closed and funded. Gains and losses are realized at the time consideration is received and all other criteria for sales treatment have been met. These loans are typically sold within thirty days after the loan is funded. Although loan fees and some interest income are derived from mortgage loans held for sale, the main source of income is gains from the sale of mortgage loans in the secondary market.

Investments and Investment Interest Income

Investment income is the second largest component of interest income. The securities portfolio is used to provide a source for meeting liquidity needs and to supply securities to be used in collateralizing certain deposits and other types of borrowings. The following table shows the carrying value of our securities portfolio by investment type, and the percentage of such investment type relative to the entire securities portfolio, as of December 31:

	2010		2009		2008	
Obligations of other U.S. Government agencies and corporations	$ 97,455	11.68%	$ 63,032	8.83%	$ 59,920	8.62%
Mortgage-backed securities	496,510	59.50	457,891	64.11	448,967	64.59
Obligations of states and political subdivisions	206,083	24.70	138,806	19.44	112,734	16.22
Trust preferred securities	4,583	0.54	14,438	2.02	20,543	2.95
Other equity securities	29,841	3.58	39,997	5.60	52,942	7.62
	$ 834,472	100.00%	$ 714,164	100.00%	$ 695,106	100.00%

In 2010, investment income, on a tax equivalent basis, decreased $3,126 to $32,006 from $35,132 for 2009. The average balance in the investment portfolio in 2010 was $737,256 compared to $702,689 in 2009. The tax equivalent yield on the investment portfolio was 4.34%, down 66 basis points from 2009. The decline in yield was a result of the call of securities within the Company s portfolio that had higher rates than the rates on the securities that the Company purchased with the proceeds of such calls. These rates were lower due to the generally lower interest rate environment.

The balance of our investment portfolio at December 31, 2010 increased $120,308 to $834,472 compared to $714,164 at December 31, 2009. The acquisition of Crescent increased the investment portfolio by $24,206. During 2010, we also purchased $530,699 in investment securities. The purchases were primarily mortgage-backed securities and collateralized mortgage obligations (CMO s), which in the aggregate made up approximately 56.22% of the purchases. CMO s are included in the Mortgage-backed securities line item in the above table. The mortgage-backed securities and CMO s held in our investment portfolio are primarily issued by government sponsored entities. U.S. Government Agency securities purchased accounted for approximately 28.66%, with the remainder of the purchases being primarily municipal securities. Sales of securities during 2010 totaled $125,969, solely in mortgage-backed securities and CMO s. Maturities and calls of securities during 2010 totaled $284,639. At December 31, 2010, unrealized losses of $32,566 were recorded on investment securities with a carrying value of $192,067.

The Company also held investments in mortgage-backed securities and CMO s of institutions not sponsored by government entities, commonly referred to as private-label securities. This portfolio was sold during 2010 at which time the Company recorded a loss of $461 on the sale of this portfolio. At December 31, 2009, the fair value and book value of our private label securities was $20,596 and $19,520, respectively.

The Company holds investments in pooled trust preferred securities. This portfolio had a cost basis of $29,452 and $30,803 and a fair value of $1,433 and $11,301 at December 31, 2010 and 2009, respectively. The investment in pooled trust preferred securities consists of four securities representing interests in various tranches of trusts collateralized by debt issued by over 321 financial institutions. Management s determination of the fair value of each of its holdings 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. At December 31, 2010, management determined that it was probable that there had been an adverse change in estimated cash flows for two of the four pooled trust preferred securities. Accordingly, the Company recognized other-than-temporary-impairment losses on these securities of $3,075 during the year ended December 31, 2010.

In 2009, investment income, on a tax equivalent basis, decreased $1,100 to $35,132 from investment income on a tax equivalent basis for 2008. The average balance in the investment portfolio was $702,689 compared to $677,497 in 2008. The tax equivalent yield on the investment portfolio was 5.00%, down 35 basis points from 2008.

At December 31, 2009, the balance of our investment portfolio was $714,164, an increase of $19,058 as compared to December 31, 2008. During 2009, we purchased $362,865 in investment securities. The purchases were primarily mortgage-backed securities and CMO s, comprising approximately 64.94% of the purchases. U.S. Government Agency securities purchased accounted for approximately 24.31%, with the remainder of the purchases being primarily municipal securities. Maturities and calls of securities during 2009 totaled $240,498.

Deposits and Deposit Interest Expense

The Company relies on deposits as its major source of funds. Total deposits were $3,468,151, $2,576,100 and $2,344,331 at December 31, 2010, 2009 and 2008, respectively. Noninterest-bearing deposits at December 31, 2010, 2009 and 2008 were $368,798, $304,962 and $284,227, respectively, while interest-bearing deposits were $3,099,353, $2,271,138 and $2,060,104 at December 31, 2010, 2009 and 2008, respectively. The acquisition of Crescent contributed noninterest-bearing and interest-bearing deposits of $34,006 and $630,885, respectively, at December 31, 2010. Excluding the Crescent deposits, deposits increased $227,160, or 8.81%, during 2010 compared to 2009. The increase in deposits at December 31, 2010 as compared to December 31, 2009 is attributable to an increased focus on generating core deposits. Deposits in the Alabama and Mississippi regions increased $176,016 and $52,819, respectively, in 2010 as compared to 2009. Deposits in the Tennessee region decreased $1,675 in 2010 as compared to 2009. Deposits in our Georgia markets totaled $664,891 at December 31, 2010. The increase in deposits at December 31, 2009 as compared to December 31, 2008 is due to the easing of competition for deposits in our markets, which caused deposit pricing to return to more normal levels as compared to 2008. As a result of this growth, the Company used deposits as its primary source of funding rather than borrowed funds. Deposits in the Tennessee, Alabama and Mississippi regions decreased $44,117, $60,210 and $127,442, respectively, in 2009 as compared to 2008. At December 31, 2010, 74% of our deposits were from our key markets as compared to 65% at December 31, 2009.

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Average Interest-Bearing Deposits to Total Average Deposits

2010	2009	2008
88.90%	88.40%	88.26%

Interest expense on deposits was $44,487, $46,708 and $63,509 for 2010, 2009 and 2008, respectively. The cost of interest-bearing deposits was 1.66%, 2.05% and 2.89% for the same periods. A more detailed discussion of the cost of our deposits is set forth below under the heading Liquidity and Capital Resources in this item.

From time to time, we participate in gathering government, public and trust deposits (collectively referred to as public fund deposits). Public fund deposits may be readily obtained based on the Company s pricing bid in comparison with competitors. 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. Generally, public fund time deposits are higher costing due to the volume of the deposits and because they are obtained through a bid process. Our public fund transaction accounts are principally obtained from municipalities including school boards and utilities. Public fund deposits totaled $359,195, $360,948 and $441,281 at December 31, 2010, 2009 and 2008.

Borrowed Funds and Interest Expense on Borrowings

Total borrowings include federal funds purchased, treasury, tax and loan notes, securities sold under agreements to repurchase, advances from the FHLB, debt guaranteed by the FDIC under its Temporary Liquidity Guarantee Program and junior subordinated debentures. Interest expense on total borrowings was $15,790, $24,390 and $28,011 for the years ending December 31, 2010, 2009 and 2008, respectively. Funds are borrowed from the FHLB primarily to match-fund against certain loans, negating interest rate exposure when rates rise. Such match-funded loans are typically large commercial or real estate loans. In addition, short-term FHLB advances and federal funds purchased are used to meet day to day liquidity needs. FHLB advances were $175,119, $469,574 and $768,302 at December 31, 2010, 2009 and 2008, respectively. The Company repaid $319,532 of long-term FHLB borrowings during 2010. Of the amount repaid, $171,532 was repaid upon maturity of the debt while $148,000 was paid prior to maturity. The Company had no short-term FHLB advances outstanding at December 31, 2010 or 2009, as compared to $225,000 at December 31, 2008. At December 31, 2010, the Company had $808,632 of availability on unused lines of credit with the FHLB. The cost of our FHLB advances was 3.67%, 3.42% and 3.43% for 2010, 2009 and 2008.

Interest expense on junior subordinated debentures was $3,058, $4,332 and $4,915 for the years ended December 31, 2010, 2009 and 2008, respectively. For more information about our outstanding subordinated debentures, refer to the discussion in this item below under the heading Shareholders Equity and Regulatory Matters.

The outstanding balance of treasury, tax and loan notes at December 31, 2010, 2009 and 2008 was $3,299, $2,682 and $4,494, respectively. The balance in this account is contingent on the amount of funds we pledge as collateral as well as the Federal Reserve s need for funds.

Noninterest Income

Noninterest Income to Average Assets

2010	2009	2008
2.43%	1.55%	1.46%

Total noninterest income includes fees generated from deposit services, loan services, insurance products, trust and other wealth management products and services, security gains and all other noninterest income. Our focus over the last few years has been to develop and enhance our products that generate noninterest income in order to diversify our revenue sources. Noninterest income as a percentage of total net revenues was 46.53%, 35.61% and 32.34% for 2010, 2009 and 2008.

Noninterest income was $95,915 for the year ended December 31, 2010, an increase of $38,357, or 66.64%, as compared to 2009. The increase in noninterest income for 2010 compared to 2009 is attributable to the $42,211 gain from the acquisition of Crescent. For 2009, noninterest income was $57,558, an increase of $3,516, or 6.51%, over 2008.

Charges for deposit services, the primary contributor to noninterest income, were $21,704 for 2010, a decrease of $296, or 1.35%, from 2009. Service charges include maintenance fees on accounts, per item charges, account enhancement charges for additional packaged benefits and overdraft fees. The decline in service charges on deposits was primarily a result of the reduction in customer spending which began in 2009 as a result of current economic conditions and the impact of new regulations enacted in the third quarter of 2010 which restricted the Company s ability to impose overdraft fees. Service charges on deposits were $22,000 in 2009, a decrease of $645 from 2008. Overdraft fees represented 89.81%, 90.04% and 90.00% of total charges for deposit services in 2010, 2009 and 2008.

Fees and commissions (which includes fees charged for both deposit services and loan services) decreased 9.95% to $14,968 during 2010 as compared to $16,621 for 2009. Fees charged on loans include origination, underwriting, documentation and other administrative fees. Loan fees were $5,735 during 2010 as compared to $8,104 for 2009. This is due to the decrease in portfolio loans originated during 2010 and lower mortgage loan originations to be sold in the secondary market during the same period. With respect to fees related to deposit services, interchange fees on debit card transactions continue to be a strong source of noninterest income. For 2010, fees associated with debit card usage were $6,268, an increase of 12.67% as compared to $5,563 for 2009. Income derived from use of our debit cards made up 41.88% of the total fees and commissions for 2010. We expect income from use of our debit cards to continue to grow as we make a direct effort to encourage usage by our customers. However, the Dodd-Frank Act could have a negative impact on the Company s income derived from this effort, as the statute directs the Federal Reserve to enact regulations governing the reasonableness of certain fees associated with our debit cards. The Federal Reserve rules will apply only to financial institutions with more than $10 billion in assets. If such institutions are required to lower their debit card fees, we expect that all financial institutions, regardless of size, will have to adjust their rates in order to remain competitive.

Fees and commissions increased $503 to $16,621 during 2009 as compared to $16,118 for 2008. Loan fees decreased $20 during 2009 to $8,104 as compared to 2008. This is due to the decrease in portfolio loans originated during 2009, which was offset by fees generated due to higher mortgage loan originations to be sold in the secondary market during the same period. For 2009, fees associated with debit card usage were $5,563, an increase of 15.65% as compared to $4,810 for 2008.

Through Renasant Insurance, we offer a range of commercial and personal insurance products through major insurance carriers. Income earned on insurance products was $3,408, $3,319 and $3,483 for the years ended December 31, 2010, 2009 and 2008, respectively. Contingency income is a bonus received from the insurance underwriters and is based both on commission income and claims experience on our client s policies during the previous year. Increases and decreases in contingency income are reflective of corresponding increases and decreases in the amount of claims paid by insurance carriers. Contingency income, which is included in Other noninterest income in the Consolidated Statements of Income, was $274, $310 and $323 for 2010, 2009 and 2008, respectively.

Trust department revenue is reported in the Consolidated Statements of Income in the noninterest income section under the line item Trust revenue. The trust department operates on a custodial basis which includes administration of benefit plans, as well as accounting and money management for trust accounts. The trust department manages a number of trust accounts inclusive of personal and corporate benefit accounts, self-directed IRA s, and custodial accounts. Fees for managing these accounts are based on changes in market values of the assets under management in the account, with the amount of the fee depending on the type of account. Trust revenue was $2,404 for 2010 compared to $2,039 for 2009 and $2,444 for 2008. The market value of trust assets under management as of December 31, 2010 and 2009 was $447,839 and $432,683, respectively.

Gains on sales of securities available for sale for 2010 were $3,955, resulting from the sale of approximately $125,969 in securities. For 2010, the Company recognized other-than-temporary-impairment losses of $3,075 related to investments in pooled trust preferred securities. Gains on sales of securities available for sale for 2009 were $2,318, resulting from the sale of approximately $100,295 in securities. These gains were offset by the complete write-off of the Company s $645 investment in Silverton Financial Services, Inc., the holding company of Silverton Bank, N.A., which was placed in receivership on May 1, 2009. For 2008, there were no sales of securities available for sale.

Gains on the sale of mortgage loans held for sale for 2010 were $6,224, a decrease of $1,342, or 17.74%, from 2009. The decrease in gains on the sale of mortgage loans is attributable to higher volumes of loans sold during 2009 compared to 2010 due to the aforementioned increase in originations and refinancing due to historically low mortgage rates during 2009. Originations of mortgage loans to be sold totaled $519,447 for 2010 as compared to $815,067 for 2009. Approximately 59.72% of the total mortgage originations during 2009 were mortgages being refinanced with the Company, with the remainder being new originations. Gains on the sale of mortgage loans held for sale for 2009 were $7,566, an increase of $2,119 from 2008.

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Noninterest Expense

Noninterest Expense to Average Assets

2010	2009	2008
3.13%	2.85%	2.91%

Noninterest expense was $123,619, $105,753 and $107,968 for 2010, 2009 and 2008, respectively. Noninterest expense increased $17,866, or 16.89%, during 2010 as compared to 2009. The operations of Crescent increased noninterest expenses by $6,887 during 2010. Noninterest expense for 2010 includes $1,955 of acquisition related costs associated with the Crescent acquisition and $2,785 in prepayment penalties associated with paying off $148 million of FHLB borrowings. Noninterest expense decreased $2,215, or 2.05%, during 2009 as compared to 2008. Through renegotiations of various contracts with suppliers and vendors and an overall effort to reduce non-essential expenses, the Company reduced its noninterest expenses and offset increases in FDIC insurance assessments due to increases in the base assessment rates and a special assessment, both of which were applicable to all insured institutions.

Salaries and employee benefits is the largest component of noninterest expenses and represented 47.65%, 52.40% and 53.16% of total noninterest expense at December 31, 2010, 2009 and 2008, respectively. During 2010, salaries and employee benefits increased $3,485, or 6.29%, to $58,900 as compared to $55,415 for 2009. The acquisition of Crescent increased salaries and employee benefits $3,871 during 2010. During 2009, salaries and employee benefits decreased $1,985, or 3.46%, to $55,415 as compared to $57,400 for 2008. During 2009, the Company had a 4.85% reduction in our workforce as employee service capacity exceeded projected growth in certain areas.

The compensation expense recorded in connection with grants of stock options and awards of restricted stock, which is included within salaries and employee benefits, was $752, $626 and $1,014 for the years ended December 31, 2010, 2009 and 2008, respectively.

Data processing costs increased $769 to $6,374 for 2010 from 2009. Data processing costs increased $396, or 7.60%, to $5,605 for 2009 from 2008. The increase in data processing costs over the periods presented is reflective of increased loan and deposit processing from growth in the number of loans and deposits. The increase in 2010 compared to 2009 is also reflective of the inclusion of data processing costs from the Crescent operations.

Net occupancy and equipment expense in 2010 was $11,844, down $494 from 2009. This decrease is attributable to cost-controlling efforts as well as lower depreciation expense and repairs on equipment partially by occupancy costs associated with the Crescent acquisition. Net occupancy and equipment expense in 2009 was $12,338, down $957 from 2008.

Expenses related to other real estate owned for 2010 were $9,618, an increase of $7,130 compared to the same period in 2009. Expenses on other real estate owned for the year ended December 31, 2010 include a $3,718 write down of the carrying value to fair value on certain pieces of property held in other real estate owned.

Professional fees include fees we paid our directors as well as fees for legal and accounting services. Professional fees were $3,800 for 2010 as compared to $3,813 for 2009 and $3,509 for 2008. The higher levels of professional fees as compared to 2008 are attributable to legal fees associated with loan workouts and foreclosure proceedings.

Advertising and public relations expense was $3,747 for 2010, up $571, or 17.98%, compared to $3,176 for 2009. Advertising and public relations expense decreased $1,909 for 2009 compared to $5,085 for 2008.

Amortization of intangible assets increased $8 to $1,974 for 2010 compared to $1,966 for 2009. This amortization relates to finite-lived intangible assets recorded in prior mergers 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 to ten years. Amortization of intangible assets increased $489 for 2009 compared to $2,455 for 2008.

Communication expenses are those expenses incurred for communication to clients and between employees. Communication expenses were $4,677 for 2010 as compared to $4,390 for 2009 and $4,591 for 2008.

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Other noninterest expense was $19,900, $16,562 and $14,781 for the years ended December 31, 2010, 2009 and 2008, respectively. Other noninterest expense for 2010 includes $1,955 of acquisition related costs associated with the Crescent acquisition. Other noninterest expense for 2009 includes an increase of $1,911 in expenses associated with our FDIC deposit insurance assessments due to an increase in the base assessment rates applicable to all insured institutions and the $1,750 charge for the special deposit insurance assessment collected by the FDIC from all insured institutions during the third quarter of 2009.

Efficiency Ratio

2010	2009	2008
59.97%	65.43%	64.60%

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 taxable equivalent basis and noninterest income. Our efficiency ratio improved in 2010 as compared to 2009 due to the increase in noninterest income attributable to the gain arising from the Crescent acquisition. This increase was partially offset by an increase in noninterest expense. We remain committed to aggressively managing our costs within the framework of our business model.

Income Taxes

Income tax expense for 2010, 2009 and 2008 was $15,018, $5,863 and $8,660, respectively. The effective tax rates for those years were 32.16%, 24.05% and 26.47%, respectively. The increase in the effective tax rate for 2010 as compared to the prior years presented is attributable to higher levels of taxable income in 2010 as a result of the gain arising from the Crescent acquisition.

Risk Management

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

Credit Risk and Allowance for Loan Losses

Inherent in any lending activity is credit risk, that is, the risk of loss should a borrower default. Credit risk is monitored and managed on an ongoing basis by a credit administration department, senior loan committee, a loss management committee and the Board of Directors loan committee. Credit quality, adherence to policies and loss mitigation are major concerns of credit administration and these committees. The Company s central appraisal review department reviews and approves third-party appraisals obtained by the Company on real estate collateral and monitors loan maturities to ensure updated appraisals are obtained. This department is managed by a licensed real estate appraiser and employs an additional three licensed appraisers.

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 ASC 450. 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. Other considerations in establishing the allowance for loan losses include economic conditions reflected within industry segments, the unemployment rate in our markets, loan segmentation and historical losses that are inherent in the loan portfolio. The allowance for loan losses is established after input from management, loan review and the loss management committee. An evaluation of the adequacy of the allowance is calculated quarterly based on the types of loans, an analysis of credit losses and risk in the portfolio, economic conditions and trends within each of these factors. In addition, on a regular basis, management and the Board of Directors review loan ratios. These ratios include the allowance for loan losses as a percentage of total loans, net charge-offs as a percentage of average loans, the provision for loan losses as a percentage of average loans, nonperforming loans as a percentage of total loans and the allowance coverage on nonperforming loans. Also, management reviews past due ratios by officer, community bank and the Company as a whole. The allowance for loan losses was $45,415, $39,145 and $34,905 at December 31, 2010, 2009 and 2008, respectively.

We have a number of documented loan policies and procedures that set forth the approval and monitoring process of the lending function. Adherence to these policies and procedures is monitored by management and the Board of Directors. A number of committees and an underwriting staff oversee the lending operations of the Company. These include in-house loan and loss management committees and the Board of Directors loan committee and problem loan review committee. In addition, we maintain a loan review staff to independently monitor loan quality and lending practices. Loan review personnel monitor and, if necessary, adjust the grades assigned to loans through periodic examination. During 2010, loan review personnel continued to focus its review on commercial and real estate loans rather than consumer and consumer mortgage loans.

In compliance with loan policy, the lending staff is given lending limits based on their knowledge and experience. In addition, each lending officer s prior performance is evaluated for credit quality and compliance as a tool for establishing and enhancing lending limits. Before funds are advanced on consumer and commercial loans below certain dollar thresholds, loans are reviewed and scored using centralized underwriting methodologies. Loan quality or risk-rating grades are assigned based upon certain factors, which include the scoring of the loans. This information is used to assist management in monitoring the credit quality. Loan requests of amounts greater than an officer s lending limits are reviewed by senior credit officers, in-house loan committees or the Board of Directors.

For portfolio balances of consumer, consumer mortgage and certain other similar loan types, allowance factors are determined based on historical loss ratios by portfolio for the preceding eight quarters and may be adjusted by other qualitative criteria. For commercial and commercial real estate secured loans, 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. Loan grades range from 1 to 9, with 1 being loans with the least credit risk. Allowance factors established by management are applied to the total balance of loans in each grade to determine the amount needed in the allowance for loan losses. The allowance factors are established based on historical loss ratios experienced by the Company for these loan types, as well as the credit quality criteria underlying each grade, adjusted for trends and expectations about losses inherent in our existing portfolios. In making these adjustments to the allowance factors, management takes into consideration factors which it believes are causing, or are likely in the future to cause, losses within our loan portfolio but which may not be fully reflected in our historical loss ratios.

The loss management committee and the Board of Directors problem loan review committee monitors loans that are past due or those that have been downgraded and placed on the Company s internal watch list due to a decline in the collateral value or cash flow of the debtor; the committees then adjust loan grades accordingly. This information is used to assist management in monitoring credit quality. In addition, the Company s portfolio management committee monitors and identifies risks within the Company s loan portfolio by focusing its efforts on reviewing and analyzing loans which are not on the Company s internal watch list. The portfolio management committee monitors loans in portfolios or regions which management believes could be stressed or experiencing credit deterioration.

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 and interest when due according to the contractual terms of the loan agreement. Impairment is measured on a loan-by-loan basis for problem loans of $500 or greater 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. For real estate collateral, the fair market value of the collateral is based upon a recent appraisal by a qualified and licensed appraiser of the underlying collateral. When the ultimate collectability of a loan s principal is in doubt, wholly or partially, the loan is placed on nonaccrual.

After all collection efforts have failed, collateral securing loans may be repossessed and sold or, for loans secured by real estate, foreclosure proceedings are initiated. The collateral is sold at public auction for fair market value (based upon recent appraisals described in the above paragraph), with fees associated with the foreclosure being deducted from the sales price. The purchase price is applied to the outstanding loan balance. If the loan balance is greater than the sales proceeds, the deficient balance is sent to the Board of Directors loan committee for charge-off approval. These charge-offs reduce the allowance for loan losses.

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Provision for Loan Losses to Average Loans

2010	2009	2008
1.26%	1.08%	0.88%

The provision for loan losses charged to operating expense is an amount which, in the judgment of management, is necessary to maintain the allowance for loan losses at a level that is believed to be adequate to meet the inherent risks of losses in our loan portfolio. The provision for loan losses was $30,665, $26,890 and $22,804 for 2010, 2009 and 2008, respectively. Factors considered by management in determining the amount of the provision for loan losses include the internal risk rating of individual credits, historical and current trends in net charge-offs, trends in nonperforming loans, trends in past due loans, trends in the market values of underlying collateral securing loans and the current economic conditions in the market in which we operate. The Company has increased the provision for loan losses in each of the last 3 years 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. This deterioration is reflected in the increase in nonperforming loans, as well as the decline in market values of underlying collateral securing loans, primarily real estate, over the same period. 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. For impaired loans, specific reserves were established to adjust the carrying value of the loan to its estimated net realizable value.

Loans acquired in the Crescent acquisition were recorded, as of the acquisition date, at fair value. The fair value of these loans represents the expected discounted cash flows to be received over the lives of the loans, taking into account the Company s estimate of future credit losses on the loans. These loans were excluded from the calculation of the allowance for loan losses and no provision for loan losses was recorded for these loans during 2010 because the fair value measurement incorporates an estimate of losses on acquired loans. The Company will continue to monitor future cash flows on these loans; to the extent future cash flows deteriorate below initial projections, the Company may be required to reserve for these loans in the allowance for loan losses through future provision for loan losses.

Charge-offs reflect the realization of losses in the portfolio that were recognized previously through the provision for loan losses. Net charge-offs for the year ended December 31, 2010 were $24,395, or 1.00%, as a percentage of average loans compared to net charge-offs of $22,650, or 0.91%, for 2009 and $14,271, or 0.55%, for 2008. The increase in net charge-offs in 2010 and 2009 as compared to 2008 is a direct result of the prolonged effects of the economic downturn in our markets on borrowers ability to repay their loans coupled with the decline in market values of the underlying collateral securing loans, particularly real estate secured loans. Although many of the markets in which we operate did not experience the extreme appreciation in real estate values as experienced in other national markets over the past few years, the real estate market in all of our markets began to slow down significantly in 2008. The large inventories of both completed residential homes and land that had been developed for future residential home construction, coupled with declining consumer demand for residential real estate, caused a severe decline in the values of both homes and developed land. As a result, the credit quality of some of our loans in the construction and land development portfolios deteriorated. These conditions largely existed throughout 2010.

The increase in the allowance for loan losses as a percentage of total loans since December 31, 2008 is attributable to the increased provision for loan losses recorded as a result of credit deterioration identified by the Company in the loan portfolio, primarily related to the construction and land development loan segment of the portfolio.

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The table below reflects the activity in the allowance for loan losses, in thousands, for the years ended December 31:

	2010	2009	2008	2007	2006
Balance at beginning of year	$ 39,145	$ 34,905	$ 26,372	$ 19,534	$ 18,363
Additions from business combinations				5,253	
Provision for loan losses	30,665	26,890	22,804	4,838	2,408
Charge-offs					
Commercial, financial, agricultural	1,161	2,682	623	253	659
Lease financing					
Real estate construction	4,181	2,719	2,393	1,821	222
Real estate 1-4 family mortgage	14,189	16,234	11,224	1,411	1,762
Real estate commercial mortgage	6,512	2,144	1,067	2	217
Installment loans to individuals	319	313	376	612	222
Total charge-offs	26,362	24,092	15,683	4,099	3,082
Recoveries					
Commercial, financial, agricultural	282	187	207	432	501
Lease financing					
Real estate construction	68	199	136	28	
Real estate 1-4 family mortgage	999	700	237	230	249
Real estate commercial mortgage	533	158	31	2	1,014
Installment loans to individuals	85	198	801	154	81
Total recoveries	1,967	1,442	1,412	846	1,845
Net charge-offs	24,395	22,650	14,271	3,253	1,237
Balance at end of year	$ 45,415	$ 39,145	$ 34,905	$ 26,372	$ 19,534
Net charge-offs to:					
Loans - average	1.00%	0.91%	0.55%	0.14%	0.07%
Allowance for loan losses	53.72%	57.86%	40.89%	12.34%	6.33%
Allowance for loan losses to:					
Loans - year end	2.07%	1.67%	1.38%	1.02%	1.07%
Nonperforming loans	84.32%	78.25%	87.45%	162.02%	173.05%

The following table provides further details of the Company s net charge-offs of loans secured by real estate for the years ended December 31:

	2010	2009	2008
Real estate construction:			
Residential	$ 1,378	$ 2,278	$ 1,735
Commercial			
Condominiums	2,735	242	522
Total real estate construction	4,113	2,520	2,257
Real estate 1-4 family mortgage:			
Primary	2,513	1,765	1,481
Home equity	1,601	2,191	1,160
Rental/investment	1,751	1,548	1,897
Land development	7,325	10,030	6,449
Total real estate 1-4 family mortgage	13,190	15,534	10,987
Real estate commercial mortgage:			
Owner-occupied	2,713	213	227

Non-owner occupied	2,288	1,711	759
Land development	978	62	50
Total real estate commercial mortgage	5,979	1,986	1,036
Total net charge-offs of loans secured by real estate	$ 23,282	$ 20,040	$ 14,280

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All of the loans acquired in the Crescent acquisition and certain loans acquired in the Capital and Heritage mergers that are accounted for under 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. We continually monitor these loans as part of our normal credit review and monitoring procedures for changes in the estimated future cash flows. The Company did not increase the provision for loan losses for loans accounted for under ASC 310-30 during 2010 or 2009. Management believes that as of December 31, 2010 the estimated cash flows of the loans accounted for under ASC 310-30 has not deteriorated further since the date of acquisition and, thus, the carrying value of these loans at December 31, 2010 continues to reflect the future cash flows.

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 at December 31 for each of the years presented:

	2010	2009	2008	2007	2006
Specific reserves for impaired loans	$ 17,529	$ 14,468	$ 8,769	$ 3,625	$ 4,377
Allocated reserves for remaining portfolio	27,886	24,677	26,136	22,747	15,157
Total	$ 45,415	$ 39,145	$ 34,905	$ 26,372	$ 19,534

The following table presents the allocation of the allowance for loan losses by loan category at December 31 for each of the years presented.

	2010	2009	2008	2007	2006
Commercial, financial, agricultural	$ 2,625	$ 4,855	$ 5,238	$ 5,583	$ 4,570
Lease financing	3	4	8	12	19
Real estate construction	2,115	4,494	6,590	2,613	982
Real estate 1-4 family mortgage	20,870	15,593	10,514	8,219	6,481
Real estate commercial mortgage	18,779	12,577	10,775	8,756	6,498
Installment loans to individuals	1,023	1,622	1,780	1,189	984
Total	$ 45,415	$ 39,145	$ 34,905	$ 26,372	$ 19,534

Nonperforming loans are those on which the accrual of interest has stopped or loans which are contractually past due 90 days, 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. Restructured loans are those for which concessions have been granted to the borrower due to a deterioration of the borrower s financial condition. Such concessions may include reduction in interest rates or deferral of interest or principal payments. 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.

Due to the significant difference in the accounting for the covered assets and loss mitigation offered under the loss-sharing 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. Purchased impaired loans had evidence of deterioration in credit quality prior to acquisition, and thus the fair value of these loans as of the acquisition date included an estimate of credit losses. These loans, as well as acquired loans with no evidence of credit deterioration at acquisition, are accounted for on a pool basis, and these pools are considered to be performing. Purchased impaired loans were not classified as nonperforming assets at December 31, 2010 as the loans are considered to be performing under ASC 310-30. As a result, interest income, through the accretion of the difference between the carrying value of the loans and the expected cash flows, is being recognized on all purchased loans accounted for under ASC 310-30.

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The following table provides a detail of the Company s nonperforming assets covered and not covered under loss-sharing agreements at December 31, 2010:

	Covered Assets	Not Covered Assets	Total Assets
Nonaccruing loans	$ 82,393	$ 46,662	$ 129,055
Accruing loans past due 90 days or more		7,196	7,196
Total nonperforming loans	82,393	53,858	136,251
Other real estate owned	54,715	71,833	126,548
Total nonperforming assets	$ 137,108	$ 125,691	$ 262,799
Nonperforming loans to total loans			5.40%
Nonperforming assets to total assets			6.12%
Allowance for loan losses to total loans			1.80%

The asset quality measures surrounding the Company s nonperforming loans and nonperforming assets discussed in the remainder of this section exclude covered loans and other real estate owned (covered assets) relating to the Crescent acquisition.

The following table shows the principal amounts of nonperforming and restructured loans that are not subject to a loss-sharing agreement at December 31:

	2010	2009	2008	2007	2006
Nonaccruing loans	$ 46,662	$ 39,454	$ 35,661	$ 14,231	$ 7,821
Accruing loans past due 90 days or more	7,196	10,571	4,252	2,046	3,467
Total nonperforming loans	53,858	50,025	39,913	16,277	11,288
Restructured loans	32,615	36,335	1,270	543	768
Total nonperforming and restructured loans	$ 86,473	$ 86,360	$ 41,183	$ 16,820	$ 12,056
Interest income recognized on nonaccruing and restructured loans	$ 1,200	$ 1,557	$ 1,597	$ 807	$ 233
Interest income foregone on nonaccruing and restructured loans	$ 2,166	$ 1,285	$ 538	$ 277	$ 486
Nonperforming loans to:					
Loans year end	2.46%	2.13%	1.58%	0.63%	0.62%
Loans average	2.20%	2.00%	1.54%	0.72%	0.64%

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 above. As of December 31, 2010, we do not hold any other interest-bearing assets that would be included in the table above if such assets were loans.

The following table presents nonperforming loans, not subject to a loss-sharing agreement, by loan category at December 31 for each of the years presented.

	2010	2009	2008	2007	2006
Commercial, financial, agricultural	$ 2,422	$ 3,446	$ 2,709	$ 140	$ 574
Lease financing					
Real estate construction	333	3,648	6,451	3,671	3,721
Real estate 1-4 family mortgage	35,893	28,630	25,517	9,199	5,160
Real estate commercial mortgage	14,539	14,078	5,094	3,133	1,630
Installment loans to individuals	671	223	142	134	203
Total	$ 53,858	$ 50,025	$ 39,913	$ 16,277	$ 11,288

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The following table provides further details of the Company s nonperforming loans secured by real estate at December 31 for each of the years presented:

	2010	2009	2008
Real estate construction:			
Residential	$ 333	$ 3,648	$ 5,196
Commercial			
Condominiums			1,255
Total real estate construction	333	3,648	6,451
Real estate 1-4 family mortgage:			
Primary	6,514	4,281	2,968
Home equity	829	990	612
Rental/investment	10,942	5,500	3,796
Land development	17,608	17,859	18,141
Total real estate 1-4 family mortgage	35,893	28,630	25,517
Real estate commercial mortgage:			
Owner-occupied	6,336	3,984	2,341
Non-owner occupied	4,300	5,049	2,753
Land development	3,903	5,045	
Total real estate commercial mortgage	14,539	14,078	5,094
Total nonperforming loans secured by real estate	$ 50,765	$ 46,356	$ 37,062

The increase in nonperforming loans since December 31, 2008, as shown in the above tables, is primarily attributable to continued credit deterioration in our commercial and residential land development loans over the period. Nonperforming land development loans represented 39.94%, 45.79% and 45.46% of total nonperforming loans at December 31, 2010, 2009 and 2008, respectively. 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 December 31, 2010. Management also continually monitors past due loans for potential credit quality deterioration. Total loans past due 30-89 days were $21,520, $24,062 and $48,473 at December 31, 2010, 2009 and 2008, respectively.

As shown above, restructured loans totaled $32,615 at December 31, 2010 as compared to $36,335 at December 31, 2009 and $1,270 at December 31, 2008. At December 31, 2010, total loans restructured through interest rate concessions represented 75.59% 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 secured by real estate at December 31, 2010 and 2009:

	2010	2009
Real estate construction:		
Residential	$	$ 2,356
Commercial		
Condominiums		5,610
Total real estate construction		7,966
Real estate 1-4 family mortgage:		
Primary	4,313	1,240
Home equity		
Rental/investment	1,969	550
Land development	14,834	21,221

Total real estate 1-4 family mortgage		21,116		23,011
Real estate commercial mortgage:				
Owner-occupied		3,844		3,809
Non-owner occupied		5,510		
Land development		1,839		350
Total real estate commercial mortgage		11,193		4,159
Total restructured loans secured by real estate	$	32,309	$	35,136

Changes in the Company s restructured loans are as follows:

Balance as of January 1, 2010	$	36,335
Additional loans with concessions		19,312
Reductions due to:		
Reclassified as nonperforming		(14,224)
Transfer to other real estate owned		(3,110)
Charge-offs		(2,914)
Paydowns		(1,820)
Lapse of concession period		(964)
Balance as of December 31, 2010	$	32,615

Other real estate owned and repossessions consists of properties acquired through foreclosure or acceptance of a deed in lieu of foreclosure. These properties are carried at the lower of cost or fair market value based on appraised value less estimated selling costs. Losses arising at the time of foreclosure of properties are charged against the allowance for loan losses. Reductions in the carrying value subsequent to acquisition are charged to earnings and are included in Other noninterest expense in the Consolidated Statements of Income. Other real estate owned with a cost basis of $27,901 was sold during the year ended December 31, 2010, resulting in a net loss of $1,824.

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

		2010		2009
Residential real estate	$	15,445	$	18,038
Commercial real estate		18,266		10,336
Residential land development		33,172		27,018
Commercial land development		4,501		165
Other		449		3,011
Total other real estate owned and repossessions	$	71,833	$	58,568

Changes in the Company s other real estate owned and repossessions as of December 31 are as follows:

		2010		2009
Balance as of January 1	$	58,568	$	25,111
Additions		44,408		49,377
Capitalized improvements		696		641
Impairments		(3,718)		(561)
Dispositions		(27,901)		(16,005)
Other		(220)		5
Balance as of December 31	$	71,833	$	58,568

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 the most 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

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in market rates of interest in a more 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. The 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 at December 31:

Change in Interest Rates(1)	Percentage Change In:			
	Net Interest Income(2)		Economic Value of Equity (3)	
(In Basis Points)	2010	2009	2010	2009
+200	(3.25%)	3.15%	10.70%	6.03%
+100	(3.37%)	0.95%	6.63%	6.27%
-100	(1.12%)	(1.51%)	(4.94%)	(10.56%)

(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 200 bps.
(2) The percentage change in this column represents net interest income for 12 months in a stable interest rate environment versus the 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 the EVE in the various rate scenarios.

The preceding measures assume no change in asset/liability compositions. Thus, the measures do not reflect actions the ALCO may undertake in response to such changes in interest rates. The balance sheet structure at December 31, 2010 indicates we are liability sensitive, while we were asset sensitive at December 31, 2009. The above results of the interest rate shock analysis are within the limits set by the Board of Directors. The scenarios assume instantaneous movements in interest rates in increments of 100 and 200 basis points. With the present position of the target federal funds rate, the declining rate scenarios seem improbable. Furthermore, it has been the Federal Reserve s policy to adjust the target federal funds rate incrementally over time. As interest rates are adjusted over a period of time, it is our strategy to proactively change the volume and mix of our balance sheet in order to mitigate our interest rate risk. The computation of the prospective effects of hypothetical interest rate changes requires numerous assumptions regarding characteristics of new business and the behavior of existing positions. These business assumptions are based upon our experience, business plans and published industry experience. Key assumptions employed in the model include asset prepayment speeds, competitive factors, the relative price sensitivity of certain assets and liabilities and the expected life of non-maturity deposits. Because these assumptions are inherently uncertain, actual results will differ from simulated results.

We use interest rate swaps to mitigate our interest rate risk. In connection with the Crescent acquisition, the Bank acquired interest rate swaps on loans whereby it receives a fixed rate of interest and pays a variable rate based on the one-month LIBOR plus 334 basis points. These swaps had a notional amount of $7,673 and $7,910 and a fair value of $(941) and $(1,073) at December 31, 2010 and July 23, 2010, respectively. For more information about the Company s derivative financial instruments, see Note R, Derivative Instruments, in the Notes to Consolidated Financial Statements of the Company in Item 8, Financial Statements and Supplementary Data.

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

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.

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Core deposits, which are deposits excluding time deposits, are a major source of funds used by the 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 the Bank s liquidity. Management continually monitors the liquidity and non-core dependency ratios to ensure compliance with ALCO targets.

Our investment portfolio is another alternative for meeting liquidity needs. These assets generally have readily available markets that offer conversions to cash as needed. Within the next twelve months the securities portfolio is forecasted to generate cash flow through maturities equal to 19.85% 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 December 31, 2010, securities with a carrying value of approximately $348,392 were pledged to secure public fund deposits and as collateral for short-term borrowings as compared to $386,965 at December 31, 2009. During 2010, management implemented a strategy to reduce public fund deposits through pricing initiatives and the runoff of deposit balances as government agencies utilized the funds held in these accounts, resulting in an increase in the amount of unpledged investment securities.

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 December 31, 2010 or December 31, 2009. Funds obtained from the FHLB are used primarily to match-fund real estate loans and other longer-term fixed rate loans in order to minimize interest rate risk and may be used to meet day to day liquidity needs, primarily when the cost of such borrowing compares favorably to the rates that we would be required to pay to attract deposits. As of December 31, 2010, the balance of our outstanding advances with the FHLB was $175,119. The total amount of the remaining credit available to us from the FHLB at December 31, 2010 was $808,632. We also maintain lines of credit with other commercial banks totaling $85,000. These are unsecured lines of credit maturing at various times within the next twelve months. At December 31, 2010 and 2009, there were no amounts outstanding under these lines of credit.

In October 2008, the FDIC announced the Temporary Liquidity Guaranty Program (TLGP) to strengthen confidence and encourage liquidity in the banking system by guaranteeing newly issued senior unsecured debt of banks, thrifts, and certain holding companies. Under the final rules, qualifying newly issued senior unsecured debt with a maturity greater than 30 days issued on or before October 31, 2009, would be backed by the full faith and credit of the United States through June 30, 2012. The guarantee was limited to 2% of consolidated liabilities for entities, such as the Company, that had no senior unsecured debt outstanding as of September 30, 2008. Renasant Bank issued $50,000 of qualifying senior debt securities guaranteed under the TLGP in March 2009. Management used the proceeds from the debt issuance to pay-off long term advances with the FHLB as they matured in 2009.

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

	Percentage of Total			Cost of Funds		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
Noninterest-bearing demand	9.69%	9.16%	8.96%	%	%	%
Interest-bearing demand	31.61	27.29	24.95	1.10	1.33	1.78
Savings	4.40	2.80	3.23	0.73	0.17	0.54
Time deposits	41.62	39.68	39.16	2.18	2.67	3.80
Federal Home Loan Bank advances	8.49	16.52	19.76	3.67	3.42	3.43
Other borrowed funds	4.19	4.55	3.94	3.47	3.99	4.60
Total deposits and borrowed funds	100.00%	100.00%	100.00%	1.74%	2.17%	2.81%

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 various funding sources have on our financial position.

Our cost of funds decreased in 2010 and 2009 as management used lower costing deposits and repaid higher costing funding sources. For 2008, our cost of funds decreased as management took advantage of lower costing alternative

funding sources, such as FHLB advances, rather than competing for the higher costing deposits available in our markets.

Cash and cash equivalents were $292,669 at December 31, 2010, compared to $148,560 at December 31, 2009 and $100,394 at December 31, 2008. Cash provided by investing activities for the year ended December 31, 2010 was $329,820, compared to cash provided of $96,594 in 2009 and cash used in investing activities of $156,224 in 2008. A net decrease in loans provided funds of $120,331, $112,266 and $14,400 during 2010, 2009 and 2008, respectively. The Company used $530,699 to purchase investment securities in 2010 compared to $362,865 in 2009. Proceeds from the sale, call or maturity of securities in our investment portfolio totaled $414,563 for 2010 compared to $348,237 in 2009. The acquisition of Crescent provided cash of $337,127 in 2010.

Cash used in financing activities for the year ended December 31, 2010 and 2009 was $286,161 and $98,133, respectively, compared to cash provided by financing activities of $94,224 for 2008. Cash flows from the generation of deposits were $1,948 for 2010 compared to $231,769 for 2009. The cash provided in the Crescent transaction and the deposits generated in 2009 were used primarily to reduce our total borrowings in each respective year. Cash used to reduce total borrowings was $326,543 for 2010 and $372,679 for 2009. Proceeds from long-term debt for the year ended December 31, 2009 were $56,935, which includes $50,000 of proceeds from the issuance of guaranteed senior unsecured debt under the TLGP discussed above. Cash provided by financing activities for 2010 includes the proceeds from the issuance of 3.925 million shares of the Company s common stock in a public equity offering. The proceeds from the equity offering totaled $51,832 and were used to increase our capital in connection with the Crescent acquisition.

The Company s liquidity and capital resources are substantially dependent on the ability of the Bank to transfer funds to the Company in the form of dividends, loans and advances. Please refer to Note N, Restrictions on Cash, Bank Dividends, Loans or Advances, in the Notes to Consolidated Financial Statements of the Company in Item 8, Financial Statements and Supplementary Data, for a detailed discussion of the federal and state restrictions on the Bank s ability to transfer funds to the Company.

Off-Balance Sheet Transactions

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

Loan commitments and standby letters of credit do not necessarily represent future cash requirements of the Company in that while the borrower has the ability to draw upon these commitments at any time, these commitments often expire without being drawn upon. The Company s unfunded loan commitments and standby letters of credit outstanding at December 31, 2010, 2009 and 2008 are as follows:

	2010	2009	2008
Loan commitments	$ 325,309	$ 320,259	$ 614,311
Standby letters of credit	28,105	28,956	27,497

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.

For more information about the Company s off-balance sheet transactions, see Note K, Commitments, Contingent Liabilities and Financial Instruments with Off-Balance Sheet Risk, in the Notes to Consolidated Financial Statements of the Company in Item 8, Financial Statements and Supplementary Data.

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Contractual Obligations

The following table presents, as of December 31, 2010, significant fixed and determinable contractual obligations to third parties by payment date. The Note Reference below refers to the applicable footnote in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

		Payments Due In:				
	Note Reference	Less Than One Year	One to Three Years	Three to Five Years	Over Five Years	Total
Operating leases	E	$ 2,129	$ 3,808	$ 3,014	$	