RENASANT CORP
Form 10-K
March 11, 2014

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, 2013
Commission file number 001-13253
RENASANT CORPORATION
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Mississippi<br>(State or other jurisdiction of<br>incorporation or organization) | 64-0676974<br>(I.R.S. Employer<br>Identification No.) |
| 209 Troy Street, Tupelo, Mississippi<br>(Address of principal executive offices) | 38804-4827<br>(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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes þ 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.
þ

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

As of June 30, 2013, the aggregate market value of the registrant's common stock, $5.00 par value per share, 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 $588,684,368.

As of February 28, 2014, 31,477,367 shares of the registrant's common stock, $5.00 par value per share, were outstanding. The registrant has no other classes of securities outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement relating to the 2014 Annual Meeting of Shareholders of Renasant Corporation are incorporated by reference into Part III of this Form 10-K.

Renasant Corporation and Subsidiaries
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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 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, 2014, 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 operates 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.

### Acquisition of First M&F Corporation

On September 1, 2013, the Company completed its acquisition of First M&F Corporation ("First M&F"), a bank holding company headquartered in Kosciusko, Mississippi, and the parent of Merchants and Farmers Bank, a Mississippi banking corporation. On the same date, Merchants and Farmers Bank was merged into Renasant Bank. On September 1, 2013, First M&F operated 35 full-service banking offices and eight insurance offices throughout Mississippi, Tennessee and Alabama. The Company issued approximately 6.2 million shares of its common stock for 100% of the voting equity interests in First M&F in a transaction valued at $156.8 million. Including the effect of purchase accounting adjustments, the Company acquired assets with a fair value of $1.5 billion, including loans with a fair value of $899.2 million, and assumed liabilities with a fair value of $1.4 billion, including deposits with a fair value of $1.3 billion. At the acquisition date, approximately $91.3 million of goodwill and $25.0 million of core deposit intangible assets were recorded.

Acquisition of RBC Bank (USA) Trust Division

On August 31, 2011, the Company acquired the Birmingham, Alabama-based trust division of RBC Bank (USA), which services clients in Alabama and Georgia. Under the terms of the transaction, RBC Bank (USA) (which has since been acquired by PNC Bank) transferred its approximately $680 million in assets under management, comprised of personal and institutional clients with over 200 trust, custodial and escrow accounts, to a wholly-owned subsidiary, and Renasant Bank acquired all of the ownership interests in the subsidiary. The subsidiary was merged into Renasant Bank and the acquired operations were reconstituted into a separate division of Renasant Bank, titled Renasant Asset Management. In connection with the acquisition, the Company recognized a gain of $570 thousand.

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 Federal Deposit Insurance Corporation (the “FDIC”), as receiver for American Trust. American Trust operated, and the Company acquired and retained, 3 branches in the northwest region of Georgia, one of which was subsequently closed in October 2011. The Bank acquired assets with a fair value of $248 million, including loans with a fair value of $74 million, and assumed liabilities with a fair value of $239 million, including deposits with a fair value of $223 million. At the acquisition date, approximately $74 million of the acquired loans were covered by loss-share agreements between the FDIC and the Bank. The acquisition of American Trust resulted in a pre-tax gain of approximately $9 million.

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 FDIC, as receiver for Crescent. Crescent operated, and the Company acquired and retained, 11 branches in the northwest region of Georgia. The branch in Adairsville, Georgia was later closed in July 2011. The Bank acquired assets with a fair value of $959 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-share agreements between the FDIC and the Bank. The acquisition of Crescent resulted in a pre-tax gain of approximately $42 million.

Operations

The Company has three reportable segments: a Community Banks segment, an Insurance segment and a Wealth Management segment. 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 Q, “Segment Reporting,” in the Notes to Consolidated Financial Statements of the Company in Item 8, Financial Statements and Supplementary Data.

Neither we nor the Bank have any foreign operations.

Operations of Community Banks

Substantially all of our business activities are conducted through, and substantially all of our assets and revenues are derived from, the operations of our community banks, which offer 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 loans, equipment leasing, as well as safe deposit and night depository facilities. Automated teller machines are located throughout our market area. Our Online and Mobile Banking products and our call center also provide 24-hour banking services. Accounts receivable financing is also available to qualified businesses.

As of February 28, 2014, we had 115 banking and financial services offices located throughout our markets in north and north central Mississippi, Tennessee, north and 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 64.74%, 62.32% and 60.83% of our total gross revenues in 2013, 2012 and 2011, 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 by both type and geography 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 0.01% of our portfolio at December 31, 2013. Our loans are primarily generated within the market areas where our branches are located.

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— Commercial, Financial and Agricultural Loans. Commercial, financial and agricultural loans (referred to as "commercial loans"), which accounted for approximately 12.08% of our total loans at December 31, 2013, are customarily granted to established local business customers in our market area on a fully collateralized basis to meet their credit needs. The terms and loan 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. Terms are typically short term in nature and are commensurate with the secondary source of repayment which is our 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. Tertiary source of repayment is the strength of the guarantors. 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 4.16% of our total loans at December 31, 2013. 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, however, for many of our construction loans, the Bank engages an independent third party to actively manage the construction process to ensure advances are in line with projects or budgets. 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 31.13% of our total loans at December 31, 2013, 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 through loans either originated by or referred by our mortgage operations. 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 or directly to government sponsored agencies. These loans are collateralized by one-to-four family residential real estate. When these loans are sold, we either release or retain the related servicing rights, depending on a number of factors including the pricing of such loans in the secondary market, fluctuations in interest rates that would impact the profitability of the loans, as well as other market-related conditions. Residential real estate originations to be sold are sold either on a “best efforts” basis or under a mandatory delivery sales agreement. Under a “best efforts” sales agreement, residential real estate originations are locked in at a contractual rate with third party private investors or directly with government sponsored agencies, 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. Under a mandatory delivery sales agreement, the Company commits to deliver a certain principal amount of mortgage loans to an investor at a specified price and delivery date. Penalties are paid to the investor if we fail to satisfy the contract. The Company does not actively market or originate subprime mortgage loans.

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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 50.26% of our total loans at December 31, 2013. 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. Payments on these loans are dependent on the successful development, management of the business and the borrower’s ability to generate sufficient operating revenue to repay the loan. 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, in addition to our mortgage on the underlying real estate of the business, our commercial real estate loans are secured by 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”). Non-owner occupied commercial real estate loans and commercial land development loans are dependent on the successful completion of the project and may be affected by adverse conditions in the real estate market or the economy as a whole.

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, the management of the property securing the loan and, where applicable, the financial strength of the tenant occupying the property. 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 20 years. 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 2.37% of our total loans at December 31, 2013, 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 from 100 to 500 basis points 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, 2013 and 2012, construction and land development loans represented 10.34%, and 11.90%, 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 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, account reconciliation with CD-ROM statements, electronic statements, positive pay, ACH origination and wire transfer, wholesale and retail lockbox, investment sweep accounts, enhanced business Internet banking, outbound data exchange and multi-bank reporting.

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The deposit services we offer accounted for approximately 12.69%, 12.32% and 11.65% of our total gross revenues in 2013, 2012 and 2011, respectively, in the form of fees for deposit services. The deposits held by our Bank have been primarily generated within the market areas where our branches are located.

Operations of Wealth Management

Through the Wealth Management segment, we 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 Wealth Management segment offers annuities, mutual funds and other investment services through a third party broker-dealer. At December 31, 2013, the Wealth Management segment contributed total revenue of $8.7 million, or 3.36%, of the Company’s total gross revenues. Wealth Management operations are headquartered in Tupelo, Mississippi, and Birmingham, Alabama, but our products and services are available to customers in all of our markets through our community banks.

Operations of Insurance

Renasant Insurance is a full-service insurance agency offering all lines of commercial and personal insurance through major carriers. At December 31, 2013, Renasant Insurance contributed total revenue of $5.8 million, or 2.23%, of the Company’s total gross revenues and operated seven offices - one office each in Ackerman, Corinth, Durant, Kosciusko, Louisville, Starkville and Tupelo, Mississippi.

Competition

Community Banks

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 2013, we maintained approximately 12% of the market share (deposit base) in our entire Mississippi area, approximately 1% in our entire Tennessee area, approximately 2% in our entire Alabama area and approximately 1% 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. The following table shows our deposit share in those markets as of June 30, 2013 (which is the latest date that such information is available):

| Market | Available Deposits (in billions) | Deposit Share | |
|---|---|---|---|
| Mississippi | | | |
| Tupelo | $1.9 | 44.9 | % |
| DeSoto County | 2.1 | 7.2 | % |
| Oxford | 0.9 | 12.0 | % |
| Columbus | 0.9 | 5.9 | % |
| Starkville | 0.8 | 14.3 | % |
| Jackson | 11.2 | 3.6 | % |
| Tennessee | | | |
| Memphis | 18.9 | 1.4 | % |
| Nashville | 31.2 | 1.0 | % |
| Maryville | 1.9 | 1.3 | % |
| Alabama | | | |
| Birmingham | 27.3 | 1.3 | % |
| Decatur | 1.6 | 17.1 | % |
| Huntsville/Madison | 6.1 | 1.6 | % |
| Montgomery | 6.5 | 0.4 | % |

| | | | |
|---|---|---|---|
| Tuscaloosa | 2.8 | 0.4 | % |
| Georgia | | | |
| Alpharetta/Roswell | 6.1 | 2.1 | % |
| Canton/Woodstock | 2.3 | 7.0 | % |
| Cumming | 2.0 | 4.4 | % |

Source: FDIC, As of June 30, 2013

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Wealth Management

Our Wealth Management segment competes with other banks, brokerage firms, financial advisers and trust companies, which provide one or more of the services and products that we offer. Our wealth management operations compete on the basis of available product lines, rates and fees, as well as reputation and professional expertise. No particular company or group of companies dominates this industry.

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.

Supervision and Regulation

General

The U.S. banking industry is highly regulated under federal and state law. We are a bank holding company registered under the Bank Holding Company Act of 1956, as amended (the "BHC Act"). As a result, we are subject to supervision, regulation and examination by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). The Bank is a commercial bank chartered under the laws of the State of Mississippi; it is not a member of the Federal Reserve System. As a Mississippi bank, the Bank is subject to supervision, regulation and examination by the Mississippi Department of Banking and Consumer Finance, as the chartering entity of the bank, and by the FDIC, as the insurer of the Bank's deposits. As a result of this extensive system of supervision and regulation, the growth and earnings performance of the Company and the Bank is affected not only by management decisions and general and local economic conditions, but also by the statutes, rules, regulations and policies administered by the Federal Reserve, the FDIC and the Mississippi Department of Banking and Consumer Finance, as well as by other federal and state regulatory authorities with jurisdiction over our operations.

The bank regulatory scheme has two primary goals: to maintain a safe and sound banking system and to facilitate the conduct of sound monetary policy. This comprehensive system of supervision and regulation is intended primarily for the protection of the FDIC's deposit insurance fund, banks depositors and the public, rather than our shareholders or creditors. To this end, federal and state banking laws and regulations control, among other things, the types of activities in which we and the Bank may engage, permissible investments, the level of reserves that the Bank must maintain against deposits, minimum equity capital levels, the nature and amount of collateral required for loans, maximum interest rates that can be charged, the manner and amount of the dividends that may be paid, and corporate activities regarding mergers, acquisitions and the establishment of branch offices.

The description below summarizes certain elements of the bank regulatory framework applicable to us and the Bank. This summary is not, however, intended to describe all laws, regulations and policies applicable to us and the Bank, and the description is qualified in its entirety by reference to the full text of the statutes, regulations, policies, interpretative letters and other written guidance that are described below.

Dodd-Frank Act

On July 21, 2010, the President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"). The Dodd-Frank Act imposes new restrictions and an expanded regulatory oversight for financial institutions, including depository institutions like the Bank. Although the Dodd-Frank Act is primarily aimed at the activities of investment banks and large commercial banks, many of the provisions of the legislation will impact operations of community banks such as the Bank. In addition to the Volcker Rule, which is discussed in more detail below, the following aspects of the Dodd-Frank Act are related to our operations:

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- The Consumer Financial Protection Bureau (the “CFPB”) was established as an independent bureau within the Federal Reserve. The CFPB has broad regulatory, supervisory and enforcement authority with respect to the offering and provision of consumer financial products and services under federal consumer protection laws. However, smaller financial institutions like the Bank remain subject only to the supervision and enforcement of their primary federal banking regulator with respect to the federal consumer financial protection laws.
- Tier 1 capital treatment for “hybrid” capital items like trust preferred securities is eliminated, subject to various grandfathering and transition rules.
- The prohibition on payment of interest on demand deposit accounts has been repealed. Depository institutions may now pay interest on business transaction and other accounts.
- Deposit insurance is permanently increased to $250,000.
- The deposit insurance assessment base calculation now equals the depository institution’s average consolidated total assets minus its average tangible equity during the assessment period. Previously, the deposit insurance assessment was calculated based on the insured deposits held by the institution.
- The minimum designated reserve ratio of the Deposit Insurance Fund increased to 20 basis points to 1.35% of estimated annual insured deposits or assessment base. The FDIC also was directed to “offset the effect” of the increased reserve ratio for insured depository institutions with total consolidated assets of less than $10 billion.
- Bank holding companies and banks must be “well capitalized” and “well managed” in order to acquire banks located outside of their home state, which codified long-standing Federal Reserve policy. Any bank holding company electing to be treated as a financial holding company must be and remain “well capitalized” and “well managed.”
- Capital requirements for insured depository institutions will become countercyclical, such that capital requirements increase in times of economic expansion and decrease in times of economic contraction.
- The Federal Reserve was directed to establish interchange transaction fees for electronic debit transactions under a restrictive “reasonable and proportional cost” per transaction standard.
- The regulation of consumer protections regarding mortgage originations, including originator compensation, minimum repayment standards and prepayment consideration, has been expanded.
- The “opt in” provisions of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1997 have been eliminated, which allows state banks to establish de novo branches in states other than the bank’s home state if the law of such other state would permit a bank chartered in that state to open a branch at that location.

The foregoing provisions may have the consequence of increasing our expenses, decreasing our revenues and changing the activities in which we choose to engage. 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. Full implementation of the Dodd-Frank Act will require many new rules to be issued by federal regulatory agencies over the next several years, which will profoundly affect how financial institutions will be regulated in the future. The ultimate effect of the Dodd-Frank Act and its implementing regulations on the financial services industry in general, and on us in particular, is uncertain at this time.

The Volcker Rule.

On December 10, 2013, the Federal Reserve and the other federal banking regulators as well as the SEC each adopted a final rule implementing Section 619 of the Dodd-Frank Act, commonly referred to as the “Volcker Rule.” Generally speaking, the final rule prohibits a bank and its affiliates from engaging in proprietary trading and from sponsoring certain “covered funds” or from acquiring or retaining any ownership interest in such covered funds. Most private equity, venture capital and hedge funds are considered “covered funds” as are bank trust preferred collateralized debt obligations. The final rule requires banking entities to divest disallowed securities by July 21, 2015, subject to extension upon application. The Volcker Rule does not impact any of our current activities nor do we hold any securities that we would be required to sell under the rule, but it does limit the scope of permissible activities in which we might engage in the future.

Supervision and Regulation of Renasant Corporation

General. As a bank holding company registered under the BHC Act, we are subject to the regulation and supervision applicable to bank holding companies by the Federal Reserve. The BHC Act and other federal laws subject bank holding companies to particular restrictions on the types of activities in which they may engage and to a range of supervisory requirements and activities, including regulatory enforcement actions for violations of laws and regulations. The Federal Reserve’s jurisdiction also extends to any company that we directly or indirectly control, such as any non-bank subsidiaries and other companies in which we own a controlling investment.

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Scope of Permissible Activities. Under the BHC Act, we are prohibited from acquiring a direct or indirect interest in or control of more than 5% of the voting shares of any company that is not a bank or financial holding company and from engaging directly or indirectly in activities other than those of banking, managing or controlling banks or furnishing services to or performing services for its subsidiary banks. Notwithstanding the foregoing, we may engage, directly or indirectly (including through the ownership of shares of another company), in certain activities that the Federal Reserve has found to be so closely related to banking or managing and controlling banks as to be a proper incident thereto. These activities include, among others, operating a mortgage, finance, credit card or factoring company; providing certain data processing, storage and transmission services; acting as an investment or financial advisor; acting as an insurance agent for certain types of credit-related insurance; leasing personal or real property on a nonoperating basis; and providing certain stock brokerage.

The BHC Act was substantially amended through the Financial Services Modernization Act of 1999, commonly referred to as the Gramm-Leach Bliley Act (the "GLB Act"). The GLB Act eliminated the barriers to affiliations among banks, securities firms, insurance companies and other financial services providers. A bank holding company whose subsidiary deposit institutions are "well capitalized" and "well managed" may elect to become a "financial holding company" ("FHC") and thereby engage without prior Federal Reserve approval in certain banking and non-banking activities that are deemed to be financial in nature or incidental to financial activity. These "financial in nature" activities include securities underwriting, dealing and market making; organizing, sponsoring and managing mutual funds; insurance underwriting and agency; merchant banking activities; and other activities that the Federal Reserve has determined to be closely related to banking. No regulatory approval will be required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve. We have not elected to become an FHC.

A dominant theme of the GLB 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.

Capital Adequacy Guidelines. The Federal Reserve has adopted risk-based capital guidelines for bank holding companies. The risk-based capital guidelines are designed to make regulatory capital requirements more sensitive to differences in risk profile among banks and bank holding companies to factor off-balance sheet exposure into the assessment of capital adequacy, to minimize disincentives for holding liquid, low-risk assets and to achieve greater consistency in the evaluation of the capital adequacy of major banking organizations worldwide. Under these guidelines, assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items. These requirements apply on a consolidated basis to bank holding companies with consolidated assets of $500 million, such as the Company.

In addition to the risk-based capital guidelines, the Federal Reserve has adopted a minimum Tier 1 capital (leverage) ratio, under which a bank holding company must maintain a minimum level of Tier 1 capital to average total consolidated assets of at least 3% in the case of a bank holding company that has the highest regulatory examination rating and is not contemplating significant growth or expansion. All other bank holding companies are expected to maintain a leverage ratio of at least 4%. This minimum leverage requirement only applies to bank holding companies on a consolidated basis if the risk based capital requirements discussed above apply.

These capital requirements are substantially similar to those imposed on the Bank under FDIC regulations and described in more detail below under the heading "Supervision and Regulation of Renasant Bank, Capital Adequacy Guidelines." Furthermore, these capital requirements will change in connection with the Federal Reserve's adoption of the Basel III guidelines described below.

Payment of Dividends; Source of Strength. The Federal Reserve has issued a policy statement regarding the payment of dividends by bank holding companies. This policy provides that in general a bank holding company should pay dividends only when (1) its net income available to shareholders over the last four quarters (net of dividends paid) has been sufficient to fully fund the dividends, (2) the prospective rate of earnings retention appears to be consistent with the capital needs and overall current and prospective financial condition of the bank holding company and its subsidiaries and (3) the bank holding company will continue to meet minimum regulatory capital adequacy ratios. After the enactment of the Dodd-Frank Act (which codified long-standing Federal Reserve policy), a bank holding company is required to serve as a source of financial strength to its subsidiary banks. This means that we are expected to use available resources to provide adequate resources to the Bank, including during periods of financial stress or adversity, and to maintain the financial flexibility and capital-raising capacity to obtain additional resources for assisting the Bank where necessary. In addition, any capital loans that we make to the Bank are subordinate in right of payment to deposits and to certain other indebtedness of the Bank. In the event of our bankruptcy, any commitment by us to a federal bank regulatory agency to maintain the capital of the Bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

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Acquisitions by Bank Holding Companies. The BHC Act requires every bank holding company to obtain the prior approval of the Federal Reserve before it acquires all or substantially all of the assets of any bank, merges or consolidates with another bank holding company or acquires ownership or control of any voting shares of any bank if after such acquisition it would own or control, directly or indirectly, more than 5% of the voting shares of such bank. The Federal Reserve will not approve any acquisition, merger, or consolidation that would have a substantially anti-competitive effect, unless the anti-competitive impact of the proposed transaction is clearly outweighed by a greater public interest in meeting the convenience and needs of the community to be served. The Federal Reserve also considers capital adequacy and other financial and managerial resources and future prospects of the companies and the banks concerned, together with the convenience and needs of the community to be served and the record of a bank holding company and its subsidiary bank(s) in combating money laundering activities, when reviewing acquisitions or mergers.

The BHC 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.

Control Acquisitions. Federal and state laws, including the BHC Act and the Change in Bank Control Act, impose additional prior notice or approval requirements and ongoing regulatory requirements on any investor that seeks to acquire direct or indirect “control” of an FDIC-insured depository institution or bank holding company. “Control” of a depository institution is a facts and circumstances analysis, but generally an investor is deemed to control a depository institution or other company if the investor owns or controls 25% or more of any class of voting securities. Ownership or control of 10% or more of any class of voting securities, where either the depository institution or company is a public company or no other person will own or control a greater percentage of that class of voting securities after the acquisition, is also presumed to result in the investor controlling the depository institution or other company, although this is subject to rebuttal.

Anti-Tying Restrictions. Bank holding companies and their affiliates are prohibited from tying the provision of certain services, such as extensions of credit, to other nonbanking services offered by a bank holding company or its affiliates.

Sarbanes-Oxley Act of 2002. The Sarbanes-Oxley Act of 2002 generally established a comprehensive framework to modernize and reform the oversight of public company auditing, improve the quality and transparency of financial reporting by those companies and strengthen the independence of auditors. Among other things, the legislation:

- Created the Public Company Accounting Oversight Board. The Public Company Accounting Oversight Board is empowered to set auditing, quality control and ethics standards, to inspect registered public accounting firms, to conduct investigations and to take disciplinary actions, subject to SEC oversight and review;
- Strengthened auditor independence from corporate management by, among other things, limiting the scope of consulting services that auditors can offer their public company audit clients;
- Heightened the responsibility of public company directors and senior managers for the quality of the financial reporting and disclosure made by their companies. A number of provisions to deter wrongdoing by corporate management were also adopted;
- Imposed a number of new corporate disclosure requirements; and
- Imposed a range of new criminal penalties for fraud and other wrongful acts, as well as extended the period during which certain types of lawsuits can be brought against a company or its insiders.

Troubled Asset Relief Program. 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 (the “TARP”). Thus, we will not be subject to any of the regulations enacted with respect to such program.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989. 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.

Supervision and Regulation of Renasant Bank

General. As a Mississippi-chartered bank, Renasant Bank is subject to the regulation and supervision of the Mississippi Department of Banking and Consumer Finance. As an FDIC-insured institution, the Bank is subject to the regulation and supervision of the

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FDIC. The regulations of the FDIC and the Mississippi Department of Banking and Consumer Finance affect virtually all of the Bank's activities, including the minimum level of capital, the ability to pay dividends, mergers and acquisitions, borrowing and the ability to expand through new branches or acquisitions and various other matters.
Insurance of Deposits. The deposits of the Bank are insured by the Deposit Insurance Fund (the "DIF"), which the FDIC administers. As noted above, the Dodd-Frank Act permanently increased deposit insurance on most accounts to $250,000.
To fund the DIF (which is currently under-funded), FDIC-insured banks are required to pay deposit insurance assessments to the FDIC. For institutions like the Bank with less than $10 billion in assets, the amount of the assessment is based on its risk classification. The higher an institution's risk classification, the higher its rate of assessments (on the assumption that such institutions pose a greater risk of loss to the DIF). An institution's risk classification is assigned based on its capital levels and the level of supervisory concern that the institution poses to the regulators. In addition, the FDIC can impose special assessments in certain instances. The FDIC recently raised assessment rates to increase funding for the DIF.
In addition, all institutions with deposits insured by the FDIC must pay assessments to fund interest payments on bonds issued by the Financing Corporation, a mixed-ownership government corporation established as a financing vehicle for the Federal Savings & Loan Insurance Corporation. The assessment rate for the first quarter of fiscal 2014 is .0062% of insured deposits and is adjusted quarterly. These assessments will continue until the bonds mature in 2019 (the corporation's ability to issue new debt has been terminated).
The FDIC may terminate the deposit insurance of any insured depository institution, including the Bank, if it determines after a hearing that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, order or any condition imposed by an agreement with the FDIC. For an institution with no tangible capital, deposit insurance may be temporarily suspended during the hearing process for the permanent termination of insurance. If the FDIC terminates an institution's deposit insurance, accounts insured at the time of the termination, less withdrawals, will continue to be insured for a period of six months to two years, as determined by the FDIC. We are not aware of no existing circumstances which would result in termination of the Bank's deposit insurance.
Interstate Banking and Branching. Under Mississippi law, the Bank may establish additional branch offices within Mississippi, subject to the approval of the Mississippi Department of Banking and Consumer Finance. After the Dodd-Frank Act, we can also establish additional branch offices outside of Mississippi, subject to prior regulatory approval, so long as the laws of the state where the branch is to be located would permit a state bank chartered in that state to establish a branch. Finally, we may also establish offices in other states by merging with banks or by purchasing branches of other banks in other states, subject to certain restrictions.
Dividends. The restrictions and guidelines with respect to the Company's payment of dividends are described above. As a practical matter, for so long as our operations chiefly consist of ownership of the Bank, the Bank will remain our source of dividend payments, and our ability to pay dividends will be subject to any restrictions applicable to the Bank.
The ability of the Bank to pay dividends is restricted by federal and state laws, regulations and policies. 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.
Capital Adequacy Guidelines. The FDIC has promulgated risk-based capital guidelines similar to, and with the same underlying purposes as, those established by the Federal Reserve with respect to bank holding companies. Under those guidelines, assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items.
- Current Guidelines. Bank assets are given risk-weights of 0%, 20%, 50%, 100% and 200%. In addition, certain off-balance sheet items are given similar credit conversion factors to convert them to asset-equivalent amounts to

which an appropriate risk-weight will apply. Those computations result in the total risk-weighted assets. Most loans are assigned to the 100% risk category, except for performing loans fully secured by first liens on one-to-four family residential property, which carry a 50% risk weighting. Most investment securities (including, primarily, general obligation claims of states or other political subdivisions of the United States) are assigned to the 20% category, except for municipal or state revenue bonds, which have a 50% risk-weight, and direct obligations of the U.S. Treasury or obligations backed by the full faith and credit of the U.S. Government, which have a 0% risk-weight. In converting off-balance sheet items, direct credit substitutes, including general guarantees and standby letters of credit backing financial obligations, are given a 100% risk weighting. Transaction-related contingencies such as bid bonds, standby letters of credit backing nonfinancial obligations and undrawn commitments (including commercial credit lines with a maturity of more than one year), have a 50% risk weighting. Short-

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term commercial letters of credit have a 20% risk weighting, and certain short-term unconditionally cancelable commitments have a 0% risk weighting.

The minimum ratio of total capital to risk-weighted assets required by FDIC regulations (including certain off-balance sheet activities, such as standby letters of credit) is 8%. At least 4% of total capital must be “Tier 1 capital,” consisting of common stockholders’ equity and qualifying preferred stock or hybrid instruments, less certain goodwill items and other intangible assets. The remainder, or “Tier 2 capital,” may consist of, among other things, (a) the allowance for loan losses of up to 1.25% of risk weighted assets, (b) unrealized gains on certain equity securities, (c) non-qualifying preferred stock, (d) hybrid capital instruments and (e) qualifying subordinated debt and intermediate-term preferred stock up to 50% of Tier 1 capital. Total capital is the sum of Tier 1 and Tier 2 capital less reciprocal holdings of other banking organizations’ capital instruments, investments in unconsolidated subsidiaries and any other deductions as determined by the FDIC.

In addition to the risk-based capital guidelines, the FDIC has adopted a minimum Tier 1 capital (leverage) ratio, under which a bank must maintain a minimum level of Tier 1 capital to average total consolidated assets. For a bank that has the highest regulatory examination rating and is not contemplating significant growth or expansion, the leverage ratio must be at least 3%; all other banks are expected to maintain a leverage ratio of at least 4%.

- Prompt Corrective Action. Under Section 38 of the Federal Deposit Insurance Act (the “FDIA”), each federal banking agency is required to implement a system of prompt corrective action for institutions that it regulates. The federal banking agencies (including the FDIC) have adopted substantially similar regulations to implement this mandate. Under the regulations, a bank is (i) “well capitalized” if it has total risk-based capital of 10% or more, has a Tier 1 risk-based ratio of 6% or more, has a Tier 1 leverage capital ratio of 5% or more and is not subject to any order or final capital directive to meet and maintain a specific capital level for any capital measure, (ii) “adequately capitalized” if it has a total risk-based capital ratio of 8% or more, a Tier 1 risk-based capital ratio of 4% or more and a Tier 1 leverage capital ratio of 4% or more (3% under certain circumstances) and does not meet the definition of “well capitalized”, (iii) “undercapitalized” if it has a total risk-based capital ratio that is less than 8%, a Tier 1 risk-based capital ratio that is less than 4% or a Tier 1 leverage capital ratio that is less than 4% (3% under certain circumstances), (iv) “significantly undercapitalized” if it has a total risk-based ratio that is less than 6%, a Tier 1 risk-based capital ratio that is less than 3% or a Tier 1 leverage capital ratio that is less than 3%, and (v) “critically undercapitalized” if it has a ratio of tangible equity to total assets that is equal to or less than 2%.

The capital classification of a bank affects the frequency of regulatory examinations, the bank’s ability to engage in certain activities and the deposit insurance premiums paid by the bank. In addition, federal banking regulators must take various mandatory supervisory actions, and may take other discretionary actions, with respect to institutions in the three undercapitalized categories. The severity of the action depends upon the capital category in which the institution is placed. An institution that is categorized as undercapitalized, significantly undercapitalized or critically undercapitalized is required to submit an acceptable capital restoration plan to its appropriate federal banking agency. An undercapitalized institution also is generally prohibited from increasing its average total assets, making acquisitions, establishing any branches or engaging in any new line of business, except under an accepted capital restoration plan or with FDIC approval. Generally, banking regulators must appoint a receiver or conservator for an institution that is critically undercapitalized.

Section 38 of the FDIA and the regulations promulgated thereunder also specify circumstances under which the FDIC may reclassify a well capitalized bank as adequately capitalized and may require an adequately capitalized bank or an undercapitalized bank to comply with supervisory actions as if it were in the next lower category (except that the FDIC may not reclassify a significantly undercapitalized bank as critically undercapitalized).

- Basel III. The current risk-based capital guidelines that apply to both the Company and the Bank are based on the 1988 capital accord, referred to as Basel I, of the Basel Committee on Banking Supervision, a committee of central banks and bank supervisors, as implemented by federal bank regulators. In 2004, the Basel Committee published a new capital accord, Basel II. Basel II modifies risk weightings in an attempt to make capital requirements more risk-sensitive and provides two approaches for setting capital standards for credit risk - an “advanced,” internal ratings-based approach tailored to individual institutions’ circumstances and a “standardized” approach that bases risk weightings on external credit assessments to a much greater extent than permitted under existing risk-based capital guidelines. Basel II also sets capital requirements for operational risk and refines the existing capital requirements for market risk exposures. In 2007, U.S. federal banking agencies adopted final rules implementing the advanced approaches of Basel II for “core” bank holding companies and banks having $250 billion or more in total consolidated assets or $10 billion or more of foreign exposures. These rules did not apply to the Bank or the Company.

In December 2010, the Basel Committee released a final framework for a strengthened set of capital requirements, known as “Basel III”. In early July 2013, each of the U.S. federal banking agencies adopted final rules relevant to us: (1) the Basel III regulatory capital reforms and (2) the “standardized approach of Basel II for non-core banks and bank holding companies, such as the Bank and the Company. The capital framework under Basel III will replace the existing regulatory capital rules

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for all banks, savings associations and U.S. bank holding companies with greater than $500 million in total assets, and all savings and loan holding companies.

The final Basel III rules became effective on January 1, 2014. However, the Company and the Bank will not be required to be in compliance with the final Basel III rules until January 1, 2015, and the rules will not be fully phased-in until January 1, 2019. Among other things, the final Basel III rules will impact regulatory capital ratios of banking organizations in the following manner, when fully phased in:

- Create a new requirement to maintain a ratio of common equity Tier 1 capital to total risk-weighted assets of not less than 4.5%;
- Increase the minimum leverage capital ratio to 4% for all banking organizations (currently 3% for certain banking organizations);
- Increase the minimum Tier 1 risk-based capital ratio from 4% to 6%; and
- Maintain the minimum total risk-based capital ratio at 8%.

In addition, the final Basel III rules, when fully phased in, will subject a banking organization to certain limitations on capital distributions and discretionary bonus payments to executive officers if the organization did not maintain a capital conservation buffer of common equity Tier 1 capital in an amount greater than 2.5% of its total risk-weighted assets. The effect of the capital conservation buffer, when fully phased in, will be to increase the minimum common equity Tier 1 capital ratio to 7%, the minimum Tier 1 risk-based capital ratio to 8.5% and the minimum total risk-based capital ratio to 10.5%, for banking organizations seeking to avoid the limitations on capital distributions and discretionary bonus payments to executive officers.

The final Basel III rules will also change the capital categories for insured depository institutions for purposes of prompt corrective action. Under the final rules, to be well capitalized, an insured depository institution will required to maintain a minimum common equity Tier 1 capital ratio of at least 6.5%, a Tier 1 risk-based capital ratio of at least 8%, a total risk-based capital ratio of at least 10.0%, and a leverage capital ratio of at least 5%. In addition, the final Basel III rules establish more conservative standards for including an instrument in regulatory capital and impose certain deductions from and adjustments to the measure of common equity Tier 1 capital.

The Basel II standardized approach will revise the method for calculating risk-weighted assets to enhance risk sensitivity, particularly with respect to equity exposures to investment funds (including mutual funds), foreign exposures and residential real estate assets. It will also establish alternatives to credit ratings for calculating risk-weighted assets consistent with section 939A of the Dodd-Frank Act.

We are currently reviewing the ultimate impact of the final Basel III capital standards on the Company and the Bank. However, we expect that we and the Bank will meet all minimum capital requirements when effective and that we and the Bank would also meet all capital requirements as if fully phased in.

The Basel III framework also requires banks and bank holding companies to measure their liquidity against specific liquidity tests that, although similar in some respects to liquidity measures historically applied by banks and regulators for management and supervisory purposes, going forward would be required by regulation. The federal banking agencies have not yet proposed rules implementing the Basel III liquidity framework, nor have they announced if the framework will apply to non-core banks and bank holding companies.

These provisions, as well as any other aspects of current or proposed regulatory or legislative changes to laws applicable to the financial industry, may impact the profitability of our business activities and may change certain of our business practices, including the ability to offer new products, obtain financing, attract deposits, make loans, and achieve satisfactory interest spreads, and could expose us to additional costs, including increased compliance costs. These changes also may require us to invest significant management attention and resources to make any necessary changes to operations in order to comply, and could therefore also materially and adversely affect our business, financial condition and results of operations.

Activities and Investments of Insured State-Chartered Banks. Section 24 of the FDIA generally limits the activities and equity investments of FDIC-insured, state-chartered banks to those that are permissible for national banks. Under regulations dealing with equity investments, an insured state bank generally may not directly or indirectly acquire or retain any equity investment of a type, or in an amount, that is not permissible for a national bank. An insured state bank is not prohibited from, among other things, taking the following actions:

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- acquiring or retaining a majority interest in a subsidiary;
- investing as a limited partner in a partnership the sole purpose of which is direct or indirect investment in the acquisition, rehabilitation or new construction of a qualified housing project, provided that such limited partnership investments may not exceed 2% of the bank's total assets;
- acquiring up to 10% of the voting stock of a company that solely provides or reinsures directors', trustees' and officers' liability insurance coverage or bankers' blanket bond group insurance coverage for insured depository institutions; and
- acquiring or retaining the voting shares of a depository institution if certain requirements are met.

Under FDIC regulations, insured banks engaging in impermissible activities, or banks that wish to engage in otherwise impermissible activities, may seek approval from the FDIC to continue or commence such activities, as the case may be. The FDIC will not approve such an application if the bank does not meet its minimum capital requirements or the proposed activities present a significant risk to the FDIC insurance fund.

Safety and Soundness. The federal banking agencies, including the FDIC, have implemented rules and guidelines concerning standards for safety and soundness required pursuant to Section 39 of the FDIA. In general, the standards relate to operational and managerial matters, asset quality and earnings and compensation. The operational and managerial standards cover (1) internal controls and information systems, (2) internal audit systems, (3) loan documentation, (4) credit underwriting, (5) interest rate exposure, (6) asset growth and (7) compensation, fees and benefits. Under the asset quality and earnings standards, the Bank must establish and maintain systems to identify problem assets and prevent deterioration in those assets and to evaluate and monitor earnings and ensure that earnings are sufficient to maintain adequate capital reserves. Finally, the compensation standard states that compensation will be considered excessive if it is unreasonable or disproportionate to the services actually performed by the individual being compensated.

If an insured state-chartered bank fails to meet any of the standards promulgated by regulation, then such institution will be required to submit a plan within 30 days to the FDIC specifying the steps it will take to correct the deficiency. In the event that an insured state-chartered bank fails to submit or fails in any material respect to implement a compliance plan within the time allowed by the federal banking agency, Section 39 of the FDIA provides that the FDIC must order the institution to correct the deficiency. The FDIC may also (1) restrict asset growth; (2) require the bank to increase its ratio of tangible equity to assets; (3) restrict the rates of interest that the bank may pay; or (4) take any other action that would better carry out the purpose of prompt corrective action. We believe that the Bank has been and will continue to be in compliance with each of these standards.

Federal Reserve System. The Federal Reserve requires all depository institutions to maintain reserves against their transaction accounts (primarily NOW and Super NOW checking accounts) and non-personal time deposits. The required reserves must be maintained in the form of vault cash or an account at a Federal Reserve bank. At December 31, 2013, the Bank was in compliance with its reserve requirements.

Community Reinvestment Act. Under the Community Reinvestment Act (the "CRA"), the FDIC assesses the Bank's record in meeting the credit needs of its entire community, including low- and moderate-income neighborhoods. The FDIC's assessment is taken into account when evaluating any application we submit for, among other things, approval of the acquisition or establishment of a branch or other deposit facility, an office relocation, a merger or the acquisition of shares of capital stock of another financial institution. The Bank has undertaken significant actions to comply with the CRA, and it received a "satisfactory" rating by the FDIC with respect to its CRA compliance. Both the U.S. Congress and banking regulatory agencies have proposed substantial changes to the CRA and fair lending laws, rules and regulations, and there can be no certainty as to the effect, if any, that any such changes would have on us or the Bank.

Financial Privacy Requirements. Federal law and regulations limit a financial institution's ability to share consumer financial information with unaffiliated third parties. Specifically, these provisions require all financial institutions offering financial products or services to retail customers to provide such customers with the financial institution's privacy policy and provide such customers the opportunity to "opt out" of the sharing of personal financial information with unaffiliated third parties. The sharing of information for marketing purposes is also subject to limitations. The Bank currently has privacy protection policy and procedures in place, which we believe complies with all applicable regulations.

Anti-Money Laundering. Federal anti-money laundering rules impose various requirements on financial institutions intended to prevent the use of the U.S. financial system to fund terrorist activities. These provisions include a requirement that financial institutions operating in the United States have anti-money laundering compliance programs, due diligence policies and controls to ensure the detection and reporting of money laundering. Such compliance programs supplement existing compliance requirements, also applicable to financial institutions, under the Bank Secrecy Act and the Office of Foreign Assets Control Regulations. The Bank has established policies and procedures to ensure compliance with the federal anti-laundering provisions.

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Supervision and Regulation of our Wealth Management and Insurance operations

Our Wealth Management and Insurance operations are 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.

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 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, securities sold under repurchase agreements, and Federal Home Loan Bank advances. 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, 2013, we employed 1,483 people throughout all of our segments on a full-time equivalent basis. Of this total, the Bank accounted for 1,418 employees (inclusive of employees in our Community Banks and Wealth Management operations), and Renasant Insurance employed 65 individuals. The Company has no additional employees; however, at December 31, 2013, 15 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; the loss of any single customer or small group of customers with respect to any of our reportable segments would not have a materially adverse effect on our business as a whole or with respect to that segment in particular. A discussion of concentrations of credit in our loan portfolio is set forth under the heading "Financial Condition" – section titled: "Loans" 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 Investor 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 on each such category for the years ended December 31, 2013, 2012 and 2011:

| | 2013 | | | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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] | $3,214,567 | $159,587 | 4.96 % | $2,711,253 | $138,408 | 5.10 % | $2,577,185 | $142,592 | 5.53 % |
| Securities: | | | | | | | | | |
| Taxable[2] | 556,039 | 12,975 | 2.33 | 505,686 | 13,058 | 2.58 | 602,006 | 19,829 | 3.29 |
| Tax-exempt | 243,916 | 13,618 | 5.58 | 232,679 | 13,571 | 5.83 | 219,526 | 13,560 | 6.18 |
| Interest-bearing balances with banks | 100,147 | 248 | 0.25 | 87,303 | 199 | 0.23 | 189,478 | 543 | 0.29 |
| Total interest-earning assets | 4,114,669 | 186,428 | 4.53 | 3,536,921 | 165,236 | 4.67 | 3,588,195 | 176,524 | 4.92 |
| Cash and due from banks | 66,283 | | | 63,624 | | | 71,138 | | |
| Intangible assets | 228,632 | | | 191,612 | | | 191,776 | | |
| FDIC loss-share indemnification asset | 33,306 | | | 59,083 | | | 142,933 | | |
| Other assets | 288,633 | | | 281,449 | | | 263,202 | | |
| Total assets | $4,731,523 | | | $4,132,689 | | | $4,257,244 | | |
| Liabilities and shareholders' equity | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | |
| Deposits: | | | | | | | | | |
| Interest-bearing demand[3] | 1,685,220 | 4,106 | 0.24 | 1,379,447 | 3,927 | 0.28 | 1,341,760 | 9,094 | 0.68 |
| Savings deposits | 280,509 | 682 | 0.24 | 230,553 | 533 | 0.23 | 210,648 | 798 | 0.38 |
| Time deposits | 1,317,086 | 12,262 | 0.93 | 1,248,938 | 14,570 | 1.17 | 1,435,800 | 21,837 | 1.52 |
| Total interest-bearing deposits | 3,282,815 | 17,050 | 0.52 | 2,858,938 | 19,030 | 0.67 | 2,988,208 | 31,729 | 1.06 |
| Borrowed funds | 173,161 | 6,353 | 3.67 | 190,096 | 6,945 | 3.65 | 267,726 | 9,672 | 3.61 |
| Total interest-bearing liabilities | 3,455,976 | 23,403 | 0.68 | 3,049,034 | 25,975 | 0.85 | 3,255,934 | 41,401 | 1.27 |
| Noninterest-bearing deposits | 666,147 | | | 543,628 | | | 487,310 | | |
| Other liabilities | 52,173 | | | 45,865 | | | 34,283 | | |
| Shareholders' equity | 557,227 | | | 494,162 | | | 479,717 | | |
| Total liabilities and shareholders' equity | $4,731,523 | | | $4,132,689 | | | $4,257,244 | | |
| | | $163,025 | 3.96 % | | $139,261 | 3.94 % | | $135,123 | 3.77 % |

Net interest income/
net interest margin

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

The average balances of nonaccruing assets are included in 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:

| | 2013 Compared to 2012 | | | 2012 Compared to 2011 | | |
|---|---|---|---|---|---|---|
| | Volume | Rate | Net[1] | Volume | Rate | Net[1] |
| Interest income: | | | | | | |
| Loans [2] | $24,717 | $(3,538) | $21,179 | $7,418 | $(11,602) | $(4,184) |
| Securities: | | | | | | |
| Taxable | (2,056) | 1,973 | (83) | (3,175) | (3,596) | (6,771) |
| Tax-exempt | 382 | (335) | 47 | 813 | (802) | 11 |
| Interest-bearing balances with banks | 32 | 17 | 49 | (293) | (51) | (344) |
| Total interest-earning assets | 23,075 | (1,883) | 21,192 | 4,763 | (16,051) | (11,288) |
| Interest expense: | | | | | | |
| Interest-bearing demand deposits | (94) | 273 | 179 | 256 | (5,423) | (5,167) |
| Savings deposits | (225) | 374 | 149 | 75 | (340) | (265) |
| Time deposits | 378 | (2,686) | (2,308) | (2,842) | (4,425) | (7,267) |
| Borrowed funds | (725) | 133 | (592) | (2,804) | 77 | (2,727) |
| Total interest-bearing liabilities | (666) | (1,906) | (2,572) | (5,315) | (10,111) | (15,426) |
| Change in net interest income | $23,741 | $23 | $23,764 | $10,078 | $(5,940) | $4,138 |

(1) Changes not solely due to volume or 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, 2013. Information regarding the carrying value of the investment securities listed below as of December 31, 2013, 2012 and 2011 is contained under the heading “Financial Condition – Investments" and "Results of Operations – Net Interest Income" in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations.

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| | Amount | Yield | |
|---|---|---|---|
| Held to Maturity: | | | |
| Obligations of other U.S. Government agencies and corporations | | | |
| Maturing after one year through five years | $2,497 | 0.90 | % |
| Maturing after five years through ten years | 122,564 | 1.87 | % |
| Obligations of states and political subdivisions | | | |
| Maturing within one year | 11,153 | 3.98 | % |
| Maturing after one year through five years | 50,211 | 3.83 | % |
| Maturing after five years through ten years | 71,905 | 4.42 | % |
| Maturing after ten years | 153,745 | 5.22 | % |
| Available for Sale: | | | |
| Obligations of other U.S. Government agencies and corporations | | | |
| Maturing after one year through five years | 1,079 | 3.17 | % |
| Maturing after five years through ten years | 5,065 | 2.12 | % |
| Trust preferred securities | | | |
| Maturing after ten years | 27,531 | 0.87 | % |
| Residential mortgage backed securities: | | | |
| Government agency MBS | 261,659 | 2.53 | % |
| Government agency CMO | 149,682 | 2.10 | % |
| Commercial mortgage backed securities: | | | |
| Government agency MBS | 41,252 | 3.74 | % |
| Government agency CMO | 5,007 | 3.16 | % |
| Other debt securities | 19,544 | 2.47 | % |
| Other equity securities | 2,775 | 15.91 | % |
| | $925,669 | 3.32 | % |

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.

Table 4 – Loan Portfolio

(In Thousands)

The following table sets forth loans, net of unearned income, outstanding at December 31, 2013, 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 – Loans" 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 | $212,138 | $216,199 | $40,626 | $468,963 |
| Lease financing | 52 | — | — | 52 |
| Real estate – construction | 86,395 | 39,596 | 35,445 | 161,436 |
| Real estate – 1-4 family mortgage | 358,708 | 475,898 | 373,627 | 1,208,233 |
| Real estate – commercial mortgage | 467,067 | 1,075,789 | 407,716 | 1,950,572 |
| Installment loans to individuals | 33,788 | 55,396 | 2,578 | 91,762 |

| | | | |
|---|---|---|---|
| $1,158,148 | $1,862,878 | $859,992 | $3,881,018 |

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The following table sets forth the fixed and variable rate loans maturing or scheduled to reprice after one year as of December 31, 2013:

| | Interest Sensitivity | |
|---|---|---|
| | Fixed Rate | Variable Rate |
| Due after one year through five years | $1,623,381 | $239,497 |
| Due after five years | 626,317 | 233,675 |
| | $2,249,698 | $473,172 |

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, 2013:

| | Certificates of Deposit | Other |
|---|---|---|
| Three Months or Less | $100,954 | $7,242 |
| Over Three through Six Months | 102,097 | 1,522 |
| Over Six through Twelve Months | 164,251 | 8,438 |
| Over 12 Months | 366,967 | 22,931 |
| | $734,269 | $40,133 |

## 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.

General business and economic conditions in the United States and abroad can materially affect our business and operations. A weak U.S. economy is likely to cause uncertainty about the federal fiscal policymaking process, the medium and long-term fiscal outlook of the federal government and future tax rates. In addition, economic conditions in foreign countries, including uncertainty over the stability of the euro currency, could affect the stability of global financial markets, which could hinder U.S. economic growth.

Weak economic conditions are characterized by deflation, fluctuations in debt and equity capital markets, a lack of liquidity and/or depressed prices in the secondary market for mortgage loans, increased delinquencies on mortgage, consumer and commercial loans, residential and commercial real estate price declines and lower home sales and commercial activity. The current economic environment in the United States is also characterized by interest rates at historically low levels, which impacts our ability to attract deposits and to generate attractive earnings through our investment portfolio. All of these factors are detrimental to our business, and the interplay between these factors can be complex and/or unpredictable. Our business is also significantly affected by monetary and related policies of the U.S. federal government and its agencies. Changes in any of these policies are influenced by macroeconomic conditions and other factors that are beyond our control. Adverse economic conditions and government policy responses to such conditions could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

More particularly, much of our business development and marketing strategy is directed toward fulfilling the banking and financial services needs small to medium-sized businesses. Such businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities. If general economic conditions negatively impact our Mississippi, Tennessee, Alabama

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and Georgia markets generally and these businesses are adversely affected, our financial condition and results of operations may be negatively affected.

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, 2013, approximately 66.50% 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 Community Banks” in Item 1, Business.

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

At December 31, 2013, approximately 85.55% 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. United States real estate, particularly Georgia real estate, experienced a severe decline in value during the recent recession. Although real estate values have since begun to recover, any 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. This was the case from 2008 to 2012. 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, 2013, we had approximately $2.0 billion in commercial real estate loans, representing approximately 50.26% 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, as a result of the downturn in United States real estate markets during the recent recession, banking regulators have begun to give 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.
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

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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 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. Any worsening of the current economic conditions, which are relatively weak currently, could cause us 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.
— 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

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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 arose during the recent 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.

We have grown our business outside our Mississippi footprint through the acquisition of entire financial institutions and through de novo branching. Since the beginning of 2011, we have opened eight de novo branches, acquired specified assets and the operations of, and assumed specified liabilities of, Crescent and American Trust in two FDIC-assisted transactions and acquired the RBC Bank (USA) trust division. Also, on September 1, 2013, we acquired First M&F Corporation (“First M&F”) and its wholly-owned subsidiary, Merchants and Farmers Bank. We intend to continue pursuing a growth strategy for our business through de novo branching and to evaluate attractive acquisition opportunities that are presented to us. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies when expanding their franchise, 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 has been focused in the highly-competitive metropolitan areas of Memphis and Nashville, Tennessee and Birmingham and Huntsville, Alabama as well as north Georgia and east Tennessee markets. 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 recent acquisitions.
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, our acquisition of the trust division of RBC Bank (USA) and our acquisition of First M&F 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; retaining the existing client relationships; 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 acquired.
Notwithstanding our loss-share 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 whether on account of the effects of the economic downturn in the United States or otherwise. Similar circumstances could arise resulting from our acquisition of First M&F. Any of these actions 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 the

FDIC-assisted transactions or the integration of First M&F, 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-share arrangements with the FDIC that covered approximately $700 million of acquired

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assets in the aggregate. Under each loss-share 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-share agreements applicable to single-family residential mortgage loans provide for FDIC loss-share and Bank reimbursement to the FDIC to run for ten years, and the loss-share agreement applicable to commercial and other assets provides for FDIC loss-share 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-share payments for loan losses if we do not adhere to the terms of the loss-share agreements. Also, any charge-offs that we experience after the terms of the loss-share agreements have ended would not be recoverable from the FDIC.

Certain provisions of the loss-share 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 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-share arrangements.

Among other things, prior FDIC consent is required for (1) 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, (2) a sale of all or substantially all of the assets of the Bank, or (3) 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 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-share arrangements with the FDIC associated with such transactions. In addition to the general risks associated with our growth plans and the particular risks associated with FDIC-assisted transactions both of which are highlighted 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 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 our 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 and 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 effect 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 has already, and likely in the future 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, 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.

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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 P, "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 enacted by Congress will, among other things, tighten capital standards and result in new laws and regulations that likely will increase our costs of operations.

The Dodd-Frank Act was signed into law on July 21, 2010. This new law significantly changed the then-existing bank regulatory structure and affected 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 have been 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 have had a near term impact on us. For example, a provision of the Dodd-Frank Act eliminated 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 broadened the base for FDIC insurance assessments. Assessments are now based on the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act also permanently increased the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per depositor, retroactive to January 1, 2009.

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 created a new Consumer Financial Protection Bureau (the "CFPB") with broad powers to supervise and enforce consumer protection laws. The CFPB 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 CFPB 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 continue to be examined for compliance with the consumer laws by their primary bank regulators. The Dodd-Frank Act also weakened the federal preemption rules that were applicable for national banks and federal savings associations, and gave 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.

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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. In 2010, the FDIC 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, cyber-attacks 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 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, like the 2010 Tennessee floods that impacted our Nashville, Tennessee offices and

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the April 2011 storms that devastated much of east Mississippi and west Alabama, 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 two months ended February 28, 2014, the average daily trading volume for Renasant common stock was 83,915 shares per day. A public trading market having the 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 O, “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 First M&F, Heritage Financial Holding Corporation (“Heritage”) and Capital Bancorp, Inc. (“Capital”) mergers, we assumed junior subordinated debentures. At December 31, 2013, we had trust preferred securities and accompanying junior subordinated debentures with a carrying value of $94 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

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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.

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, 2014, there were 75,000,000 shares of our common stock authorized, of which 31,477,367 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.

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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.
As of December 31, 2013, Renasant operates 96 full-service branches, 12 limited-service branches and an ATM network, which includes 92 ATMs at on-premise locations and 12 ATMs located at off-premise sites. Our Community Banks and Wealth Management segments operate out of all of these offices.
The Bank owns 74 of its 96 full-service branch banking facilities. The remaining 22 full-service branches are under lease agreements. The Bank owns 11 of the 12 limited-service branches. The 24 branch banking facilities that are occupied under leases have unexpired terms ranging from 1 to 30 years.
Renasant Insurance, a wholly-owned subsidiary of the Bank, owns six offices - one each in Ackerman, Corinth, Durant, Kosciusko, Louisville and Tupelo, Mississippi. Renasant Insurance leases a location in Starkville, Mississippi. 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 2013.

ITEM 4. MINE SAFETY DISCLOSURES
Not applicable.

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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, 2014, the Company had approximately 8,800 shareholders of record and the closing sales price of the Company's common stock was $29.06. 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, 2013 and 2012 as reported on NASDAQ, and the amount of cash dividends declared during each quarterly period during such fiscal years:

| | Dividends Per Share | Prices High | Low |
|---|---|---|---|
| 2013 | | | |
| 1st Quarter | $0.17 | $23.04 | $18.50 |
| 2nd Quarter | 0.17 | 25.17 | 21.14 |
| 3rd Quarter | 0.17 | 28.19 | 24.55 |
| 4th Quarter | 0.17 | 32.04 | 26.89 |
| | | | |
| 2012 | | | |
| 1st Quarter | $0.17 | $16.99 | $14.42 |
| 2nd Quarter | 0.17 | 17.16 | 14.66 |
| 3rd Quarter | 0.17 | 19.97 | 15.66 |
| 4th Quarter | 0.17 | 20.45 | 16.53 |

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 O, "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, 2013.

Unregistered Sales of Equity Securities

The Company did not sell any unregistered equity securities during 2013.

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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, 2008, and that all dividends were reinvested.

| | Period Ending December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Renasant Corporation | $100.00 | $83.99 | $109.17 | $101.62 | $134.90 | $227.96 |
| NASDAQ Market Index | 100.00 | 145.36 | 171.74 | 170.38 | 200.63 | 281.22 |
| SNL Southeast Bank Index[1] | 100.00 | 100.41 | 97.49 | 57.04 | 94.75 | 128.40 |

(1) The SNL Geographic Index, Southeast Banks, is a peer group of 83 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, | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Interest income | $180,604 | $159,313 | $170,687 | $165,483 | $170,316 |
| Interest expense | 23,403 | 25,975 | 41,401 | 60,277 | 71,098 |
| Net interest income | 157,201 | 133,338 | 129,286 | 105,206 | 99,218 |
| Provision for loan losses | 10,350 | 18,125 | 22,350 | 30,665 | 26,890 |
| Noninterest income | 71,971 | 68,711 | 64,699 | 92,692 | 57,493 |
| Noninterest expense | 173,076 | 150,459 | 136,960 | 120,540 | 105,440 |
| Income before income taxes | 45,746 | 33,465 | 34,675 | 46,693 | 24,381 |
| Income taxes | 12,259 | 6,828 | 9,043 | 15,018 | 5,863 |
| Net income | $33,487 | $26,637 | $25,632 | $31,675 | $18,518 |
| Per Common Share | | | | | |
| Net income – Basic | $1.23 | $1.06 | $1.02 | $1.39 | $0.88 |
| Net income – Diluted | 1.22 | 1.06 | 1.02 | 1.38 | 0.87 |
| Book value at December 31 | 21.21 | 19.80 | 19.44 | 18.75 | 19.45 |
| Closing price[2] | 31.46 | 19.14 | 15.00 | 16.91 | 13.60 |
| Cash dividends declared and paid | 0.68 | 0.68 | 0.68 | 0.68 | 0.68 |
| Dividend payout | 55.74 % | 64.15 % | 66.67 % | 49.28 % | 78.16 % |
| At December 31, | | | | | |
| Assets | $5,746,270 | $4,178,616 | $4,202,008 | $4,297,327 | $3,641,081 |
| Loans, net of unearned income | 3,881,018 | 2,810,253 | 2,581,084 | 2,524,590 | 2,347,615 |
| Securities | 913,329 | 674,077 | 796,341 | 834,472 | 714,164 |
| Deposits | 4,841,912 | 3,461,221 | 3,412,237 | 3,468,151 | 2,576,100 |
| Borrowings | 171,875 | 164,706 | 254,709 | 316,436 | 618,024 |
| Shareholders’ equity | 665,652 | 498,208 | 487,202 | 469,509 | 410,122 |
| Selected Ratios | | | | | |
| Return on average: | | | | | |
| Total assets | 0.71 % | 0.64 % | 0.60 % | 0.80 % | 0.50 % |
| Shareholders’ equity | 6.01 % | 5.39 % | 5.34 % | 7.16 % | 4.56 % |
| Average shareholders’ equity to average assets | 11.78 % | 11.96 % | 11.27 % | 11.21 % | 10.96 % |
| At December 31, | | | | | |
| Shareholders’ equity to assets | 11.58 % | 11.92 % | 11.59 % | 10.93 % | 11.26 % |
| Allowance for loan losses to total loans, net of unearned income[3] | 1.65 % | 1.72 % | 1.98 % | 2.07 % | 1.67 % |
| Allowance for loan losses to nonperforming loans[3] | 248.90 % | 146.90 % | 127.00 % | 84.32 % | 78.25 % |
| Nonperforming loans to total loans, net of unearned income[3] | 0.66 % | 1.17 % | 1.56 % | 2.46 % | 2.13 % |

(1) Selected consolidated financial data includes the effect of mergers and other acquisition transactions from the date of each merger or other transaction. On September 1, 2013, Renasant Corporation acquired First M&F Corporation, a Mississippi corporation (“First M&F”), headquartered in Kosciusko, Mississippi. On February 4, 2011, Renasant Bank acquired specified assets and assumed specified liabilities of American Trust Bank, a Georgia-chartered bank headquartered in Roswell, Georgia (“American Trust”), from the Federal Deposit Insurance Corporation (“FDIC”), as receiver for American Trust. 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 FDIC, as receiver for Crescent. Refer to Item 1, Business, and Note B, "Mergers and Acquisitions," in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data, for additional information about the transactions involving First M&F, American Trust and Crescent.

(2) Reflects the closing price on The NASDAQ Global Select Market on the last trading day of the Company's fiscal year.

(3) Excludes assets acquired from First M&F and 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 $33,487 for 2013 compared to $26,637 for 2012 and $25,632 for 2011. The fluctuation in net income since 2011 was influenced by a number of factors:

— On September 1, 2013, the Company acquired First M&F Corporation, (First M&F), which operated 35 full-service banking offices and eight insurance offices throughout Mississippi, Tennessee and Alabama. The Company issued approximately 6.2 million shares of its common stock for 100% of the voting equity interests in First M&F in a transaction valued at $156,834. Including the effect of purchase accounting adjustments, the Company acquired assets with a fair value of $1,516,603 including loans with a fair value of $899,246, and assumed liabilities with a fair value of $1,361,079, including deposits with a fair value of $1,325,872. At the acquisition date, approximately $91,333 of goodwill and $25,033 of core deposit intangible assets were recorded.
— The Company expanded its franchise by opening de novo locations in Starkville, Mississippi and Montgomery and Tuscaloosa, Alabama during 2011, and Maryville and Jonesborough, Tennessee during 2012. In 2013, the Company expanded its Tennessee footprint by adding de novo locations in Johnson City and Bristol. These de novo branches contributed $327,020 to total loans and $271,677 to total deposits at December 31, 2013, and $185,722 to total loans and $134,113 to total deposits at December 31, 2012.
— Net interest income increased 17.90% to $157,201 for 2013 as compared to $133,338 for 2012; net interest income was $129,286 for 2011. Interest income on a tax equivalent basis increased 12.83% to $186,428 for 2013 from $165,236 for 2012. The increase from 2012 to 2013 was due primarily to the increase in average earnings assets from the acquisition of First M&F. Interest expense decreased 9.90% to $23,403 for 2013 compared to $25,975 for 2012; interest expense was $41,401 for 2011. The decrease was due to a shift from higher interest-bearing liabilities and the declining interest rate environment.
— Net charge-offs as a percentage of average loans decreased to 0.22% in 2013 compared to 0.67% in 2012. Net charge-offs as a percentage of average loans was 0.91% in 2011. The provision for loan losses was $10,350 for 2013 compared to $18,125 for 2012 and $22,350 for 2011.
— Noninterest income was $71,971 for 2013 compared to $68,711 for 2012 and $64,699 for 2011. The First M&F merger, higher levels of mortgage loan refinancings and fees and commissions on deposit services in 2013 helped drive the increase in noninterest income from 2012 and 2011. Our goal is to continue developing products that generate noninterest income in order to diversify our revenue streams.
— Noninterest expenses were $173,076 for 2013 compared to $150,459 for 2012 and $136,960 for 2011. The increase in noninterest expense during 2013 was primarily due to compensation and occupancy costs associated with our de novo locations and as well as our merger with First M&F.
— Loans, net of unearned income, totaled $3,881,018 at December 31, 2013, an increase of $1,070,765, or 38.10%, from December 31, 2012. Excluding the acquired loans of $813,543 from First M&F, the portfolio increased in size by $257,222. Our eight de novo branches contributed $141,298 in loan growth for 2013.
— Deposits totaled $4,841,912 at December 31, 2013, an increase of $1,380,691, or 39.89%, from December 31, 2012. Deposits acquired from First M&F totaled $1,301,130 at December 31, 2013. Management's strategy to build and maintain a stable source of funding through core deposits, driven by noninterest-bearing deposits, has allowed for certain higher costing time deposits to mature or expire without renewal, some of which have been replaced with noninterest-bearing deposits and other lower costing deposits. Deposits from our de novo locations also contributed $137,564 in deposits year over year.

A historical look at key performance indicators is presented below.

| | 2013 | 2012 | 2012 | 2010 | 2009 |
|---|---|---|---|---|---|
| Diluted EPS | $1.22 | $1.06 | $1.02 | $1.38 | $0.87 |

| | | | | | |
|---|---|---|---|---|---|
| Diluted EPS Growth | 15.09 % | 3.92 % | (26.09 )% | 58.62 % | (23.68 )% |
| Return on Average Assets | 0.71 % | 0.64 % | 0.60 % | 0.80 % | 0.50 % |
| Return on Average Shareholders' Equity | 6.01 % | 5.39 % | 5.34 % | 7.16 % | 4.56 % |

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## 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. Our accounting policies, including the impact of newly issued accounting standards, are 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 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, which were acquired in connection with our mergers with First M&F in 2013, Capital Bancorp, Inc. ("Capital") in 2007 and with Heritage Financial Holding Corporation ("Heritage") in 2005 and our acquisitions of Crescent and American Trust in FDIC-assisted transactions in 2010 and 2011, respectively, 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.

### Other-Than-Temporary-Impairment on Investment Securities

On a quarterly basis, we evaluate our investment portfolio for other-than-temporary-impairment ("OTTI") in accordance with ASC 320, "Investments – Debt and Equity Securities." An investment security is considered impaired if the fair value of the security is less than its cost or amortized cost basis. When impairment of an equity security is considered to be other-than-temporary, the security is written down to its fair value and an impairment loss is recorded in earnings. When impairment of a debt security is considered to be other-than-temporary, the security is written down to its fair value. The amount of OTTI recorded as a loss in earnings depends on whether we intend to sell the debt security and whether it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If we intend to sell the debt security or more likely than not will be required to sell the security before recovery of its amortized cost basis, the entire difference between the security's amortized cost basis and its fair value is recorded as an impairment loss in earnings. If we do not intend to sell the debt security and it is not more likely than not that we will be required to sell the security before recovery of its amortized cost basis, OTTI is separated into the amount representing credit loss and the amount related to all other market factors. The amount related to credit loss is recognized in earnings. The amount related to other market factors is recognized in other comprehensive income, net of applicable taxes.

The amount of OTTI recorded in earnings as a credit loss is dependent upon management's estimate of discounted future cash flows expected from the investment security. The difference between the expected cash flows and the amortized cost basis of the security is considered to be credit loss. The remaining difference between the fair value and the amortized cost basis of the security is considered to be related to all other market factors. Our estimate of discounted future cash flows incorporates a number of assumptions based on both qualitative and quantitative factors. Performance indicators of the security's underlying assets, including

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credit ratings and current and projected default and deferral rates, as well as the credit quality and capital ratios of the issuing institutions are considered in the analysis. Changes in these assumptions could impact the amount of OTTI recognized as a credit loss in earnings. For additional information regarding the evaluation of our securities portfolio for OTTI, please refer to Note A, “Significant Accounting Policies,” and Note C, “Securities,” in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

Intangible Assets

Our intangible assets consist primarily of goodwill, core deposit intangibles, and customer relationship intangibles. Goodwill arises from business combinations and represents the value attributable to unidentifiable intangible elements of the business acquired. We review the goodwill of each of our reporting units (that is, our reportable segments for financial accounting purposes) 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 use both the market and discounted cash flow approaches. The market approach averages the values derived by applying a market multiple, based on observed purchase transactions, to the book value, tangible book value, loan and/or deposit balances and the last twelve months adjusted and unadjusted net income. The discounted cash flow approach requires assumptions about short and long-term net cash flow growth rates for each reporting unit, as well as discount rates. 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.

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 since 2008, we also consulted supplemental information based on observable market multiples, adjusting to reflect our specific factors, as well as current market conditions.

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 the 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 and customer relationship 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 any 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, 2013 valuation was 4.83%, compared to 3.90% in 2012. Actual plan assets as of December 31, 2013 were used in the calculation and the expected long-term return on plan assets assumed for this valuation was 8.00%. 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 2013, 2012 and 2011. Changes in this assumption in the future could result in lower expenses related to the Company’s stock options. For a description of our assumptions utilized in calculating the fair value of our share-based payments, please refer to Note N, “Employee Benefit and Deferred Compensation Plans,” in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

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Business Combinations, 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 loans acquired in the Crescent and American Trust transactions, 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.

The indemnification asset is 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 that 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.

For additional information regarding our income tax accounting, please refer to Note A, “Significant Accounting Policies,” in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

## Financial Condition

### Assets

Total assets were $5,746,270 at December 31, 2013 compared to $4,178,616 at December 31, 2012. The increase in total assets in 2013 as compared to 2012 is primarily attributable to the acquisition of First M&F. The following discussion provides details regarding the changes in significant balance sheet accounts.

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Acquisition of First M&F Corporation

On September 1, 2013, the Company completed its acquisition of First M&F, a bank holding company headquartered in Kosciusko, Mississippi, and the Bank completed its acquisition of First M&F's wholly-owned subsidiary, Merchants and Farmers Bank. Prior to the merger, First M&F operated 35 full-service banking offices and eight insurance offices throughout Mississippi, Tennessee and Alabama. The Company issued approximately 6.2 million shares of its common stock for 100% of the voting equity interests in First M&F in a transaction valued at $156,834. Including the effect of purchase accounting adjustments, the Company acquired assets with a fair value of $1,516,603 including loans with a fair value of $899,246, and assumed liabilities with a fair value of $1,361,079, including deposits with a fair value of $1,325,872. At the acquisition date, approximately $91,333 of goodwill and $25,033 of core deposit intangible assets were recorded. See Note B, “Mergers and Acquisitions,” in the Notes to Consolidated Financial Statements included in Item 8, “Financial Statements and Supplementary Data,” for additional details regarding the Company’s merger with First M&F.

Investments

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

| | 2013 | | | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Balance | % of Portfolio | | Balance | % of Portfolio | | Balance | % of Portfolio | |
| Obligations of other U.S. Government agencies and corporations | $131,129 | 14.36 | % | $92,487 | 13.72 | % | $125,055 | 15.70 | % |
| Obligations of states and political subdivisions | 287,014 | 31.43 | | 227,721 | 33.78 | | 224,750 | 28.22 | |
| Mortgage-backed securities | 453,644 | 49.67 | | 312,803 | 46.40 | | 409,639 | 51.44 | |
| Trust preferred securities | 17,671 | 1.93 | | 15,068 | 2.24 | | 12,785 | 1.61 | |
| Other debt securities | 19,554 | 2.14 | | 22,930 | 3.40 | | 21,875 | 2.75 | |
| Other equity securities | 4,317 | 0.47 | | 3,068 | 0.46 | | 2,237 | 0.28 | |
| | $913,329 | 100.00 | % | $674,077 | 100.00 | % | $796,341 | 100.00 | % |

The balance of our investment portfolio at December 31, 2013 was $913,329 compared to $674,077 at December 31, 2012. The acquisition of First M&F contributed $227,693 to the securities portfolio. During 2013, we purchased $233,221 in investment securities. Mortgage-backed securities and collateralized mortgage obligations (“CMOs”), in the aggregate, comprised 68.06% of the purchases. CMOs are included in the “Mortgage-backed securities” line item in the above table. The mortgage-backed securities and CMOs held in our investment portfolio are primarily issued by government sponsored entities. U.S. Government Agency securities and municipal securities accounted for 29.15% and 3.47%, respectively, of total securities purchased in 2013. The carrying value of securities sold during 2013 totaled $13,409. Maturities and calls of securities during 2013 totaled $193,041. At December 31, 2013 and 2012, unrealized losses of $20,041 and $14,035, respectively, were recorded on investment securities with a carrying value of $279,165 and $78,908, respectively. The increase in unrealized losses and the amount of investments securities in an unrealized loss position is due primarily to an increase in interest rates during 2013.

The Company holds investments in pooled trust preferred securities that had a cost basis of $27,531 and $28,612 and a fair value of $17,671 and $15,068 at December 31, 2013 and 2012, respectively. The investments in pooled trust preferred securities consist of four securities representing interests in various tranches of trusts collateralized by debt issued by over 340 financial institutions. Management’s determination of the fair value of each of its holdings 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. The Company's quarterly evaluation of these investments for other-than-temporary-impairment resulted in no write-downs for the years ended December 31, 2013 and 2012. The Company recorded a $262 other-than-temporary-impairment for the year ended December 31, 2011. Furthermore, based on the qualitative factors discussed above, each of the four pooled trust preferred securities were classified as nonaccrual assets at December 31, 2013. Investment interest income is recorded on the cash-basis method until qualifying for return to accrual status. The balance of our investment portfolio at December 31, 2012 declined $122,264 to $674,077 compared to $796,341 at December 31, 2011. During 2012, we purchased $287,384 in investment securities. Mortgage-backed securities and CMOs, in the aggregate, comprised 52.10% of the purchases. U.S. Government Agency securities and municipal securities accounted for 40.49% and 6.32%, respectively, of total securities purchased in 2012. The carrying value of securities sold during 2012 totaled $124,156, consisting solely of mortgage-backed securities. Maturities and calls of securities during 2012 totaled $282,985.

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Loans

Loans, excluding mortgage loans held for sale, are the Company's most significant earning asset, comprising 67.54%, 67.25% and 61.43% of total assets at December 31, 2013, 2012 and 2011, respectively. The table below sets forth the balance of loans outstanding by loan type at December 31:

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Commercial, financial, agricultural | $468,963 | $317,050 | $278,091 | $265,276 | $281,329 |
| Lease financing | 52 | 190 | 328 | 503 | 778 |
| Real estate – construction | 161,436 | 105,706 | 81,235 | 82,361 | 133,299 |
| Real estate – 1-4 family mortgage | 1,208,233 | 903,423 | 824,627 | 872,382 | 820,917 |
| Real estate – commercial mortgage | 1,950,572 | 1,426,643 | 1,336,635 | 1,239,843 | 1,040,589 |
| Installment loans to individuals | 91,762 | 57,241 | 60,168 | 64,225 | 70,703 |
| Total loans, net of unearned income | $3,881,018 | $2,810,253 | $2,581,084 | $2,524,590 | $2,347,615 |

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

| | 2013 | | 2012 | | 2011 | | 2010 | | 2009 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Commercial, financial, agricultural | 12.08 | % | 11.28 | % | 10.77 | % | 10.51 | % | 11.98 | % |
| Lease financing | — | | 0.01 | | 0.01 | | 0.02 | | 0.04 | |
| Real estate – construction | 4.16 | | 3.76 | | 3.15 | | 3.26 | | 5.68 | |
| Real estate – 1-4 family mortgage | 31.13 | | 32.15 | | 31.95 | | 34.56 | | 34.97 | |
| Real estate – commercial mortgage | 50.26 | | 50.76 | | 51.79 | | 49.11 | | 44.32 | |
| Installment loans to individuals | 2.37 | | 2.04 | | 2.33 | | 2.54 | | 3.01 | |
| 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, 2013, there were no concentrations of loans exceeding 10% of total loans other than loans disclosed in the table above.

Loans secured by real estate represented 85.55%, 86.67%, 86.89%, 86.93% and 84.97% of the Company's total loan portfolio at December 31, 2013, 2012, 2011, 2010 and 2009, 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:

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Real estate – construction: | | | | | |
| Residential | $72,132 | $48,453 | $31,802 | $37,619 | $45,559 |
| Commercial | 88,777 | 56,201 | 47,620 | 39,725 | 74,440 |
| Condominiums | 527 | 1,052 | 1,813 | 5,017 | 13,300 |
| Total real estate – construction | 161,436 | 105,706 | 81,235 | 82,361 | 133,299 |
| Real estate – 1-4 family mortgage: | | | | | |
| Primary | 702,451 | 466,282 | 373,193 | 363,498 | 345,971 |
| Home equity | 244,036 | 198,781 | 193,140 | 183,427 | 171,180 |
| Rental/investment | 193,366 | 156,956 | 167,364 | 199,373 | 158,436 |
| Land development | 68,380 | 81,404 | 90,930 | 126,084 | 145,330 |
| Total real estate – 1-4 family mortgage | 1,208,233 | 903,423 | 824,627 | 872,382 | 820,917 |
| Real estate – commercial mortgage: | | | | | |
| Owner-occupied | 789,918 | 640,906 | 641,220 | 593,743 | 537,387 |
| Non-owner occupied | 989,158 | 638,486 | 529,524 | 457,735 | 367,011 |
| Land development | 171,496 | 147,251 | 165,891 | 188,365 | 136,191 |
| Total real estate – commercial mortgage | 1,950,572 | 1,426,643 | 1,336,635 | 1,239,843 | 1,040,589 |
| Total loans secured by real estate | $3,320,241 | $2,435,772 | $2,242,497 | $2,194,586 | $1,994,805 |

Total loans at December 31, 2013 were $3,881,018, an increase of $1,070,765 from $2,810,253 at December 31, 2012. Loans acquired from First M&F totaled $813,543 at December 31, 2013. Loans covered under loss-share agreements with the FDIC (referred to as "covered loans") were $181,674 at December 31, 2013, a decrease of $55,414, compared to $237,088 at December

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31, 2012. For covered loans, the FDIC will reimburse the Bank 80% of the losses incurred on these loans. Management intends to continue the Company's aggressive efforts to bring those covered loans that are commercial in nature to resolution and thus the balance of covered loans is expected to continue to decline. The loss-share agreements applicable to this portfolio provides reimbursement for five years from the acquisition date.

The following table provides a breakdown of covered loans at December 31:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Commercial, financial, agricultural | $9,546 | $10,800 | $17,803 |
| Lease financing | — | — | — |
| Real estate – construction: | | | |
| Residential | 1,648 | 1,648 | 3,158 |
| Commercial | — | — | 3,918 |
| Condominiums | — | — | — |
| Total real estate – construction | 1,648 | 1,648 | 7,076 |
| Real estate – 1-4 family mortgage: | | | |
| Primary | 16,586 | 20,623 | 21,491 |
| Home equity | 13,167 | 15,622 | 23,048 |
| Rental/investment | 19,754 | 26,586 | 42,217 |
| Land development | 4,959 | 10,617 | 21,167 |
| Total real estate – 1-4 family mortgage | 54,466 | 73,448 | 107,923 |
| Real estate – commercial mortgage: | | | |
| Owner-occupied | 54,294 | 63,683 | 101,448 |
| Non-owner occupied | 31,855 | 50,879 | 48,939 |
| Land development | 29,837 | 36,599 | 56,105 |
| Total real estate – commercial mortgage | 115,986 | 151,161 | 206,492 |
| Installment loans to individuals | 28 | 31 | 168 |
| Total covered loans | $181,674 | $237,088 | $339,462 |

Loans not covered under a loss-share agreement at December 31, 2013 were $3,699,344, compared to $2,573,165 at December 31, 2012. The acquisition of First M&F increased not covered loans by $813,543 at December 31, 2013. Excluding the loans acquired from First M&F, not covered loans increased $312,636. The increase in loans not covered under loss-share agreements was attributable to growth in owner and non-owner occupied commercial real estate loans and commercial loans, as well as loan production generated by our de novo expansion. Loans from our de novo locations in Columbus and Starkville, Mississippi, Tuscaloosa and Montgomery, Alabama and Maryville, Bristol, Jonesborough and Johnson City, Tennessee contributed $141,298 of the total increase in loans from December 31, 2012.

During 2013, loans in our Mississippi, Tennessee and Alabama markets, excluding the contribution from the First M&F operations, increased $29,513, $165,586 and $39,255, respectively. Loans in our Georgia markets not covered under loss-share agreements increased $47,175 from December 31, 2012.

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The following table provides a breakdown of loans not covered under a loss-share agreement at December 31:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Commercial, financial, agricultural | $459,417 | $306,250 | $260,288 |
| Lease financing | 52 | 190 | 328 |
| Real estate – construction: | | | |
| Residential | 70,484 | 46,805 | 28,644 |
| Commercial | 88,777 | 56,201 | 43,702 |
| Condominiums | 527 | 1,052 | 1,813 |
| Total real estate – construction | 159,788 | 104,058 | 74,159 |
| Real estate – 1-4 family mortgage: | | | |
| Primary | 685,865 | 445,659 | 351,702 |
| Home equity | 230,869 | 183,159 | 170,092 |
| Rental/investment | 173,612 | 130,370 | 125,147 |
| Land development | 63,421 | 70,787 | 69,763 |
| Total real estate – 1-4 family mortgage | 1,153,767 | 829,975 | 716,704 |
| Real estate – commercial mortgage: | | | |
| Owner-occupied | 735,624 | 577,223 | 539,772 |
| Non-owner occupied | 957,303 | 587,607 | 480,585 |
| Land development | 141,659 | 110,652 | 109,786 |
| Total real estate – commercial mortgage | 1,834,586 | 1,275,482 | 1,130,143 |
| Installment loans to individuals | 91,734 | 57,210 | 60,000 |
| Total loans not covered under a loss-share agreement | $3,699,344 | $2,573,165 | $2,241,622 |

Mortgage Loans Held for Sale

Mortgage loans held for sale were $33,440 at December 31, 2013 compared to $34,845 at December 31, 2012. Originations of mortgage loans to be sold totaled $619,526 in 2013, $588,454 in 2012 and $433,845 in 2011. Mortgage rates in the latter half of 2011 declined to historic lows and remained at these historically low levels throughout the first quarter of 2013, which prompted a significant increase in refinancings and, thus mortgage originations during this time period. Beginning in the second quarter of 2013 and continuing through the remainder of the year, mortgage rates increased from the historically low levels. The increase in mortgage rates could result in lower future mortgage originations as refinancings decrease.

Mortgage loans to be sold are sold either on a “best efforts” basis or under a mandatory delivery sales agreement. Under a “best efforts” sales agreement, residential real estate originations are locked in at a contractual rate with third party private investors or directly with government sponsored agencies, and the Company is 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. Under a mandatory delivery sales agreement, the Company commits to deliver a certain principal amount of mortgage loans to an investor at a specified price and delivery date. Penalties are paid to the investor if we fail to satisfy the contract. Gains and losses are realized at the time consideration is received and all other criteria for sales treatment have been met. These loans are typically sold within thirty days after the loan is funded. Although loan fees and some interest income are derived from mortgage loans held for sale, the main source of income is gains from the sale of these loans in the secondary market.

Deposits

Noninterest-Bearing Deposits to Total Deposits

| 2013 | 2012 | 2011 |
|---|---|---|
| 17.68% | 16.42% | 15.59% |

The Company relies on deposits as its major source of funds. Total deposits were $4,841,912 and $3,461,221 at December 31, 2013 and 2012, respectively. Noninterest-bearing deposits at December 31, 2013 and 2012 were $856,020 and $568,214, respectively, while interest-bearing deposits were $3,985,892 and $2,893,007 at December 31, 2013 and 2012, respectively. The acquisition of First M&F increased interest-bearing deposits and noninterest-bearing deposits $1,015,269 and $285,861, respectively, at December 31, 2013. Excluding the contribution from First M&F, the balance of deposits at December 31, 2013 as compared to December 31, 2012 increased 2.30% which is primarily attributable to management's focus on growing and maintaining a stable source of funding, specifically core deposits, and allowing more costly deposits, including certain time deposits, to mature. The source of funds that we select depends on the terms and how those terms assist us in mitigating interest rate risk and maintaining our net interest margin. Accordingly, funds are only acquired when needed and at a rate that is prudent

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under the circumstances. Deposits from our de novo locations have also contributed to the increase in deposits during 2013. Deposits from our de novo locations in Columbus and Starkville, Mississippi, Tuscaloosa and Montgomery, Alabama and Maryville and Jonesborough, Tennessee totaled $271,677 at December 31, 2013 representing an increase of $137,564 from December 31, 2012.

Public fund deposits are those of counties, municipalities, or other political subdivisions and may be readily obtained based on the Company's pricing bid in comparison with competitors. Since public fund deposits are obtained through a bid process, these deposit balances may fluctuate as competitive and market forces change. The Company has focused on growing stable sources of deposits which has resulted in the Company relying less on public fund deposits. However, the Company continues to participate in the bidding process for public fund deposits. Our public fund transaction accounts are principally obtained from municipalities including school boards and utilities. Public fund deposits at December 31, 2013 were $420,539 compared to $344,342 at December 31, 2012 and $338,273 at December 31, 2011.

During 2013, deposits in our Mississippi and Tennessee markets, excluding the contribution from First M&F, increased $76,247 and $88,876, respectively, while our Alabama markets decreased $8,239. Deposits in our Georgia markets decreased $32,309 from December 31, 2012.

Borrowed Funds

Total borrowings include securities sold under agreements to repurchase, federal funds purchased, advances from the FHLB and junior subordinated debentures and are classified on the Consolidated Balance Sheets as either short-term borrowings or long-term debt. Short-term borrowings have original maturities less than one year and typically includes securities sold under agreements to repurchase, federal funds purchased or FHLB advances. At December 31, 2013, short-term borrowings totaled $2,283 compared to $5,254 at December 31, 2012.

At December 31, 2013, long-term debt totaled $169,592 compared to $159,452 at December 31, 2012. 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, fixed rate commercial or real estate loans with long-term maturities. FHLB advances were $75,405 and $83,843 at December 31, 2013 and 2012, respectively. At December 31, 2013, $6,555 of the total FHLB advances outstanding were scheduled to mature within twelve (12) months or less. The Company had $1,595,864 of availability on unused lines of credit with FHLB at December, 31, 2013 compared to $1,160,984 at December 31, 2012. The cost of our FHLB advances was 4.22%, 4.29% and 4.11% for 2013, 2012 and 2011. The Company had $2,061, $5,254 and $11,485 in securities sold under agreements to repurchase at December 31, 2013, 2012, and 2011 respectively.

At December 31, 2013, the carrying value of the Company's junior subordinated debentures was $94,187 compared to $75,609 at December 31, 2012. In connection with the acquisition of First M&F, the Company assumed $30,928 in fixed/floating rate junior subordinated deferrable interest debentures payable to First M&F Statutory Trust I that mature in March 2036. The acquired subordinated debentures require interest to be paid quarterly at a rate of 90-day LIBOR plus 1.33%. The fair value adjustment on the junior subordinated debentures of $12,371 will be amortized on a straight line basis over their remaining life. The debentures owned by First M&F Statutory Trust I are currently redeemable at par.

In March 2012, the Company repaid in full $50,000 of qualifying senior debt securities issued under the Temporary Liquidity Guaranty Program ("TLGP") at maturity. While outstanding, the cost of the TLGP debt was 3.94% and 3.83% for 2012 and 2011.

Results of Operations

Net Income

Net income for the year ended December 31, 2013 was $33,487 compared to net income of $26,637 for the year ended December 31, 2012 and $25,632 for the year ended December 31, 2011. Basic earnings per share for the year ended December 31, 2013 were $1.23 as compared to $1.06 for the year ended December 31, 2012 and $1.02 for the year ended December 31, 2011. Diluted earnings per share for the year ended December 31, 2013 were $1.22 as compared to $1.06 for the year ended December 31, 2012 and $1.02 for the year ended December 31, 2011. The higher earnings per share in 2013 as compared to 2012 and 2011 was due primarily to the acquisition and accretive value on First

M&F, improvement in our net interest margin and continued improvement in our credit risk profile.
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 69.37% of total net revenue in 2013. 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 volume, mix and repricing of assets and liabilities.

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Net interest income increased 17.90% to $157,201 for 2013 compared to $133,338 in 2012 and $129,286 in 2011. On a tax equivalent basis, net interest income increased $23,764 to $163,025 in 2013 as compared to $139,261 in 2012; net interest income was $135,123 in 2011. With respect to the increase in tax-equivalent net interest income in 2013, tax equivalent interest income was up $21,192 with additional benefit from a decline in interest expense of $2,572. The largest factor contributing to the growth in interest income was the $577,748 increase in average earning assets due primarily from the First M&F merger.

Net Interest Margin – Tax Equivalent

| 2013 | 2012 | 2011 |
|---|---|---|
| 3.96% | 3.94% | 3.77% |

Net interest margin, the tax equivalent net yield on earning assets, increased to 3.96% during 2013 from 3.94% in 2012 and 3.77% in 2011. Net interest margin and net interest income are influenced by internal and external factors. Internal factors include balance sheet changes on both volume and mix and pricing decisions. External factors include changes in market interest rates, competition and the shape of the interest rate yield curve.

Interest income, on a tax equivalent basis, was $186,428 for 2013 compared to $165,236 for 2012, an increase of $21,192. This increase in interest income, on a tax equivalent basis, is due primarily to the acquisition of First M&F which contributed to an increase in average earning assets offset slightly by a decline in the yield on earning assets. Also contributing to the increase in interest income was a shift in our earning assets from lower yielding cash and securities into higher yielding loans.

In 2013, loan income, on a tax equivalent basis, increased $21,179 to $159,587 from $138,408 for 2012. The average balance of loans increased $503,314 during 2013 due in large part to the First M&F merger. The tax equivalent yield on loans was 4.96%, down 14 basis points from 2012. The decline yield was a result of replacing higher rate maturing loans with new or renewed loans at current market rates which are generally lower due to the current interest rate environment.

In 2013, investment income, on a tax equivalent basis, decreased $36 to $26,593 from $26,629 for 2012. The average balance in the investment portfolio in 2013 was $799,955 compared to $738,365 in 2012. The tax equivalent yield on the investment portfolio in 2013 was 3.32%, down 29 basis points from 2012. The decline in yield was a result of the reinvestment of cash flows from the Company's portfolio that had higher rates than the rates on the securities that the Company purchased with the proceeds of such calls. The reinvestment rates on securities were lower due to the generally lower interest rate environment.

The following table presents the percentage of total average earning assets, by type and yield, for 2013, 2012 and 2011:

| | Percentage of Total | | | Yield | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2013 | 2012 | 2011 |
| Loans | 78.13 % | 76.65 % | 71.82 % | 4.96 % | 5.10 % | 5.53 % |
| Securities | 19.44 | 20.88 | 22.90 | 3.32 | 3.61 | 4.06 |
| Other | 2.43 | 2.47 | 5.28 | 0.25 | 0.23 | 0.29 |
| Total earning assets | 100.00 % | 100.00 % | 100.00 % | 4.53 % | 4.67 % | 4.92 % |

Interest expense was $23,403 for 2013, a decrease of $2,572, or 9.90%, as compared to 2012. 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, specifically time deposits and borrowed funds. These changes offset an increase in the average balance of interest-bearing liabilities of $406,942. The increase in the average balance of interest bearing and noninterest bearing liabilities was due in large part to the First M&F merger. The average balance of noninterest-bearing deposits increased $122,519, or 22.54%, during 2013 as compared to 2012. The cost of interest-bearing liabilities was 0.68% for 2013 as compared to 0.85% for 2012, while the average balance of interest-bearing liabilities decreased to $3,455,976 for 2013 compared to $3,049,034 for 2012.

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

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| | Percentage of Total | | | Cost of Funds | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2013 | 2012 | 2011 |
| Noninterest-bearing demand | 16.16 % | 15.13 % | 13.02 % | — % | —% | —% |
| Interest-bearing demand | 40.88 | 38.40 | 35.84 | 0.24 | 0.28 | 0.68 |
| Savings | 6.81 | 6.42 | 5.63 | 0.24 | 0.23 | 0.38 |
| Time deposits | 31.95 | 34.76 | 38.36 | 0.93 | 1.17 | 1.52 |
| Federal Home Loan Bank advances | 1.90 | 2.50 | 3.40 | 4.22 | 4.29 | 4.11 |
| Other borrowed funds | 2.30 | 2.79 | 3.75 | 3.21 | 3.08 | 3.16 |
| Total deposits and borrowed funds | 100.00 % | 100.00 % | 100.00 % | 0.57 % | 0.72 % | 1.11 % |

Interest expense on deposits was $17,050, $19,030 and $31,729 for 2013, 2012 and 2011, respectively. The cost of total deposits was 0.43%, 0.56%, and 0.91% for the years ending December 31, 2013, 2012, and 2011, respectively. The cost of interest-bearing deposits was 0.52%, 0.67% and 1.06% for the same periods.

Average Interest-Bearing Deposits to Total Average Deposits

| 2013 | 2012 | 2011 |
|---|---|---|
| 83.13% | 84.02% | 85.98% |

Interest expense on total borrowings was $6,353, $6,945 and $9,672 for the years ending December 31, 2013, 2012 and 2011, respectively, while the cost of total borrowings was 3.67%, 3.65% and 3.61% for the years ended December 31, 2013, 2012 and 2011, 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.”

Comparing 2012 to 2011, net interest income, on a tax equivalent basis, increased $4,138 to $139,261 in 2012 as compared to $135,123 in 2011. With respect to the increase in tax-equivalent net interest income in 2012, tax equivalent interest income was down $11,288 offset by a decline in interest expense of $15,426. Interest income, on a tax equivalent basis, was $165,236 for 2012 compared to $176,524 for 2011. A decrease in the average balance of interest-earning assets during 2012 as compared to 2011 coupled with a decline of 25 basis points in the yield on earning assets resulted in the decline in interest income. Interest expense was $25,975 for 2012, a decrease of $15,426, or 37.26%, as compared to 2011. 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 0.85% for 2012 as compared to 1.27% for 2011, while the average balance of interest-bearing liabilities decreased to $3,049,034 for 2012 compared to $3,255,934 for 2011.

Noninterest Income

Noninterest Income to Average Assets
(Excludes securities gains/losses)

| 2013 | 2012 | 2011 |
|---|---|---|
| 1.52% | 1.62% | 1.41% |

Total noninterest income includes fees generated from deposit services, mortgage loan originations, insurance products, trust and other wealth management products and services, bargain purchase gain resulting from certain acquisitions, securities gains and all other noninterest income. Our focus is to develop and enhance our products that generate noninterest income in order to diversify our revenue sources. Noninterest income as a percentage of total net revenues was 30.76%, 33.04% and 32.38% for 2013, 2012 and 2011.

Noninterest income was $71,971 for the year ended December 31, 2013, an increase of $3,260, or 4.75%, as compared to $68,711 for 2012. Noninterest income was $64,699 for the year ended December 31, 2011. The bargain purchase gains resulting from the RBC Bank (USA) trust division and American Trust acquisitions in 2011 totaled $9,344. The Company did not recognize any bargain purchase gains in 2013 or 2012.

Service charges on deposit accounts include maintenance fees on accounts, per item charges, account enhancement charges for additional packaged benefits and overdraft fees. Service charges on deposit accounts were $20,535 for 2013, an increase of $1,923 or 10.33%, over 2012. Service charges on deposit accounts were $18,612 in 2012, a decrease of $499 from 2011. The improvement in service charges on deposit accounts in 2013 was primarily due to the effect of the acquisition of First M&F. The decline in service charge revenues from 2011 to 2012 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

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the Company's ability to impose overdraft fees. Overdraft fees represented 79.21%, 82.14%, and 87.80% of total charges for deposit services in 2013, 2012 and 2011, respectively.

Fees and commissions increased 13.45% to $19,961 during 2013 as compared to $17,595 for 2012. Fees and commissions include fees related to deposit services, such as interchange fees on debit card transactions, as well as fees charged on mortgage loans originated to be sold, such as origination, underwriting, documentation and other administrative fees. Mortgage loan fees increased $652, or 9.86%, to $7,262 during 2013 as compared to $6,610 for 2012. Interchange fees on debit card transactions continue to be a strong source of noninterest income. For 2013, fees associated with debit card usage were $9,686, an increase of 16.39% as compared to $8,322 for 2012. Income derived from use of our debit cards made up 48.53% of the total fees and commissions for 2013. We expect income from use of our debit cards to continue to grow as our customers use this convenient method of payment. As directed by the Durbin Debit Interchange Amendment to the Dodd-Frank Act that went into effect October 1, 2011, the Federal Reserve enacted regulations governing the "reasonableness" of certain fees associated with our debit cards and also placed restrictions on the rates charged for interchange fees on debit card transactions. Although these provisions apply only to financial institutions with more than $10 billion in assets, we believe that it is possible that many financial institutions, regardless of size, may have to adjust their rates in order to remain competitive as affected institutions lower their debit card fees. Management believes these restrictions could have an adverse impact on these interchange fees in the future, but is unable at this time to predict the extent or timing of such impact.

Fees and commissions increased $4,469 to $17,595 during 2012 as compared to $13,126 for 2011. Mortgage loan fees increased $3,005 during 2012 to $6,610 as compared to 2011. This is due to the increase in mortgage loan originations to be sold in the secondary market during the same period. For 2012, fees associated with debit card usage were $8,322, an increase of 13.44% as compared to $7,337 for 2011.

Through Renasant Insurance, we offer a range of commercial and personal insurance products through major insurance carriers. Income earned on insurance products was $4,976, $3,630 and $3,298 for the years ended December 31, 2013, 2012 and 2011, respectively. The First M&F acquisition was a contributing factor to the increase in insurance revenues for 2013 as the former First M&F agency offices produced 30.61% of insurance commission revenues in 2013. Contingency income is a bonus received from the insurance underwriters and is based both on commission income and claims experience on our clients' 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 $256, $257 and $368 for 2013, 2012 and 2011, respectively.

The Trust division within the Wealth Management segment operates on a custodial basis which includes administration of benefit plans, as well as accounting and money management for trust accounts. The division manages a number of trust accounts inclusive of personal and corporate benefit accounts, self-directed 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. Additionally, the Financial Services division within the Wealth Management segment provides specialized products and services to our customers, which include fixed and variable annuities, mutual funds, and stocks offered through a third party provider. Wealth Management revenue was $7,654 for 2013 compared to $6,926 for 2012 and $4,864 for 2011. The market value of trust assets under management was $2,383,760 and $2,244,666 at December 31, 2013 and 2012, respectively. The increase in Wealth Management revenue from 2011 to 2012 was primarily attributable to the acquisition of the Birmingham, Alabama-based trust division of RBC Bank (USA) in the third quarter of 2011.

Gains on sales of securities for 2013 were $54, resulting from the sale of approximately $13,409 in securities, compared to gains on sales of securities for 2012 of $1,894, resulting from the sale of approximately $124,156 in securities. Gains on sales of securities for 2011 were $5,057, resulting from the sale of approximately $94,024 in securities. The Company recognized other-than-temporary-impairment losses of $262 in 2011. The Company did not recognize any other-than-temporary-impairment losses in 2013 or 2012.

Gains on the sale of mortgage loans held for sale were $11,573, $12,499 and $4,133 for the years ended December 31, 2013, 2012, and 2011, respectively. Originations of mortgage loans to be sold totaled $619,526 for 2013 as compared to $588,454 for 2012 and $433,845 for 2011. The decrease in gains on mortgage sales in 2013 was due primarily to profit margins on the sale of mortgages compressing during 2013 compared to 2012. The increase in originations of mortgage loans to be sold and the related gain on the sales in 2012 compared to 2011 is due to the higher levels of refinancing in 2012 made possible by historically lower mortgage interest rates.

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Noninterest Expense

Noninterest Expense to Average Assets

| 2013 | 2012 | 2011 |
|---|---|---|
| 3.66% | 3.64% | 3.22% |

Noninterest expense was $173,076, $150,459 and $136,960 for 2013, 2012 and 2011, respectively. Noninterest expense increased $22,617, or 15.03%, during 2013 as compared to 2012, as detailed in the discussion below.

Salaries and employee benefits is the largest component of noninterest expenses and represented 57.07%, 53.84% and 48.29% of total noninterest expense at December 31, 2013, 2012 and 2011, respectively. During 2013, salaries and employee benefits increased $17,778, or 21.95%, to $98,780 as compared to $81,002 for 2012. The increase in 2013 was primarily due to the addition of the First M&F operations in September, commissions related to higher levels mortgage production and personnel costs for the full year related to the de novo operations opened during 2012. The increase in 2012 is primarily attributable to commissions related to the increase in mortgage production during 2012 as compared to 2011 as well as higher health insurance costs. Personnel costs associated with our de novo locations in Maryville and Jonesborough, Tennessee also contributed to the 2012 increase over 2011.

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 $2,666, $1,268 and $620 for 2013, 2012 and 2011, respectively. Restricted stock awards in all three years were subject to the satisfaction of performance-based conditions attained. In 2013 and 2012, performance conditions were met and compensation expense was recognized in accordance with performance. In 2011, the Company's compensation committee exercised its discretion to cancel the 2011 restricted stock awards because the relevant performance conditions were achieved only after taking into account the impact of the American Trust acquisition. This explains the increase in compensation expense recorded in connection with grants of stock options and awards of restricted stock from 2011 to 2012.

Data processing costs increased $146, or 1.67%, to $8,870 for 2013 from 2012. Data processing costs increased $1,427 to $8,724 for 2012 from $7,297 in 2011. The increase for 2013 was attributable to the addition of the First M&F deposit and loan customer databases, offset by cost savings achieved through efforts to improve the cost structure of loan and deposit processing by renegotiating contracts with data processing service providers. The increase in data processing costs in 2011 and 2012 is reflective of increased loan, deposit and debit card processing from growth in the number of loans and deposits and increases in debit card transactions.

Net occupancy and equipment expense in 2013 was $16,957, an increase of $2,360, compared to $14,597 for 2012. Net occupancy and equipment expense increased $1,045 for 2012 compared to $13,552 for 2011. These increases are attributable to occupancy costs associated with the operations of the Company's recent banking expansions beginning in 2010, specifically the First M&F acquisition in 2013 and the de novo operation in 2012 and 2011.

Expenses related to other real estate owned for 2013 were $6,966, a decrease of $6,630 compared to 2012. Expenses on other real estate owned for 2013 include write downs of $3,270 of the carrying value to fair value on certain pieces of property held in other real estate owned compared to write downs of $7,272 in 2012. Other real estate owned with a cost basis of $60,241 was sold during 2013, resulting in a net loss of $590 compared to a net losses of $2,096 in 2012. Expenses related to other real estate owned for 2012 were $13,596, a decrease of $1,730 compared to 2011. Other real estate owned with a cost basis of $57,840 was sold during 2012, resulting in a net loss of $2,096.

Professional fees include fees for legal and accounting services. Professional fees were $5,540 for 2013 as compared to $4,241 for 2012 and $4,173 for 2011. The increase in professional fees since 2011 is in large part attributable to additional legal, accounting and consulting fees associated with compliance costs of newly enacted as well as existing banking and governmental regulation. Professional fees attributable to legal fees associated with loan workouts and foreclosure proceedings remain at higher levels in correlation with the overall economic downturn and credit deterioration identified in our loan portfolio and the Company's efforts to bring these credits to resolution.

Advertising and public relations expense was $5,630 for 2013, an increase of $795 compared to $4,835 for 2012. Advertising and public relations expense increased $750 for 2012 compared to $4,085 for 2011. These year-over-year increases are attributable to advertising and marketing costs associated with the Company's expansion into new markets since 2010.

Amortization of intangible assets totaled $2,869 for 2013 compared to $1,381 for 2012 and $1,742 for 2011. This amortization relates to finite-lived intangible assets which are being amortized over the useful lives as determined at acquisition. These finite-lived intangible assets have remaining estimated useful lives ranging from one and a half to thirteen years. The increase in amortization of intangible assets for 2013 is attributable to amortization of finite-lived intangible assets associated with the First M&F acquisition.

Communication expenses are those expenses incurred for communication to clients and between employees. Communication expenses were $5,147 for 2013 as compared to $4,212 for 2012 and $4,500 for 2011.

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Total noninterest expenses for 2013 included $6,027 of merger-related expenses associated with the First M&F merger. The Company did not record any acquisition related expenses during 2012. The Company recorded $1,651 of merger-related expenses in 2011.

The Company repaid FHLB advances prior to their contractual maturity of $24,000 in 2012 and $50,000 in 2011, and, as a result, incurred prepayment penalties of $898 and $1,903 for the years ended December 31, 2012 and 2011.

Efficiency Ratio

| 2013 | 2012 | 2011 |
|---|---|---|
| 73.65% | 72.35% | 68.54% |

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. Excluding merger-related expenses, the efficiency ratio improved to 71.09% in 2013 as compared to 2012 due primarily to increased net interest income resulting from a steady net interest margin from 2012 to 2013 combined with solid earning asset growth in 2013. The increase in noninterest expense coupled with net interest income and noninterest income remaining relatively flat resulted in the deterioration in the Company’s efficiency ratio for 2012 as compared to 2011. We remain committed to aggressively managing our costs within the framework of our business model. We expect the efficiency ratio to improve from levels reported in 2013 and 2012 from incremental revenue driven by growth from the additional markets added via the First M&F acquisition in 2013 and the maturity of the Company’s de novo locations and continued reduction in credit related costs as credit quality improves.

Income Taxes

Income tax expense for 2013, 2012 and 2011 was $12,259, $6,828 and $9,043, respectively. The effective tax rates for those years were 26.80%, 20.40% and 26.08%, respectively. The increased effective tax rate for 2013 as compared to 2012 was the result of the return to normalcy of the tax accruals in 2013 after certain adjustments reduced income tax expenses for 2012 as well as higher levels of taxable income as a result of the merger with M&F. The decrease in the effective tax rate for 2012 as compared to 2011 was attributable to reversals of valuation allowances against the deferred tax assets related to state net operating loss carryforwards and additional benefits from investments in low-income housing tax credits that were utilized on federal and state income tax returns filed during 2012.

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.

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, focusing 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.

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

The loss management committee and the Board of Directors' problem loan review committee monitor 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.

Charge-offs reflect the realization of losses in the portfolio that were recognized previously through the provision for loan losses. Net charge-offs for 2013 were $7,032, or 0.22% as a percentage of average loans, compared to net charge-offs of $18,118, or 0.67%, for 2012 and $23,425, or 0.91%, for 2011. The level of net charge-offs since 2011 are 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. 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 2012 and 2011 credit quality of some of our loans in the construction and land development portfolios deteriorated. However, with the improving economy and the improving credit quality of our loan portfolios, the Company experienced lower levels of classified loans and nonperforming loans in 2013 as compared to 2012 and 2011 resulting in fewer charged off loans.

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 $47,665, $44,347 and $44,340 at December 31, 2013, 2012 and 2011, respectively.

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Provision for Loan Losses to Average Loans

| 2013 | 2012 | 2011 |
|---|---|---|
| 0.32% | 0.67% | 0.87% |

The provision for loan losses charged to operating expense is an amount which, in the judgment of management, is necessary to maintain the allowance for loan losses at a level that is believed to be adequate to meet the inherent risks of losses in our loan portfolio. Factors considered by management in determining the amount of the provision for loan losses include the internal risk rating of individual credits, historical and current trends in net charge-offs, trends in nonperforming loans, trends in past due loans, trends in the market values of underlying collateral securing loans and the current economic conditions in the market in which we operate.

The Company has recorded higher levels of provision for loan losses since 2008 to address credit deterioration resulting from the effects of the economic downturn on our borrowers' ability to make timely payments or repay their loans at maturity, especially in connection with the construction and land development segment of the loan portfolio. This deterioration was reflected in the increase in nonperforming loans, as well as the decline in market values of underlying collateral securing loans, primarily real estate, which peaked in 2010. In addition, the increase in the provision for loan losses during these periods is attributable to management identifying potential credit deterioration through the internal loan grading system and increasing the allowance for loan losses in response. On account of lower levels of classified loans and nonperforming loans in 2013 as compared to 2012 and 2011 in combination with improving credit quality measures and economic conditions in our markets generally, management determined that a decrease in the provision for loan losses for 2013 as compared to 2012 and 2011 was justified. Accordingly, the Company has recorded lower levels of provision for loan losses in 2013 compared to 2012 and 2011. The provision for loan losses was $10,350, $18,125 and $22,350 for 2013, 2012 and 2011, respectively.

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Specific reserves for impaired loans | $14,650 | $17,597 | $15,410 | $17,529 | $14,468 |
| Allocated reserves for remaining portfolio | 33,015 | 26,750 | 28,930 | 27,886 | 24,677 |
| Total | $47,665 | $44,347 | $44,340 | $45,415 | $39,145 |

All of the loans acquired in the Company's FDIC-assisted acquisitions and certain loans acquired in the First M&F merger and in previous acquisitions that are accounted for under ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality" ("ASC 310-30"), are carried at values which, in management's opinion, reflect the estimated future cash flows, based on the facts and circumstances surrounding each respective loan at the date of acquisition. The Company continually monitors these loans as part of our normal credit review and monitoring procedures for changes in the estimated future cash flows; to the extent future cash flows deteriorate below initial projections, the Company may be required to reserve for these loans in the allowance for loan losses through future provision for loan losses. The Company did not increase the allowance for loan losses for loans accounted for under ASC 310-30 during 2013, 2012 or 2011. The provision for loan losses charged to operating expense attributable to loans accounted for under ASC 310-30 totaled $644, $3,268 and $544 during 2013, 2012 and 2011, respectively, which includes $509, $2,527 and $512 for 2013, 2012 and 2011, respectively, that was attributable to loans covered by loss-share agreements with the FDIC.

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

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Commercial, financial, agricultural | $3,090 | $3,307 | $4,197 | $2,625 | $4,855 |
| Lease financing | — | 1 | 1 | 3 | 4 |
| Real estate – construction | 1,091 | 711 | 1,073 | 2,115 | 4,494 |
| Real estate – 1-4 family mortgage | 18,629 | 18,347 | 17,191 | 20,870 | 15,593 |
| Real estate – commercial mortgage | 23,688 | 21,416 | 20,979 | 18,779 | 12,577 |
| Installment loans to individuals | 1,167 | 565 | 899 | 1,023 | 1,622 |
| Total | $47,665 | $44,347 | $44,340 | $45,415 | $39,145 |

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

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Balance at beginning of year | $44,347 | $44,340 | $45,415 | $39,145 | $34,905 |
| Provision for loan losses | 10,350 | 18,125 | 22,350 | 30,665 | 26,890 |
| Charge-offs | | | | | |
| Commercial, financial, agricultural | 1,184 | 4,923 | 2,037 | 1,161 | 2,682 |
| Lease financing | — | — | — | — | — |
| Real estate – construction | — | 187 | 836 | 4,181 | 2,719 |
| Real estate – 1-4 family mortgage | 3,093 | 9,231 | 16,755 | 14,189 | 16,234 |
| Real estate – commercial mortgage | 4,782 | 5,828 | 5,792 | 6,512 | 2,144 |
| Installment loans to individuals | 492 | 386 | 373 | 319 | 313 |
| Total charge-offs | 9,551 | 20,555 | 25,793 | 26,362 | 24,092 |
| Recoveries | | | | | |
| Commercial, financial, agricultural | 356 | 531 | 272 | 282 | 187 |
| Lease financing | — | — | — | — | — |
| Real estate – construction | 75 | 34 | 110 | 68 | 199 |
| Real estate – 1-4 family mortgage | 1,044 | 1,330 | 767 | 999 | 700 |
| Real estate – commercial mortgage | 980 | 455 | 1,056 | 533 | 158 |
| Installment loans to individuals | 64 | 87 | 163 | 85 | 198 |
| Total recoveries | 2,519 | 2,437 | 2,368 | 1,967 | 1,442 |
| Net charge-offs | 7,032 | 18,118 | 23,425 | 24,395 | 22,650 |
| Balance at end of year | $47,665 | $44,347 | $44,340 | $45,415 | $39,145 |
| | | | | | |
| Net charge-offs to average loans | 0.22 % | 0.67 % | 0.91 % | 1.00 % | 0.91 % |
| Net charge-offs to allowance for loan losses | 14.75 % | 40.86 % | 52.83 % | 53.72 % | 57.86 % |
| Allowance for loan losses to loans | 1.23 % | 1.58 % | 1.72 % | 1.80 % | 1.67 % |
| Allowance for loan losses to loans(1) | 1.65 % | 1.72 % | 1.98 % | 2.07 % | 1.67 % |
| Allowance for loan losses to nonperforming loans(1) | 248.90 % | 146.90 % | 127.00 % | 84.32 % | 78.25 % |

(1) Excludes loans and nonperforming loans acquired from First M&F and acquired and covered under loss-share agreements with the FDIC.

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

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Real estate – construction: | | | | | |
| Residential | $(75) | $149 | $724 | $1,378 | $2,278 |
| Commercial | — | 4 | 2 | — | — |
| Condominiums | — | — | — | 2,735 | 242 |
| Total real estate – construction | (75) | 153 | 726 | 4,113 | 2,520 |
| Real estate – 1-4 family mortgage: | | | | | |
| Primary | 469 | 1,109 | 1,570 | 2,513 | 1,765 |
| Home equity | 1,019 | 2,542 | 1,721 | 1,601 | 2,191 |
| Rental/investment | 344 | 1,668 | 3,813 | 1,751 | 1,548 |
| Land development | 217 | 2,582 | 8,884 | 7,325 | 10,030 |
| Total real estate – 1-4 family mortgage | 2,049 | 7,901 | 15,988 | 13,190 | 15,534 |
| Real estate – commercial mortgage: | | | | | |
| Owner-occupied | 802 | 1,039 | 3,123 | 2,713 | 213 |
| Non-owner occupied | 2,235 | 2,781 | (282) | 2,288 | 1,711 |
| Land development | 765 | 1,553 | 1,895 | 978 | 62 |
| Total real estate – commercial mortgage | 3,802 | 5,373 | 4,736 | 5,979 | 1,986 |
| Total net charge-offs of loans secured by real estate | $5,776 | $13,427 | $21,450 | $23,282 | $20,040 |

Nonperforming Assets

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

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

The following table provides details of the Company's nonperforming assets that are not acquired and not covered by FDIC loss-share agreements, nonperforming assets that have been acquired and covered by loss-share agreements with the FDIC ("covered assets"), and nonperforming assets acquired through the First M&F merger and are not covered by loss-share agreements with the FDIC as of the dates presented:

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| | Not Acquired | Acquired and Covered Under Loss Share | Acquired M&F | Total | |
|---|---|---|---|---|---|
| December 31, 2013 | | | | | |
| Nonaccruing loans | $16,863 | $49,194 | $6,274 | $72,331 | |
| Accruing loans past due 90 days or more | 2,287 | — | 1,899 | 4,186 | |
| Total nonperforming loans | 19,150 | 49,194 | 8,173 | 76,517 | |
| Other real estate owned | 27,543 | 12,942 | 12,402 | 52,887 | |
| Total nonperforming loans and OREO | 46,693 | 62,136 | 20,575 | 129,404 | |
| Nonaccruing securities available-for-sale, at fair value | 17,671 | — | — | 17,671 | |
| Total nonperforming assets | $64,364 | $62,136 | $20,575 | $147,075 | |
| Nonperforming loans to total loans | | | | 1.97 | % |
| Nonperforming assets to total assets | | | | 2.56 | % |
| | | | | | |
| December 31, 2012 | | | | | |
| Nonaccruing loans | $26,881 | $53,186 | $— | $80,067 | |
| Accruing loans past due 90 days or more | 3,307 | — | — | 3,307 | |
| Total nonperforming loans | 30,188 | 53,186 | — | 83,374 | |
| Other real estate owned | 44,717 | 45,534 | — | 90,251 | |
| Total nonperforming loans and OREO | 74,905 | 98,720 | — | 173,625 | |
| Nonaccruing securities available-for-sale, at fair value | 15,068 | — | — | 15,068 | |
| Total nonperforming assets | $89,973 | $98,720 | $— | $188,693 | |
| Nonperforming loans to total loans | | | | 2.97 | % |
| Nonperforming assets to total assets | | | | 4.52 | % |
| | | | | | |
| December 31, 2011 | | | | | |
| Nonaccruing loans | $31,154 | $88,034 | $— | $119,188 | |
| Accruing loans past due 90 days or more | 3,760 | 1,134 | — | 4,894 | |
| Total nonperforming loans | 34,914 | 89,168 | — | 124,082 | |
| Other real estate owned | 70,079 | 43,156 | — | 113,235 | |
| Total nonperforming loans and OREO | 104,993 | 132,324 | — | 237,317 | |
| Nonaccruing securities available-for-sale, at fair value | 12,785 | — | — | 12,785 | |
| Total nonperforming assets | $117,778 | $132,324 | $— | $250,102 | |
| Nonperforming loans to total loans | | | | 4.81 | % |
| Nonperforming assets to total assets | | | | 5.95 | % |

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

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

The following table shows the principal amounts of nonperforming and restructured loans as of December 31 of each year presented. All loans where information exists about possible credit problems that would cause us to have serious doubts about the borrower's ability to comply with the current repayment terms of the loan have been reflected in the table below.

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| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Nonaccruing loans | $23,137 | $26,881 | $31,154 | $46,662 | $39,454 |
| Accruing loans past due 90 days or more | 4,187 | 3,307 | 3,760 | 7,196 | 10,571 |
| Total nonperforming loans | 27,324 | 30,188 | 34,914 | 53,858 | 50,025 |
| Restructured loans | 21,478 | 29,436 | 36,311 | 32,615 | 36,335 |
| Total nonperforming and restructured loans | $48,802 | $59,624 | $71,225 | $86,473 | $86,360 |
| Interest income recognized on nonaccruing and restructured loans | $2,592 | $1,934 | $2,043 | $1,200 | $1,557 |
| Interest income foregone on nonaccruing and restructured loans | $1,207 | $2,390 | $2,341 | $2,166 | $1,285 |
| Nonperforming loans to loans | 0.74 % | 1.17 % | 1.56 % | 2.46 % | 2.13 % |

The acquisition of First M&F increased nonperforming loans $8,174 at December 31, 2013 which consisted of $6,275 in loans of nonaccrual status and $1,899 in accruing loans past due 90 days or more. Excluding the nonperforming loans from the First M&F merger, nonperforming loans decreased $11,038, or 36.56%, from December 31, 2012. The following table presents nonperforming loans, not subject to a loss-share agreement, by loan category at December 31 for each of the years presented.

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Commercial, financial, agricultural | $1,524 | $1,641 | $3,505 | $2,422 | $3,446 |
| Real estate – construction: | | | | | |
| Residential | — | — | 489 | 333 | 3,648 |
| Commercial | — | — | — | — | — |
| Condominiums | — | — | — | — | — |
| Total real estate – construction | — | — | 489 | 333 | 3,648 |
| Real estate – 1-4 family mortgage: | | | | | |
| Primary | 4,323 | 6,708 | 5,242 | 6,514 | 4,281 |
| Home equity | 916 | 860 | 1,013 | 829 | 990 |
| Rental/investment | 1,972 | 4,100 | 5,757 | 10,942 | 5,500 |
| Land development | 2,969 | 4,260 | 1,739 | 17,608 | 17,859 |
| Total real estate – 1-4 family mortgage | 10,180 | 15,928 | 13,751 | 35,893 | 28,630 |
| Real estate – commercial mortgage: | | | | | |
| Owner-occupied | 1,306 | 2,313 | 2,342 | 6,336 | 3,984 |
| Non-owner occupied | 13,288 | 8,665 | 11,741 | 4,300 | 5,049 |
| Land development | 850 | 1,313 | 2,413 | 3,903 | 5,045 |
| Total real estate – commercial mortgage | 15,444 | 12,291 | 16,496 | 14,539 | 14,078 |
| Installment loans to individuals | 176 | 328 | 673 | 671 | 223 |
| Total nonperforming loans | $27,324 | $30,188 | $34,914 | $53,858 | $50,025 |

The decrease is attributable to the Company's continued efforts to bring problem credits to resolution. Total nonperforming loans as a percentage of total loans were 0.74% as of December 31, 2013 as compared to 1.17% as of December 31, 2012 and 1.56% as of December 31, 2011. The Company's coverage ratio, or its allowance for loan losses as a percentage of nonperforming loans, was 174.44% as of December 31, 2013 as compared to 146.90% as of December 31, 2012 and 127.00% as of December 31, 2011. Excluding the nonperforming loans from the First M&F merger, nonperforming loans as a percentage of total loans were 0.66% while the coverage ratio was 248.90%. 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, 2013. Management also continually monitors past due loans for potential credit quality deterioration. Total loans 30-89 days past due were $21,159 at December 31, 2013 as compared to $8,044 at December 31, 2012. The acquisition of First M&F contributed $12,169 to loans 30-89 days past due.

As shown above, restructured loans totaled $21,478 at December 31, 2013 compared to $29,436 at December 31, 2012. At December 31, 2013, total loans restructured through interest rate concessions represented 75.19% 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 at December 31, 2013 and 2012:

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| | 2013 | 2012 |
|---|---|---|
| Commercial, financial, agricultural | $19 | $— |
| Real estate – construction: | | |
| Residential | — | — |
| Commercial | — | — |
| Condominiums | — | — |
| Total real estate – construction | — | — |
| Real estate – 1-4 family mortgage: | | |
| Primary | 2,063 | 1,469 |
| Home equity | — | — |
| Rental/investment | 1,821 | 1,923 |
| Land development | 6,470 | 7,461 |
| Total real estate – 1-4 family mortgage | 10,354 | 10,853 |
| Real estate – commercial mortgage: | | |
| Owner-occupied | 3,702 | 11,138 |
| Non-owner occupied | 5,343 | 6,934 |
| Land development | 1,889 | 337 |
| Total real estate – commercial mortgage | 10,934 | 18,409 |
| Installment loans to individuals | 171 | 174 |
| Total restructured loans | $21,478 | $29,436 |

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

| | 2013 | 2012 |
|---|---|---|
| Balance as of January 1 | $29,436 | $36,311 |
| Additional loans with concessions | 4,336 | 5,943 |
| Reductions due to: | | |
| Reclassified as nonperforming | (3,227) | (8,058) |
| Transfer to other real estate owned | — | (419) |
| Charge-offs | (1,301) | (1,682) |
| Paydowns | (2,025) | (1,808) |
| Lapse of concession period | (5,741) | (851) |
| Balance as of December 31 | $21,478 | $29,436 |

Other real estate owned consists of properties acquired through foreclosure or acceptance of a deed in lieu of foreclosure. These properties are carried at the lower of cost or fair market value based on appraised value less estimated selling costs. Losses arising at the time of foreclosure of properties are charged against the allowance for loan losses. Reductions in the carrying value subsequent to acquisition are charged to earnings and are included in “Other real estate owned” in the Consolidated Statements of Income. Other real estate owned with a cost basis of $28,027 was sold during the year ended December 31, 2013, resulting in a net loss of $404, while other real estate owned with a cost basis of $30,410 was sold during the year ended December 31, 2012, resulting in a net loss of $1,336.

The following table provides details of the Company’s other real estate owned not covered under loss-sharing agreements with the FDIC as of December 31, 2013 and 2012:

| | 2013 | 2012 |
|---|---|---|
| Residential real estate | $6,767 | $7,842 |
| Commercial real estate | 8,984 | 7,779 |
| Residential land development | 12,334 | 22,490 |
| Commercial land development | 11,860 | 6,221 |
| Other | — | 385 |
| Total other real estate owned | $39,945 | $44,717 |

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Other real estate owned acquired in First M&F merger had a balance of $12,402 at December 31, 2013. Changes in the Company's other real estate owned were as follows:

| | 2013 | 2012 |
|---|---|---|
| Balance as of January 1 | $44,717 | $70,079 |
| Acquired from First M&F | 13,527 | — |
| Additions | 11,164 | 9,683 |
| Capitalized improvements | — | 507 |
| Impairments | (1,434) | (5,328) |
| Dispositions | (28,027) | (30,410) |
| Other | (2) | 186 |
| Balance as of December 31 | $39,945 | $44,717 |

Interest Rate Risk

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

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

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

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

| | Percentage Change In: | | | |
|---|---|---|---|---|
| Change in Interest Rates(1) (In Basis Points) | Net Interest Income(2) | | Economic Value of Equity (3) | |
| | 2013 | 2012 | 2013 | 2012 |
| +400 | 1.31% | 2.75% | 16.85% | 19.35% |
| +300 | 0.94% | 2.35% | 15.06% | 17.86% |
| +200 | 0.41% | 1.44% | 12.76% | 14.80% |
| +100 | 0.08% | 0.62% | 10.21% | 10.98% |
| -100 | (2.33)% | (4.08)% | (4.61)% | (2.54)% |

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

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

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

The rate shock results for the net interest income simulation is less asset sensitive as of December 31, 2013 as compared to December 31, 2012. This shift is due to our improved liability mix as higher cost fixed-rate borrowings and time deposits were replaced with variable, but much lower rate deposits. Additionally, on the asset side, lower-yielding investments within the securities portfolio and overnight investments in interest-bearing balances with banks were shifted to the higher-yielding, longer-term loan

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portfolio. The EVE results are slightly more asset sensitive reflecting the increased value of the non-time deposits whose rates have declined versus the prior year.

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

The Company utilizes derivative financial instruments, including interest rate contracts such as swaps, caps and/or floors, as part of its ongoing efforts to mitigate its interest rate risk exposure and to facilitate the needs of its customers. The Company enters into derivative instruments that are not designated as hedging instruments to help its commercial customers manage their exposure to interest rate fluctuations. To mitigate the interest rate risk associated with these customer contracts, the Company enters into an offsetting derivative contract position. The Company manages its credit risk, or potential risk of default by its commercial customers, through credit limit approval and monitoring procedures. At December 31, 2013, the Company had notional amounts of $81,879 on interest rate contracts with corporate customers and $81,879 in offsetting interest rate contracts with other financial institutions to mitigate the Company's rate exposure on its corporate customers' contracts and certain fixed-rate loans.

In March and April 2012, the Company entered into two interest rate swap agreements effective March 30, 2014 and March 17, 2014, respectively. Beginning on the respective effective date, the Company will receive a variable rate of interest based on the three-month LIBOR plus a pre-determined spread and pay a fixed rate of interest. The agreements, which both terminate in March 2022, are accounted for as cash flow hedges to reduce the variability in cash flows resulting from changes in interest rates on $32,000 of the Company's junior subordinated debentures. In connection with its acquisition of First M&F, the Company assumed an interest rate swap designed to convert floating rate interest payments into fixed rate payments. Based on the terms of the agreement, which terminates in March 2018, the Company will receive a variable rate of interest based on the three-month LIBOR plus a pre-determined spread and pay a fixed rate of interest. The interest rate swap is accounted for as a cash flow hedge to reduce the variability in cash flows resulting from changes in interest rates on $30,000 of the junior subordinated debentures assumed in the merger with First M&F.

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

For more information about the Company's derivative financial instruments, see Note S, "Derivative Instruments," in the Notes to Consolidated Financial Statements of the Company in Item 8, Financial Statements and Supplementary Data.

## Liquidity and Capital Resources

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

Core deposits, which are deposits excluding time deposits and public fund deposits, are a major source of funds used by Renasant Bank to meet cash flow needs. Maintaining the ability to acquire these funds as needed in a variety of markets is the key to assuring Renasant Bank's liquidity. Management continually monitors the liquidity and non-core dependency ratios to ensure compliance with targets established by the Asset/Liability Management Committee ("ALCO").

Our investment portfolio is another alternative for meeting liquidity needs. These assets generally have readily available markets that offer conversions to cash as needed. Within the next twelve months the securities portfolio is forecasted to generate cash flow through principal payments and maturities equal to 10.92% 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, 2013, securities

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with a carrying value of $608,401 were pledged to secure government, public, trust, and other deposits and as collateral for short-term borrowings and derivative instruments as compared to $327,368 at December 31, 2012. Other sources available for meeting liquidity needs include federal funds purchased and advances from the FHLB. Interest is charged at the prevailing market rate on federal funds purchased and FHLB advances. The balance of outstanding federal funds purchased at December 31, 2013 was $222. There were no outstanding federal funds purchased on December 31, 2012. Funds obtained from the FHLB are used primarily to match-fund fixed rate loans in order to minimize interest rate risk and also be used to meet day to day liquidity needs, particularly when the cost of such borrowing compares favorably to the rates that we would be required to pay to attract deposits. At December 31, 2013, the balance of our outstanding advances with the FHLB was $75,405. The total amount of the remaining credit available to us from the FHLB at December 31, 2013 was $1,595,864. We also maintain lines of credit with other commercial banks totaling $75,000. These are unsecured, uncommitted lines of credit maturing at various times within the next twelve months. There were no amounts outstanding under these lines of credit at December 31, 2013 or 2012, respectively.

In March 2012, the Company repaid $50,000 of qualifying senior debt securities issued under the TLGP at maturity. The cost of the TLGP debt while outstanding was 3.94% and 3.83% for the years ended December 31, 2012 and 2011, respectively.

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

| | Percentage of Total | | | | | | Cost of Funds | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 | | 2012 | | 2011 | | 2013 | | 2012 | | 2011 | |
| Noninterest-bearing demand | 16.16 | % | 15.13 | % | 13.02 | % | — | % | —% | | —% | |
| Interest-bearing demand | 40.88 | | 38.40 | | 35.84 | | 0.24 | | 0.28 | | 0.68 | |
| Savings | 6.81 | | 6.42 | | 5.63 | | 0.24 | | 0.23 | | 0.38 | |
| Time deposits | 31.95 | | 34.76 | | 38.36 | | 0.93 | | 1.17 | | 1.52 | |
| Federal Home Loan Bank advances | 1.90 | | 2.50 | | 3.40 | | 4.22 | | 4.29 | | 4.11 | |
| Other borrowed funds | 2.30 | | 2.79 | | 3.75 | | 3.21 | | 3.08 | | 3.16 | |
| Total deposits and borrowed funds | 100.00 | % | 100.00 | % | 100.00 | % | 0.57 | % | 0.72 | % | 1.11 | % |

Our strategy in choosing funds is focused on minimizing cost along with considering our balance sheet composition and interest rate risk position. 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. We constantly monitor our funds position and evaluate the effect that various funding sources have on our financial position. Our cost of funds decreased in 2013, 2012, and 2011 as management improved our funding mix using non-interest bearing or lower costing deposits and repaying higher costing funding including time deposits and borrowed funds.

Cash and cash equivalents were $246,648 at December 31, 2013, compared to $132,420 at December 31, 2012 and $209,017 at December 31, 2011. Cash used in investing activities for the year ended December 31, 2013 was $57,150 and $196,824 in 2012 compared to cash provided by investing activities of $135,537 in 2011. Proceeds from the sale, maturity or call of securities within our investment portfolio were $206,515 for 2013 compared to $409,035 for 2012 and $333,476 in 2011. For 2013, these proceeds from the investments portfolio were primarily used to fund loan growth, as evidenced by a net increase in loans of $192,399 during 2013. A net increase in loans utilized funds of $300,686 in 2012 compared to a net increase in loans in 2011 utilizing funds of $44,333. Purchases of investment securities were $233,221 for 2013 compared to $287,384 for 2012 and $295,038 for 2011. The net cash proceeds received from the acquisition of American Trust were $148,443 in 2011. The net cash paid for the RBC Bank (USA) trust division acquisition was $510 in 2012 and $792 in 2011 for a total purchase price of $1,302.

Cash provided by financing activities for the period ended December 31, 2013 was $18,092 compared to cash used in financing activities for the year ended December 31, 2012 and 2011 of $57,483 and $372,320, respectively. The increase in cash for our financing activities was driven by an increase in deposits of $54,661 at December 31, 2013 compared to an an increase in deposits of $48,984 for December 31, 2012. Cash provided from the sale of securities during 2012 was partially used to reduce FHLB borrowings by $24,000 prior to maturity and repay $50,000 of qualifying senior debt securities issued under the TLGP at maturity. Cash provided from the acquisition of American Trust was partially used to reduce long-term debt by $72,645 for 2011.

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 O, “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.

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Restrictions on Bank Dividends, Loans and Advances

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

Federal Reserve regulations also limit the amount Renasant Bank may loan to the Company unless such loans are collateralized by specific obligations. At December 31, 2013, the maximum amount available for transfer from Renasant Bank to the Company in the form of loans was $50,546. The Company maintains a line of credit collateralized by cash with Renasant Bank totaling $3,000. Amounts outstanding under this line of credit totaled $1,500 at December 31, 2013. These restrictions did not have any impact on the Company's ability to meet its cash obligations, nor does management expect such restrictions to materially impact the Company's ability to meet its currently-anticipated cash obligations.

Off-Balance Sheet Transactions

The Company enters into loan commitments and standby letters of credit in the normal course of its business. Loan commitments are made to accommodate the financial needs of the Company's customers. Standby letters of credit commit the Company to make payments on behalf of customers when certain specified future events occur. Both arrangements have 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, 2013, 2012 and 2011 are as follows:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Loan commitments | $630,266 | $463,684 | $401,132 |
| Standby letters of credit | 30,062 | 34,391 | 46,978 |

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 L, "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, 2013, 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 | $2,878 | $4,576 | $3,425 | $2,669 | $13,548 |
| Deposits without a stated maturity[(1)] | I | 3,327,688 | — | — | — | 3,327,688 |
| Time deposits | I | 827,796 | 496,274 | 171,376 | 18,778 | 1,514,224 |
| Short-term borrowings | J | 2,283 | — | — | — | 2,283 |
| Federal Home Loan Bank advances | K | 6,555 | 8,064 | 44,034 | 16,752 | 75,405 |
| Junior subordinated debentures | K | — | — | — | 94,187 | 94,187 |
| Purchase obligations[(2)] | | 2,002 | — | — | — | 2,002 |
| Total contractual obligations | | $4,169,202 | $508,914 | $218,835 | $132,386 | $5,029,337 |

(1) Excludes interest.

(2) Purchase obligations represent obligations under agreements to purchase goods or services that are enforceable and legally binding on the Company and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. The purchase obligation amounts presented above primarily relate to certain contractual payments for capital expenditures expected to be incurred in connection with construction and remodeling projects.

Shareholders' Equity and Regulatory Matters

Total shareholders' equity of the Company was $665,652 and $498,208 at December 31, 2013 and 2012, respectively. The acquisition of M&F contributed $155,524 to the Company's equity position at December 31, 2013. Book value per share was $21.21 and $19.80 at December 31, 2013 and 2012, respectively. The growth in shareholders' equity was attributable to earnings retention offset by dividends declared and changes in accumulated other comprehensive income.

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

The Company has junior subordinated debentures with a carrying value of $94,187 at December 31, 2013, of which $91,000 are included in the Company's Tier 1 capital. The Federal Reserve Board issued guidance in March 2005 providing more strict quantitative limits on the amount of securities that, similar to our junior subordinated debentures, are includable in Tier 1 capital. The new guidance, which became effective in March 2009, did not impact the amount of debentures we include in Tier 1 capital. In addition, although our existing junior subordinated debentures are unaffected, on account of changes enacted as part of the Dodd-Frank Act, any trust preferred securities issued after May 19, 2010 may not be included in Tier 1 capital.

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

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

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The following table includes the capital ratios and capital amounts for the Company and the Bank for the years presented:

| | Actual | | Minimum Capital Requirement to be Well Capitalized | | Minimum Capital Requirement to be Adequately Capitalized | |
|---|---|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| December 31, 2013 | | | | | | |
| Renasant Corporation: | | | | | | |
| Tier 1 Capital to Average Assets (Leverage) | $473,817 | 8.68 % | $196,871 | 5.00 % | $157,497 | 4.00 % |
| Tier 1 Capital to Risk-Weighted Assets | 473,817 | 11.41 % | 182,964 | 6.00 % | 121,976 | 4.00 % |
| Total Capital to Risk-Weighted Assets | 522,181 | 12.58 % | 304,940 | 10.00 % | 243,952 | 8.00 % |
| Renasant Bank: | | | | | | |
| Tier 1 Capital to Average Assets (Leverage) | $457,798 | 8.40 % | $196,192 | 5.00 % | $156,954 | 4.00 % |
| Tier 1 Capital to Risk-Weighted Assets | 457,798 | 11.05 % | 182,580 | 6.00 % | 121,720 | 4.00 % |
| Total Capital to Risk-Weighted Assets | 505,463 | 12.20 % | 304,300 | 10.00 % | 243,440 | 8.00 % |
| December 31, 2012 | | | | | | |
| Renasant Corporation: | | | | | | |
| Tier 1 Capital to Average Assets (Leverage) | $388,362 | 9.86 % | $196,871 | 5.00 % | $157,497 | 4.00 % |
| Tier 1 Capital to Risk-Weighted Assets | 388,362 | 12.74 % | 182,964 | 6.00 % | 121,976 | 4.00 % |
| Total Capital to Risk-Weighted Assets | 426,877 | 14.00 % | 304,940 | 10.00 % | 243,952 | 8.00 % |
| Renasant Bank: | | | | | | |
| Tier 1 Capital to Average Assets (Leverage) | $379,602 | 9.67 % | $196,192 | 5.00 % | $156,954 | 4.00 % |
| Tier 1 Capital to Risk-Weighted Assets | 379,602 | 12.47 % | 182,580 | 6.00 % | 121,720 | 4.00 % |
| Total Capital to Risk-Weighted Assets | 417,717 | 13.73 % | 304,300 | 10.00 % | 243,440 | 8.00 % |

In July 2013, the Federal Reserve, the FDIC and the Office of the Comptroller of the Currency approved the implementation of the Basel III regulatory capital reforms and issued rules effecting certain changes required by the Dodd-Frank Act (the “Basel III Rules”) that call for broad and comprehensive revision of regulatory capital standards for U.S. banking organizations. The Basel III Rules will implement a new common equity Tier 1 minimum capital requirement, a higher minimum Tier 1 capital requirement and other items that will affect the calculation of the numerator of a banking organization’s risk-based capital ratios. Additionally, the Basel III Rules apply limits to a banking organization’s capital distributions and certain discretionary bonus payments if the banking organization does not hold a specified amount of common equity Tier 1 capital in addition to the amount necessary to meet its minimum risk-based capital requirements.

The new common equity Tier 1 capital ratio includes common equity as defined under GAAP and does not include any other type of non-common equity under GAAP. When the Basel III Rules are fully phased in in 2019, banks will be required to have common equity Tier 1 capital of 4.5% of average assets, Tier 1 capital of 6% of average assets, as compared to the current 4%, and total capital of 8% of risk-weighted assets to be categorized as adequately capitalized. The Basel III Rules require the phase-out of trust preferred securities as Tier 1 capital of bank holding companies of the Company’s size in equal installments over a defined period.

Further, the Basel III Rules changed the agencies’ general risk-based capital requirements for determining risk-weighted assets, which will affect the calculation of the denominator of a banking organization’s risk-based capital ratios. The Basel III Rules have revised the agencies’ rules for calculating risk-weighted assets to enhance risk sensitivity and will incorporate certain international capital standards of the Basel Committee on Banking Supervision set forth in the standardized approach of the “International Convergence of Capital Measurement and Capital

Standards: A Revised Framework”.

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The calculation of risk-weighted assets in the denominator of the Basel III capital ratios would be adjusted to reflect the higher risk nature of certain types of loans. Specifically, as applicable to the Company and Renasant Bank:

— Residential mortgages: Replaces the current 50% risk weight for performing residential first-lien mortgages and a 100% risk-weight for all other mortgages with a risk weight of between 35% and 200% determined by the mortgage’s loan-to-value ratio and whether the mortgage falls into one of two categories based on eight criteria that include the term, use of negative amortization and balloon payments, certain rate increases and documented and verified borrower income.

— Commercial mortgages: Replaces the current 100% risk weight with a 150% risk weight for certain high volatility commercial real estate acquisition, development and construction loans.

— Nonperforming loans: Replaces the current 100% risk weight with a 150% risk weight for loans, other than residential mortgages, that are 90 days past due or on nonaccrual status.

Generally, the new Basel III Rules become effective on January 1, 2015, although parts of the Basel III Rules will be phased in through 2019. Management is reviewing the new rules to assess their impact on the Company.

SEC Form 10-K

A COPY OF THIS ANNUAL REPORT ON FORM 10-K, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, MAY BE OBTAINED WITHOUT CHARGE BY DIRECTING A WRITTEN REQUEST TO: JOHN S. OXFORD, VICE PRESIDENT, RENASANT CORPORATION, 209 TROY STREET, TUPELO, MISSISSIPPI, 38804-4827.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Please refer to the discussion found under the headings “Risk Management – Interest Rate Risk” and “Liquidity and Capital Resources” in Management’s Discussion and Analysis of Financial Condition and Results of Operations above for the disclosures required pursuant to this Item 7A.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements of the Company meeting the requirements of Regulation S-X are included on the succeeding pages of this Item. All schedules have been omitted because they are not required or are not applicable.

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RENASANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2013, 2012 and 2011
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Report on Management's Assessment of Internal Control over Financial Reporting

Renasant Corporation (the "Company") is responsible for the preparation, integrity and fair presentation of the consolidated financial statements included in this annual report. The consolidated financial statements and notes included in this annual report have been prepared in conformity with accounting principles generally accepted in the United States and necessarily include some amounts that are based on management's best estimates and judgments.

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. The Company's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

The system of internal control over financial reporting as it relates to the financial statements is evaluated for effectiveness by management and tested for reliability through a program of internal audits. Actions are taken to correct potential deficiencies as they are identified. Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden, and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation.

Management, with the participation of the Company's principal executive officer and principal financial officer, conducted an assessment of the effectiveness of the Company's system of internal control over financial reporting as of December 31, 2013, based on criteria for effective internal control over financial reporting described in "Internal Control - Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992. As permitted, management excluded from its assessment the operations of the First M&F Corporation acquisition made during 2013, which is more fully described in Note B to the Consolidated Financial Statements. The assets acquired in this transaction consist primarily of cash, investment securities, loans and fixed assets which comprised approximately 26% of total consolidated assets at December 31, 2013. Based on this assessment, management has concluded that, as of December 31, 2013, the Company's system of internal control over financial reporting is effective and meets the criteria of the "Internal Control – Integrated Framework". HORNE LLP, the Company's independent registered public accounting firm that has audited the Company's financial statements included in this annual report, has issued an attestation report on the Company's internal control over financial reporting which is included herein.

| | |
|---|---|
| E. Robinson McGraw | Kevin D. Chapman |
| Chairman, President and | Executive Vice President and |
| Chief Executive Officer | Chief Financial Officer |

March 11, 2014

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Report of Independent Registered Public Accounting Firm
To the Board of Directors and Shareholders
Renasant Corporation
Tupelo, Mississippi

We have audited the accompanying consolidated balance sheets of Renasant Corporation and subsidiaries (the “Company”) as of December 31, 2013 and 2012, and the related consolidated statements of income, consolidated statements of comprehensive income, changes in shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and 2012, and the results of its operations, changes in shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992, and our report dated March 11, 2014 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

Memphis, Tennessee
March 11, 2014

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Report of Independent Registered Public Accounting Firm
To the Board of Directors and Shareholders
Renasant Corporation
Tupelo, Mississippi

We have audited Renasant Corporation and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report on Management's Assessment of Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As permitted, the Company excluded the operations of the financial institution acquired during 2013, which is more fully described in Note B of the consolidated financial statements, from the scope of management's report on internal control over financial reporting. As such, it has been excluded from the scope of our audit over financial reporting.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Company as of December 31, 2013 and 2012, and the related consolidated statements of income, consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2013 and our report dated March 11, 2014 expressed an unqualified opinion.

Memphis, Tennessee
March 11, 2014

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Renasant Corporation and Subsidiaries
Consolidated Balance Sheets
(In Thousands, Except Share Data)

| | December 31, 2013 | 2012 |
|---|---|---|
| Assets | | |
| Cash and due from banks | $87,342 | $63,225 |
| Interest-bearing balances with banks | 159,306 | 69,195 |
| Cash and cash equivalents | 246,648 | 132,420 |
| Securities held to maturity (fair value of $408,576 and $334,475, respectively) | 412,075 | 317,766 |
| Securities available for sale, at fair value | 501,254 | 356,311 |
| Mortgage loans held for sale, at fair value | 33,440 | 34,845 |
| Loans, net of unearned income: | | |
| Covered under loss-share agreements | 181,674 | 237,088 |
| Not covered under loss-share agreements | 3,699,344 | 2,573,165 |
| Total loans, net of unearned income | 3,881,018 | 2,810,253 |
| Allowance for loan losses | (47,665) | (44,347) |
| Loans, net | 3,833,353 | 2,765,906 |
| Premises and equipment, net | 101,525 | 66,752 |
| Other real estate owned: | | |
| Covered under loss-share agreements | 12,942 | 45,534 |
| Not covered under loss-share agreements | 39,945 | 44,717 |
| Total other real estate owned, net | 52,887 | 90,251 |
| Goodwill | 276,100 | 184,859 |
| Other intangible assets, net | 28,230 | 6,066 |
| FDIC loss-share indemnification asset | 26,273 | 44,153 |
| Other assets | 234,485 | 179,287 |
| Total assets | $5,746,270 | $4,178,616 |
| Liabilities and shareholders' equity | | |
| Liabilities | | |
| Deposits | | |
| Noninterest-bearing | $856,020 | $568,214 |
| Interest-bearing | 3,985,892 | 2,893,007 |
| Total deposits | 4,841,912 | 3,461,221 |
| Short-term borrowings | 2,283 | 5,254 |
| Long-term debt | 169,592 | 159,452 |
| Other liabilities | 66,831 | 54,481 |
| Total liabilities | 5,080,618 | 3,680,408 |
| Shareholders' equity | | |
| Preferred stock, $.01 par value – 5,000,000 shares authorized; no shares issued and outstanding | — | — |
| Common stock, $5.00 par value – 75,000,000 shares authorized, 32,656,182 and 26,715,797 shares issued, respectively; 31,387,668 and 25,157,637 shares outstanding, respectively | 163,281 | 133,579 |
| Treasury stock, at cost | (23,023) | (25,626) |
| Additional paid-in capital | 342,552 | 218,128 |
| Retained earnings | 194,815 | 180,628 |
| Accumulated other comprehensive loss, net of taxes | (11,973) | (8,501) |

| | | |
|---|---|---|
| Total shareholders’ equity | 665,652 | 498,208 |
| Total liabilities and shareholders’ equity | $5,746,270 | $4,178,616 |

See Notes to Consolidated Financial Statements.

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Interest income | | | |
| Loans | $158,947 | $137,800 | $142,218 |
| Securities | | | |
| Taxable | 13,397 | 13,120 | 19,831 |
| Tax-exempt | 8,012 | 8,194 | 8,095 |
| Other | 248 | 199 | 543 |
| Total interest income | 180,604 | 159,313 | 170,687 |
| Interest expense | | | |
| Deposits | 17,050 | 19,030 | 31,729 |
| Borrowings | 6,353 | 6,945 | 9,672 |
| Total interest expense | 23,403 | 25,975 | 41,401 |
| Net interest income | 157,201 | 133,338 | 129,286 |
| Provision for loan losses | 10,350 | 18,125 | 22,350 |
| Net interest income after provision for loan losses | 146,851 | 115,213 | 106,936 |
| Noninterest income | | | |
| Service charges on deposit accounts | 20,535 | 18,612 | 19,111 |
| Fees and commissions | 19,961 | 17,595 | 13,126 |
| Insurance commissions | 4,976 | 3,630 | 3,298 |
| Wealth Management revenue | 7,654 | 6,926 | 4,864 |
| Gains on sales of securities | 54 | 1,894 | 5,057 |
| Other-than-temporary-impairment losses on securities available for sale | — | — | (15,445) |
| Non-credit related portion of other-than-temporary impairment on securities, recognized in other comprehensive income | — | — | 15,183 |
| Net impairment losses on securities | — | — | (262) |
| BOLI income | 4,085 | 3,370 | 2,821 |
| Gains on sales of mortgage loans held for sale | 11,573 | 12,499 | 4,133 |
| Gain on acquisition | — | — | 9,344 |
| Other | 3,133 | 4,185 | 3,207 |
| Total noninterest income | 71,971 | 68,711 | 64,699 |
| Noninterest expense | | | |
| Salaries and employee benefits | 98,780 | 81,002 | 66,135 |
| Data processing | 8,870 | 8,724 | 7,297 |
| Net occupancy and equipment | 16,957 | 14,597 | 13,552 |
| Other real estate owned | 6,966 | 13,596 | 15,326 |
| Professional fees | 5,540 | 4,241 | 4,173 |