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 fiscal year ended December 31, 2007

Commission file number 000-12154

RENASANT CORPORATION

(Exact name of registrant as specified in its charter)

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

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 x

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 x

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 x NO ¨

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

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

Large accelerated filer ¨	Accelerated filer x	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 Act). YES ¨ NO x

As of June 30, 2007, the aggregate market value of the registrant s common stock, $5.00 par value, held by non-affiliates of the registrant, computed by reference to the last sale price as reported on The NASDAQ Global Select Market for such date, was $387,506,970.

As of February 29, 2008, 20,907,487 shares of the registrant s common stock, $5.00 par value, were outstanding. The registrant has no other classes of securities outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement relating to the 2008 Annual Meeting of Shareholders of Renasant Corporation are incorporated by reference into Part III.

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RENASANT CORPORATION

Form 10-K

For the year ended December 31, 2007

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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 and 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 29, 2008, 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, Alabama and Tennessee, 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. Prior to our name changes in 2005, our name was The Peoples Holding Company, the Bank s name was The Peoples Bank and Trust Company, and Renasant Insurance s name was The Peoples Insurance Agency, Inc.

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
- the efficiency ratio
- loan and deposit growth
- net charge-offs to average loans
- net interest margin and spread
- fee income shown as a percent of loans and deposits
- the number and type of services provided per household

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 the internal management and expand the scope of banking services normally offered by the Bank.

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Mergers

On January 1, 2005, the Company merged with Heritage Financial Holding Corporation (Heritage), a bank holding company headquartered in Decatur, Alabama. The Company issued approximately 2.1 million shares of its common stock and paid approximately $23.1 million in cash as merger consideration to the shareholders of Heritage. Heritage Bank, a wholly-owned subsidiary of Heritage with eight banking offices in Decatur, Huntsville and Birmingham, Alabama, was merged into the Bank immediately after the consummation of the merger of Heritage into the Company.

On July 1, 2007, the Company merged with Capital Bancorp, Inc. (Capital), a bank holding company headquartered in Nashville, Tennessee. The Company issued approximately 2.8 million shares of its common stock and paid approximately $56.0 million in cash as merger consideration to the shareholders of Capital. The Company used the proceeds of its public offering of 2.76 million shares of its common stock completed in June, 2007 to pay the cash portion of the merger consideration. Capital Bank & Trust Company, a wholly-owned subsidiary of Capital with seven banking offices in the Nashville-Davidson-Murfreesboro, Tennessee Metropolitan Statistical Area, was merged into the Bank immediately after the consummation of the merger of Capital into the Company.

Operations

We have four reportable segments: a Mississippi community bank, a Tennessee community bank, an Alabama community bank and an insurance agency. Financial information about our segments, including information with respect to revenues from external customers, profit or loss and total assets for each segment, is contained in the Notes to the Consolidated Financial Statements of the Company located in Item 8, Financial Statements and Supplementary Data. The description of the operations of the Bank immediately below applies to the operations of each of our three banking segments.

Operations of the Bank

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

On February 29, 2008, we had 68 banking and financial services offices located throughout our markets in north and north central Mississippi, west and middle Tennessee, and north and north central Alabama.

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 72.57%, 70.32% and 69.06% of our total revenue in 2007, 2006 and 2005, respectively. Our lending philosophy is to minimize credit losses by following strict credit approval standards, diversifying our loan portfolio and conducting ongoing review and management of the loan portfolio. The following is a description of each of the principal types of loans in our loan portfolio, the relative risk of each type of loan and the steps we take to reduce credit risk. A further discussion of our risk reduction policies and procedures can be found in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, under the heading Risk Management Credit Risk and Allowance for Loan Losses. We have omitted a discussion of lease financing, as such financing comprised only approximately 0.10% of our portfolio at December 31, 2007.

Commercial, Financial and Agricultural Loans. Commercial, financial and agricultural loans (referred to as commercial loans), which accounted for approximately 12.29% of our total loans at December 31, 2007, are customarily granted to established local business customers in our market area on a fully collateralized basis to meet their credit needs. Many of these loans have terms allowing the loan to be extended for periods of between one and five years. Loans are usually structured either to fully amortize over the term of the loan or to balloon after the third year or fifth year of the loan, typically with an amortization period not to exceed 15 years. The terms and loan structure are dependent on the collateral and strength of the borrower. The loan-to-value ratios range from 50% to

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80%, depending on the type of collateral. The risks of these types of loans depend on the general business conditions of the local economy and the local business borrower s ability to sell its products and services in order to generate sufficient operating revenue to repay us under the agreed upon terms and conditions.

Commercial lending generally involves greater credit risk than residential real estate or consumer lending and generally different risks from those associated with commercial real estate lending or construction loans. Although commercial loans may be collateralized by equipment or other business assets, the liquidation of collateral in the event of a borrower default may represent an insufficient source of repayment because equipment and other business assets may, among other things, be obsolete or of limited use. Accordingly, the repayment of a commercial loan depends primarily on the creditworthiness and projected cash flow of the borrower (and any guarantors), while liquidation of collateral is considered a secondary source of repayment. 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 employ the use of commercial loan credit scoring models for smaller level commercial loans.

Real Estate Commercial Mortgage. Our Real Estate Commercial Mortgage loans (commercial real estate loans) represented approximately 36.66% of our total loans at December 31, 2007. We offer commercial real estate loans to developers of commercial properties for purposes of site acquisition and preparation and other development prior to actual construction. In addition, loans in which the owner develops a property with the intention of occupying it are also included in commercial real estate loans. Because payments on these loans are often dependent on the successful development, operation and management of the properties, repayment of these loans may be affected by adverse conditions in the real estate market or the economy as a whole, in addition to the borrower s ability to generate sufficient operating revenue to repay us. If our estimate of value proves to be inaccurate, we may not be able to obtain full repayment on the loan in the event of default and foreclosure. We seek to minimize risks by limiting the maximum loan-to-value ratio and strictly scrutinizing the financial condition of the borrower, the quality of the collateral and the management of the property securing the loan. We also actively monitor such financial measures as advance rate, cash flow, collateral value and other appropriate credit factors. We generally obtain loan guarantees from financially capable parties to the transaction based on a review of personal financial statements.

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 32.89% of our total loans at December 31, 2007 being residential real estate loans. We offer both first and second mortgages on residential real estate and loans for the preparation of residential real property prior to construction. In addition, we offer home equity lines of credit and term loans secured by first and second mortgages on the residences of borrowers for purchases, refinances, home improvements, education and other personal expenditures. Both fixed and variable rate loans are offered with competitive terms and fees. Originations of residential real estate loans are generated through either retail efforts in our branches or wholesale marketing, which involves obtaining mortgage referrals from third-party mortgage brokers. We attempt to minimize the risk associated with residential real estate loans by strictly scrutinizing the financial condition of the borrower; typically, we also limit the maximum loan-to-value ratio.

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

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

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Real Estate Construction. Our Real Estate Construction loans (construction loans) represented approximately 14.93% of our total loans at December 31, 2007. 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 mortgage or commercial real estate lending. A significant additional risk is that loan funds are advanced upon the security of the property under construction, which is of uncertain value prior to the completion of construction. Thus, it is more difficult to evaluate accurately the total loan funds required to complete a project and to calculate related loan-to-value ratios. To minimize the risks associated with construction lending, we limit loan-to-value ratios to 85% of when-completed appraised values for owner-occupied and investor-owned residential or commercial properties. We believe that these loan-to-value ratios will be sufficient to compensate for fluctuations in the real estate market and thus minimize the risk of loss.

Installment Loans to Individuals. Installment Loans to Individuals (or consumer loans), which represented approximately 3.13% of our total loans at December 31, 2007, are granted to individuals for the purchase of personal goods. These loans are generally granted for periods ranging between one and six years at fixed rates of interest 1% to 5% above the prime interest rate quoted in The Wall Street Journal. Loss or decline of income by the borrower due to unplanned occurrences may represent 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 item securing the loan and hold title until the loan is repaid in full.

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

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

The deposit services we offer accounted for approximately 10.45%, 11.59% and 12.16% of our total revenue in 2007, 2006 and 2005. No material portion of our deposits has been obtained from a single or small group of customers, and the loss of any single customer s deposits or a small group of customer s deposits would not have a materially adverse effect on our business. The deposits held by our Bank have been primarily generated within their respective market areas. Neither we nor the Bank have any foreign activities.

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

Operations of Renasant Insurance

Renasant Insurance is a full-service insurance agency offering all lines of commercial and personal insurance through major carriers. At December 31, 2007, Renasant Insurance contributed total revenue of $4.1 million, or 2.68%, of the Company s total revenue and operated three offices in central and northern Mississippi.

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Competition

Banking

Vigorous competition exists in all major product and geographic areas in which we conduct banking business. We compete through our Bank 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 for available loans and depository accounts. 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 2007, we maintained approximately 18% of the market share (deposit base) in our Mississippi area, approximately 2% in our Tennessee area and approximately 2% in our Alabama 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. We have identified these markets, which are listed in the table below, as our key growth markets. At December 31, 2007, 81% of our loans and 67% of our deposits were located in these key markets. The following table shows our deposit share in the counties that we consider our key markets as of June 30, 2007 (which is the latest date that such information is available):

Market	Available Deposits (in billions)	Deposit Share
Mississippi		
Tupelo	$ 1.7	29.7%
DeSoto County	1.7	10.8%
Oxford	0.7	3.1%
Alabama		
Birmingham	20.8	0.6%
Decatur	1.5	14.2%
Huntsville/Madison	5.0	2.9%
Tennessee		
Germantown	1.5	10.8%
Collierville	0.7	3.0%
Memphis/Cordova	23.1	1.3%
Nashville/Brentwood	21.3	3.0%
Total	$ 78.0	

Source: FDIC , dated as of June 30, 2007.

Our major competitor in the Birmingham and Huntsville/Madison markets is Regions Bank, which maintains approximately 26% and 31% of the market share (based on deposits), respectively, in those two markets. We compete with Regions Bank for both loans and deposits. First Tennessee Bank has a significant market share in the Memphis market. However, because of our footprint and our current lines of business in the Memphis market, our business does not materially overlap with that of First Tennessee Bank in the Memphis market.

In addition to the specific markets discussed above, Regions Bank and First Tennessee Bank compete with us in our other markets. Other competitors in these areas include BancorpSouth, Cadence Bank, Compass Bank, Colonial Bank, Merchants and Farmers Bank (primarily in Mississippi) and Trustmark National Bank. In addition, there are smaller community banks in our service areas that compete with us on an individual market basis.

Insurance

We encounter strong competition in our 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 (e.g. Allstate, State Farm, etc.). All of these agencies compete in the delivery of personal and commercial product lines. There is no dominant insurance agency in our markets.

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Supervision and Regulation

Banking

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

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

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

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

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

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

A dominant theme of the Financial Services Modernization Act is functional regulation of financial services, with the primary regulator of the Company or its subsidiaries being the agency which traditionally regulates the activity in which the Company or its subsidiaries wishes 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.

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

Under the Reigle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the Interstate Act), the Company or any other bank holding company located in Mississippi is able to acquire a bank located in any other state, and a bank holding company located outside Mississippi can acquire any Mississippi-based bank, in either case subject to certain deposit percentage and other restrictions.

The Interstate Act also provides that, unless an individual state has elected to prohibit out-of-state banks from operating interstate branches within its territory, adequately capitalized and managed bank holding companies may consolidate their multistate bank operations into a single bank subsidiary and branch interstate through acquisitions. Under Mississippi law, out-of-state bank holding companies may establish a bank in Mississippi only by acquiring a Mississippi bank or Mississippi bank holding company.

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

The Bank is chartered under the laws of the State of Mississippi and as a result is subject to the supervision of, and is regularly examined by, the Department of Banking and Consumer Finance of the State of Mississippi. Certain restrictions exist under Mississippi law regarding the ability of our Bank to transfer funds to us in the form of cash dividends, loans or advances. The approval of the Department of Banking and Consumer Finance of the State of Mississippi is required prior to the Bank paying dividends. The amount of any dividend is limited to earned surplus in excess of three times its capital stock. Federal Reserve regulations also limit the amount the Bank may loan to us unless such loans are collateralized by specific obligations.

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

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

On October 26, 2001, President Bush signed the USA PATRIOT Act of 2001 into law. This act contains the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 (the IMLAFA). The IMLAFA substantially broadens existing anti-money laundering legislation and the extraterritorial jurisdiction of the United States, imposes new compliance and due diligence obligations, creates new crimes and penalties, compels the production of documents located both inside and outside the United States, including those of foreign institutions that have a correspondent relationship in the United States and clarifies the safe harbor from civil liability to customers. The U.S. Treasury Department has issued a number of regulations implementing the USA PATRIOT Act that apply certain of its requirements to financial institutions such as our Bank. The regulations impose new obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and

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report money laundering and terrorist financing. The IMLAFA requires all financial institutions, as defined, to establish anti-money laundering compliance and due diligence programs. Such programs must include, among other things, adequate policies, the designation of a compliance officer, employee training programs and an independent audit function to review and test the program. The Company believes that it has complied with these requirements.

Insurance

Renasant Insurance is subject to licensing requirements and regulation under the laws of the United States and the State of Mississippi. The laws and regulations are primarily for the benefit of clients. In all jurisdictions, the applicable laws and regulations are subject to amendment by regulatory authorities. Generally, such authorities are vested with relatively broad discretion to grant, renew and revoke licenses and approvals and to implement regulations. Licenses may be denied or revoked for various reasons, including the violation of such regulations, conviction of crimes and the like. 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, revocation of licenses, 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 combat recession and curb inflationary pressures. 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, federal funds purchased, Federal Home Loan Bank advances and borrowings from correspondent banks by the Bank. The availability of such funds is primarily dependent upon the economic policies of the federal government, the economy in general and the general credit market for loans.

Personnel

At December 31, 2007, we employed 880 people at all of our subsidiaries on a full-time equivalent basis. Of this total, the Bank accounted for 842 employees, and Renasant Insurance employed 38 individuals. The Company has no additional employees; however, at December 31, 2007, 17 employees of the Bank served as officers of the Company in addition to their positions with the Bank.

Dependence Upon a Single Customer

Neither we nor our subsidiaries are dependent upon a single customer or upon a limited number of customers. A discussion of concentrations of credit in our loan portfolio is set forth under the heading Risk Management Loan Concentrations in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations.

Available Information

Our Internet address is www.renasant.com. We make available at this address under the link 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 practical after we electronically file such material with, or furnish it to, the SEC.

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

(In Thousands)

The following table sets forth average balance sheet data, including all major categories of interest-earning assets and interest-bearing liabilities, together with the interest earned or interest paid and the average yield or average rate paid on each such category for the years ended December 31, 2007, 2006 and 2005:

	Year Ended December 31,								
	2007			2006			2005		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-earning assets:									
Loans[1]	$ 2,259,634	$ 172,694	7.64%	$ 1,752,759	$ 132,861	7.58%	$ 1,622,749	$ 110,248	6.79%
Securities:									
Taxable[2]	381,652	19,879	5.21	323,291	15,629	4.83	308,430	13,270	4.30
Tax-exempt	121,792	7,731	6.35	114,065	7,342	6.44	112,459	7,288	6.48
Other	23,931	1,539	6.43	31,220	1,807	5.79	27,023	928	3.43
Total interest-earning assets	2,787,009	201,843	7.24	2,221,335	157,639	7.10	2,070,661	131,734	6.36
Cash and due from banks	69,454			69,467			60,912		
Intangible assets	146,175			99,198			101,194		
Other assets	130,153			117,077			121,904		
Total assets	$ 3,132,791			$ 2,507,077			$ 2,354,671		
Interest-bearing liabilities:									
Deposits:									
Interest-bearing demand	$ 159,871	4,336	2.71	$ 77,424	1,671	2.16	$ 67,424	798	1.18
Savings and money market	706,253	18,413	2.61	665,752	14,346	2.15	611,112	7,799	1.28
Time deposits	1,271,482	61,067	4.80	990,973	41,450	4.18	865,559	26,631	3.08
Total interest-bearing deposits	2,137,606	83,816	3.92	1,734,149	57,467	3.31	1,544,095	35,228	2.28
Total other interest- bearing liabilities	340,084	18,566	5.46	237,802	12,763	5.37	315,046	12,735	4.04
Total interest-bearing liabilities	2,477,690	102,382	4.13	1,971,951	70,230	3.56	1,859,141	47,963	2.58
Noninterest-bearing deposits	279,271			261,401			235,998		
Other liabilities	40,915			27,218			24,160		
Shareholders equity	334,915			246,507			235,372		
Total liabilities and shareholders equity	$ 3,132,791			$ 2,507,077			$ 2,354,671		
Net interest income/ net interest margin		$ 99,461	3.57%		$ 87,409	3.93%		$ 83,771	4.04%

The average balances of non-accruing loans are included in this table. 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.

(1) Includes mortgage loans held for sale and shown net of unearned income.
(2) U.S. Government and some U.S. Government Agency securities are tax-free in the states in which we operate.

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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:

	2007 Compared to 2006			*2006 Compared to 2005*		
	Volume	*Rate*	*Net[(1)]*	*Volume*	*Rate*	*Net[(1)]*
Interest income:						
Loans[(2)]	$ 38,400	$ 1,433	$ 39,833	$ 8,740	$ 13,873	$ 22,613
Securities:						
Taxable	2,822	1,428	4,250	628	1,731	2,359
Tax-exempt	497	(108)	389	104	(50)	54
Other	(422)	154	(268)	144	735	879
Total interest-earning assets	41,297	2,907	44,204	9,616	16,289	25,905
Interest expense:						
Interest-bearing demand deposits	1,780	885	2,665	118	755	873
Savings and money market accounts	873	3,194	4,067	697	5,850	6,547
Time deposits	11,733	7,884	19,617	3,859	10,960	14,819
Other interest-bearing liabilities	5,490	313	5,803	(3,122)	3,150	28
Total interest-bearing liabilities	19,876	12,276	32,152	1,552	20,715	22,267
Change in net interest income	$ 21,421	$ (9,369)	$ 12,052	$ 8,064	$ (4,426)	$ 3,638

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

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

Table 3 - Investment Portfolio

(In Thousands)

The following table sets forth the scheduled maturity distribution and weighted average yield based on the amortized cost of our securities portfolio as of December 31, 2007:

	Within One Year		*After One But Within Five Years*		*After Five But Within Ten Years*		*After Ten Years*	
	Amount	*Yield*	*Amount*	*Yield*	*Amount*	*Yield*	*Amount*	*Yield*
Obligations of other U.S. Government agencies and corporations	$ 7,980	4.99%	$ 53,416	4.55%	$ 53,055	5.41%	$ 987	5.67%
Mortgage-backed securities	1,634	4.32%	5,693	4.95%	23,271	5.05%	231,043	5.32%
Obligations of states and political subdivisions	8,272	6.51%	36,759	6.11%	57,424	6.01%	16,024	6.11%
Trust preferred securities							4,949	6.03%
Other equity securities							36,717	2.20%

	$ 17,886	$ 95,868	$ 133,750	$ 289,720

The maturity of mortgage-backed securities reflects scheduled repayments based upon the contractual maturities of the securities. Weighted average yields on tax-exempt obligations have been computed on a fully tax-equivalent basis assuming a federal tax rate of 35% and a state tax rate of 3.3%, which is net of federal tax benefit.

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Table 4 Loan Portfolio

(In Thousands)

The following table sets forth loans, net of unearned income, outstanding as of December 31, 2007, 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 within one year.

	Loan Maturities			
	Within One Year	After One But Within Five Years	After Five Years	Total
Commercial, financial, agricultural	$ 188,886	$ 111,503	$ 17,477	$ 317,866
Lease financing	777	1,642	138	2,557
Real estate construction	283,815	83,696	18,673	386,184
Real estate 1-4 family mortgage	455,768	293,162	101,728	850,658
Real estate commercial mortgage	427,703	340,006	180,613	948,322
Installment loans to individuals	32,191	46,499	2,316	81,006
	$ 1,389,140	$ 876,508	$ 320,945	$ 2,586,593

The following table sets forth the fixed and variable rate loans maturing after one year as of December 31, 2007:

	Interest Sensitivity	
	Fixed Rate	Variable Rate
Due after 1 but within 5 years	$ 787,586	$ 88,923
Due after 5 years	319,176	1,768
	$ 1,106,762	$ 90,691

Table 5 Deposits

(In Thousands)

The following table shows the maturity of certificates of deposit and other time deposits over $100 at December 31, 2007:

	Certificates of Deposit	Other
Less than 3 Months	$ 243,030	$ 4,760
3 Months-6 Months	174,081	6,495
6 Months-12 Months	151,410	10,591
Over 12 Months	83,237	7,803
	$ 651,758	$ 29,649

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ITEM 1A. RISK FACTORS

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

Risks Related To Our Business and Industry

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.

As of December 31, 2007, approximately 63.88% of our loan portfolio consisted of commercial, construction and commercial real estate loans. These types of loans are generally viewed as having more risk to our financial condition than other types of loans due primarily to the large amounts loaned to individual borrowers. Because the loan portfolio contains a significant number of commercial, construction and commercial real estate loans with relatively large balances, the deterioration of one or a few of these loans could cause a significant increase in nonperforming loans. An increase in nonperforming loans could result in a net loss of earnings from these loans, an increase in the provision for possible loan losses and an increase in loan charge-offs, all of which could have a material adverse effect on our financial condition and results of operations.

In addition, approximately 84.48% of our loan portfolio had real estate as a primary or secondary component of the collateral securing the loan. An adverse change in the value of real estate generally and in our markets specifically could significantly impair the value of the 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, 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 caption Operations Operations of the Bank in Item 1, Business.

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

At December 31, 2007, we had approximately $948 million in commercial real estate loans, representing approximately 36.66% of our loans outstanding on that date. In addition to the general risks associated with our lending activities described above, 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 may be affected significantly by general economic conditions, and a downturn in the local economy generally or in occupancy rates where the property is located could increase the likelihood of default. In addition, banking regulators are giving commercial real estate lending greater scrutiny and may require 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 possible 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 and other financial information. 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 or other financial information could have a material adverse effect on our business and, in turn, our financial condition and results of operations.

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Our allowance for possible loan losses may be insufficient.

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 quarterly analysis of the loan portfolio and represents an amount that management deems adequate to provide for inherent losses, including collateral impairment. Among other considerations in establishing the allowance for loan losses, management considers economic conditions reflected within industry segments, the unemployment rate in our markets, loan segmentation and historical losses that are inherent in the loan portfolio. The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires management to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the allowance for loan losses.

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 caption 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. 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, (2) the fair value of our financial assets and liabilities and (3) the average duration of our mortgage-backed securities portfolio. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, our net interest income could be adversely affected, which in turn could negatively affect our earnings. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings.

Although management believes it has implemented effective asset and liability management strategies to reduce the potential effects of changes in interest rates on the results of our operations, any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations. Volatility in interest rates may also result in disintermediation, which is the flow of funds away from financial institutions into direct investments, such as U.S. Government and Agency securities and other investment vehicles, including mutual funds, which generally pay higher rates of return than financial institutions because of the absence of federal insurance premiums and reserve requirements. Disintermediation could also result in material adverse effects on our financial condition and results of operations.

A discussion of the policies and procedures used to identify, assess and manage certain interest rate risk is set forth under the caption Risk Management Interest Rate Risk in 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 the 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. 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, particularly if we continue to grow and experience increasing loan demand.

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

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

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

Since 2004, we have significantly grown our business outside our Mississippi footprint through the acquisition of entire financial institutions and through de novo branching. We intend to continue pursuing a growth strategy for our business through de novo branching. In addition, although we have no current intentions regarding new acquisitions in the next few years, we expect to continue 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 in growth stages of development, including the following:

Management of Growth. We may be unable to successfully

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

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

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

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Expansion into New Markets. Much of our recent growth, and all of our growth through acquisitions, has been focused in the highly-competitive Memphis and Nashville, Tennessee and Birmingham and Huntsville, Alabama metropolitan markets. The customer demographics and financial services offerings in these markets are unlike those found in the Mississippi markets that we have historically served. In these growth markets we face competition from a wide array of financial institutions, including much larger, well-established financial institutions. Our expansion into these new markets may be unsuccessful if we are unable to meet customer demands or compete effectively with the financial institutions operating in these markets.

Regulatory and Economic Factors. Our growth and expansion plans may be adversely affected by a number of regulatory and economic developments or other events. 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 face risks with respect to future acquisitions.

When we attempt to expand our business through mergers and acquisitions, we seek partners 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. 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 partners;
- 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, which are discussed below.

Although we have no current intentions regarding new mergers or acquisitions in the next few years, we expect to continue to evaluate merger and acquisition opportunities 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. Acquisitions typically 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. Furthermore, 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.

In 2007, we merged with Capital, and in 2005 we merged with Heritage. Details of these transactions are presented in Note T, Mergers and Acquisitions , to the Consolidated Financial Statements of the Company included in Item 8, Financial Statements and Supplementary Data.

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Our integration efforts following any future mergers or acquisitions may not be successful. After giving effect to an acquisition, we may not be able to achieve profits comparable to or better than our historical experience.

The success of any merger or acquisition we enter into will depend primarily on our ability to consolidate operations, systems and procedures and to eliminate redundancies and costs. We may not be able to integrate our operations without encountering difficulties, such as:

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

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

If we have difficulties with the integration, we might not achieve the economic benefits we expect to result from the merger or acquisition. Failure to achieve these anticipated benefits could result in greater than expected costs, decreases in the amount of expected revenues and diversion of management s time and energy, all of which could materially impact our business, financial condition and results of operations. 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 seriously harm our business. Finally, cost savings from any mergers or acquisitions may be offset by losses in revenues or charges to earnings.

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

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

Our industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. 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, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Many of our competitors have fewer regulatory constraints and may have lower cost structures.

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

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

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

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Our profitability depends significantly on economic conditions in the states of Mississippi, Tennessee and Alabama.

Our success depends primarily on the general economic conditions of the states of Mississippi, Tennessee and Alabama and the specific local markets in each of those states in which we operate. Unlike larger national or other regional banks that are more geographically diversified, 81% of our loans and 67% of our deposits as of December 31, 2007 were principally located in the Tupelo, Oxford and DeSoto County, Mississippi; Memphis and Nashville, Tennessee; and Birmingham, Decatur and Huntsville, Alabama metropolitan areas. The local economic conditions in these areas have a significant impact on the demand for our products and services as well as the ability of our customers to repay loans, the value of the collateral securing loans and the stability of our deposit funding sources.

Our earnings are significantly affected by general business and economic conditions.

In addition to the risks associated with the general economic conditions in the markets in which we operate, our operations and profitability are also impacted by general business and economic conditions in the United States and abroad. These conditions include short-term and long-term interest rates, inflation, money supply, political issues, legislative and regulatory changes, fluctuations in both debt and equity capital markets, broad trends in industry and finance and the strength of the U.S. economy and the local economies in which we operate, all of which are beyond our control. A deterioration in economic conditions could result in an increase in loan delinquencies and nonperforming assets, decreases in loan collateral values and a decrease in demand for our products and services, among other things, any of which 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, not the economic or other interests of shareholders. These regulations affect our lending practices, capital structure, investment practices, dividend policy and growth, among other things. 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.

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.

We are also subject to laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and new 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 caption Supervision and Regulation in Item 1, Business, and Note N, Regulatory Matters , to the 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.

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Our recent results may not be indicative of our future results.

We do not expect to be able to sustain our historical rate of growth, and we may not even be able to grow our business at all. Our recent and rapid growth, which was due in large part to our mergers with Renasant Bancshares, Inc., Heritage and Capital in 2004, 2005 and 2007, respectively, may distort some of our historical financial ratios and statistics. In the future, we may not have the benefit of several recently favorable factors, such as a generally stable interest rate environment, a strong residential mortgage market or the ability to find suitable expansion opportunities. In addition, we have no current intentions regarding future mergers with or acquisitions of financial institutions. Thus, our future rate of growth is unlikely to reflect the rate of our growth we have experienced since 2004. Various factors, such as economic conditions, regulatory and legislative considerations and competition, which are discussed in more detail above, may also impede or prohibit our ability to expand our market presence. If we experience a significant decrease in our historical rate of growth, our results of operations and financial condition may be adversely affected.

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 is 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 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. For example, during 2005, Hurricanes Katrina and Rita made landfall and subsequently caused extensive flooding and destruction along the coastal areas of the Gulf of Mexico. Although our operations were not disrupted by these hurricanes or their aftermath, other severe weather or natural disasters, acts of war or terrorism or other adverse external events may occur in the future. 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.

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Risks Associated With Our Common Stock

Our stock price can be volatile.

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

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

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

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

Although our common stock is listed for trading on The NASDAQ Global Select Market, the average daily trading volume in our common stock is lower than other publicly traded companies, generally less than that of many of our competitors and other larger bank holding companies. For the three months ended February 29, 2008, the average daily trading volume for Renasant common stock was 105,198 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 L, Restrictions on Cash, Bank Dividends, Loans or Advances , to the 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 our continued growth through the issuance of trust preferred securities from special purpose trusts and accompanying junior subordinated debentures. Also, in connection with the Heritage and Capital mergers, we assumed junior subordinated debentures issued by Heritage and Capital, respectively. At December 31, 2007, we had outstanding trust preferred securities and accompanying junior subordinated debentures totaling approximately $76 million. Payments of the principal and interest on the trust preferred securities of these trusts are conditionally guaranteed by us. Further, the junior subordinated debentures we issued to the trusts are senior to our shares of common stock. As a result, we must make payments on the junior subordinated debentures before any dividends can be paid on our common stock and, in the event of our bankruptcy, dissolution or liquidation, the

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holders of the junior subordinated debentures must be satisfied before any distributions can be made on our common stock. We have the right to defer distributions on our junior subordinated debentures (and the related trust preferred securities) for up to five years, during which time no dividends may be paid on our common stock.

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

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

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

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

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

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

In Alabama, the Bank has three branches in Decatur, two branches in Birmingham and one branch each in Huntsville, Madison and Trussville. The Bank operates one mortgage loan production office in Hoover.

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

The Bank owns the Company s main office located at 209 Troy Street, Tupelo, Mississippi as well as forty-one of the Mississippi branch office sites and financial services centers. The Bank leases four locations in Mississippi for use in conducting banking activities as well as various storage facilities. In Alabama, the Bank owns two of the branch office sites in Decatur and leases seven office sites for conducting banking activities. In Tennessee, the Bank owns four branch office sites. The remaining seven branch office sites as well as storage facilities in Tennessee are leased. Renasant Insurance owns each of the three locations for conducting its business. The aggregate annual rental for all leased premises during the year ending December 31, 2007 was $1.87 million.

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 2007.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to the Company s security holders during the fourth quarter of 2007.

PART II

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

Market Information and Dividends

Effective July 3, 2006, the Company s common stock began trading on The NASDAQ Global Select Market. From May 2, 2005 until July 3, 2006, the Company s common stock traded on The NASDAQ National Market (for purposes of the following discussion, Nasdaq refers to The NASDAQ National Market for the period when the Company s common stock was listed on such market tier and refers to The NASDAQ Global Select Market thereafter). Prior to May 2, 2005, the Company s common stock was traded on the American Stock Exchange. The Company s ticker symbol on Nasdaq is RNST . On February 29, 2008, the Company had approximately 6,300 shareholders of record and the closing sales price of the Company s common stock was $21.06. 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, 2007 and 2006 as reported on Nasdaq, and the amount of cash dividends declared during each quarterly period during such fiscal years:

	Dividends	Prices	
	Per Share	Low	High
2007			
1st Quarter	**$ 0.160**	**$ 22.88**	**$ 31.50**
2nd Quarter	**0.160**	**22.47**	**25.72**
3rd Quarter	**0.170**	**18.07**	**24.06**
4th Quarter	**0.170**	**19.24**	**23.98**
2006			
1st Quarter	$ 0.153	$ 20.90	$ 24.63
2nd Quarter	0.153	23.41	26.90
3rd Quarter	0.160	25.65	31.46
4th Quarter	0.160	27.32	32.63

The Nasdaq and AMEX quotations and the dividends per share have been adjusted for the Company s three-for-two stock split paid on August 28, 2006. 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

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ability to transfer funds to the Company in the form of cash dividends exist under federal and state law and regulations. See Note L, Restrictions on Cash, Bank Dividends, Loans or Advances , to the Consolidated Financial Statements of the Company in Item 8, Financial Statements and Supplementary Data, for a discussion of these restrictions. There restrictions do not, are not expected in the future to, materially limit the Company s ability to pay dividends to its shareholders.

Please refer to the information under Equity Compensation Plan Information in 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.

Unregistered Sales of Equity Securities

The Company maintains a deferred compensation plan pursuant to which officers and directors can defer compensation paid to them. Amounts deferred are deemed invested in units representing shares of our common stock, with the investment of deferred amounts occurring as of the end of each fiscal quarter. Upon termination of employment or the cessation of service as a director, as applicable, the balance of the participant's deferral account is paid to him or her in the form of shares of our common stock. The investment of amounts deferred in the first quarter of 2007 resulted in the crediting of 4,153 units in excess of the number of shares of our common stock registered under the Securities Act for issuance in connection with the distribution of deferral accounts. These excess units were allocated to the accounts of senior executive officers of the Company. The crediting of these units was exempt from registration as a private placement rules under Section 4(2) of the Exchange Act. The Company registered additional shares of its common stock for issuance under this plan on June 29, 2007.

Issuer Purchases of Equity Securities

The following table summarizes the Company s purchases of its own securities for the three month period ended December 31, 2007:

Period	**(a) Total Number of Shares Purchased[(1)]**	**(b) Average Price Paid per Share**	**(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[(1)(2)]**	**(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs[(2)]**
October 1 to October 31		$		566,203
November 1 to November 30	101,100	19.78	101,100	465,103
December 1 to December 31	84,117	21.46	84,117	380,986
Total	185,217	$ 20.54	185,217	

(1) All shares were purchased through the Company s publicly announced share buy-back plan.

(2) On September 17, 2002, the Company s Board of Directors adopted a share buy-back plan which, as amended through December 31, 2007, allowed the Company to purchase up to 2,595,031 shares of the Company's outstanding common stock, subject to a monthly purchase limit of $2.0 million of its common stock. The reacquired common shares are held as treasury shares and may be reissued for various corporate purposes. As of December 31, 2007, 2,214,045 shares of the Company's common stock had been purchased and 380,986 shares remained authorized under the plan. All share purchases during 2007 were made pursuant to open market transactions. The Board of Directors discontinued this plan on January 24, 2008.

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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 51 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 January 1, 2003, and that all dividends were reinvested.

Performance Graph

January 1, 2003 - December 31, 2007

	December 31,					
	2002	**2003**	**2004**	**2005**	**2006**	**2007**
Renasant Corporation	$ 100.00	$ 124.43	$ 127.89	$ 125.66	$ 186.67	$ 135.38
Hemscott Industry Group[(1)]	100.00	127.68	146.81	148.65	175.16	119.72
Nasdaq Market Index	100.00	150.36	163.00	166.58	183.68	201.91

(1) The Hemscott Industry Group, Regional Southeast Banks, is a peer group of regional bank holding companies located in the southeast area of the United States. The bank holding companies included in this group are: Alabama National BanCorporation; Appalachian Bancshares; Auburn National Bancorporation, Inc.; BancorpSouth, Inc.; BancTrust Financial Group, Inc.; Bank of the Ozarks, Inc.; Beach First National Bancshares, Inc.; Britton & Koontz Capital Corporation; Cadence Financial Corp.; Capitalsouth Bancorp; Cardinal Financial Corporation; Centerstate Banks of Florida, Inc.; Citizens First Corporation; Colonial BancGroup, Inc.; Community National Bank; Community Trust Bancorp, Inc.; Crescent Banking Company; Eastern Virginia Bankshares, Inc.; Farmers Capital Bank Corporation; Fauquier Bankshares, Inc.; First Advantage Bancorp; First Bancshares, Inc. MS; First Financial Services Corp;; First Horizon National Corp.; First M & F Corporation; FNB Corporation FL; FNB Corporation VA; FPB Bancorp, Inc.; Green Bankshares, Inc.; Hancock Holding Company; Heritage Financial Group; Iberiabank Corporation; Midsouth Bancorp, Inc.; NB&T Financial Group, Inc.; Nexity Financial Corporation; Pinnacle Bancshares, Inc.; Pinnacle Financial Partners, Inc.; Porter Bancorp, Inc.; Premier Financial Bancorp, Inc.; Regions Financial Corporation; Renasant Corporation; Republic Bancorp, Inc.; S. Y. Bancorp, Inc.; Security Bank Corporation; Simmons First National Corporation; Southcoast Financial Corporation; Superior Bancorp; Tennessee Commerce Bancorp; Trustmark Corporation; United Security Bancshares, Inc.; and Whitney Holding Corporation. Source: Media General Financial Services.

Source: Media General Financial Services.

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 caption 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][2]

(In Thousands, Except Share Data)

(Unaudited)

Year ended December 31,	2007	2006	2005	2004	2003
Interest income	**$ 198,203**	$ 154,293	$ 128,389	$ 77,024	$ 70,810
Interest expense	**102,382**	70,230	47,963	21,796	21,777
Provision for loan losses	**4,838**	2,408	2,990	1,547	2,713
Noninterest income	**52,187**	45,943	40,216	32,287	31,893
Noninterest expense	**98,000**	89,006	83,940	60,709	53,193
Income before income taxes	**45,170**	38,592	33,712	25,259	25,020
Income taxes	**14,069**	11,467	9,503	6,816	6,839
Net income	**$ 31,101**	$ 27,125	$ 24,209	$ 18,443	$ 18,181
Per Common Share					
Net income Basic	**$ 1.66**	1.75	1.56	$ 1.43	$ 1.47
Net income Diluted	**1.64**	1.71	1.54	1.42	1.46
Book value at December 31	**19.15**	16.27	15.22	13.19	11.19
Closing price[3]	**21.57**	30.63	21.09	22.07	22.00
Cash dividends declared and paid	**.660**	.627	.580	.547	.503
At December 31					
Loans, net of unearned income	**$ 2,586,593**	$ 1,826,762	$ 1,646,223	$ 1,141,480	$ 862,652
Securities	**539,590**	428,065	399,034	371,581	414,270
Assets	**3,612,287**	2,611,356	2,397,702	1,707,545	1,415,214
Deposits	**2,547,821**	2,108,965	1,868,451	1,318,677	1,133,931
Borrowings	**624,388**	216,423	266,505	191,547	125,572
Shareholders equity	**399,073**	252,704	235,440	179,042	137,625
Selected Ratios					
Return on average:					
Total assets	**0.99%**	1.08%	1.03%	1.18%	1.33%
Shareholders equity	**9.29%**	11.00%	10.29%	11.52%	13.41%
Average shareholders equity to average assets	**10.69%**	9.83%	10.00%	10.21%	9.89%
At December 31					
Shareholders equity to assets	**11.05%**	9.67%	9.82%	10.49%	9.72%
Allowance for loan losses to total loans, net of unearned income	**1.02%**	1.07%	1.12%	1.26%	1.53%
Allowance for loan losses to nonperforming loans	**162.02%**	173.05%	291.94%	166.11%	181.09%
Nonperforming loans to total loans, net of unearned income	**.63%**	.62%	.38%	.76%	.85%
Dividend payout	**40.24%**	36.67%	37.66%	38.31%	34.25%

(1) Selected consolidated financial data includes the effect of mergers from the date of each merger. On July 1, 2007, the Company completed the merger with Capital Bancorp, Inc. of Nashville, Tennessee. On January 1, 2005, the Company completed the merger with Heritage Financial Holding Corporation of Decatur, Alabama. On July 1, 2004, the Company completed the merger with Renasant Bancshares, Inc. of Germantown, Tennessee. Refer to Item 1, Business, and Note T, Mergers and Acquisitions , in the Notes to the Consolidated Financial

Statements in Item 8, Financial Statements and Supplementary Data, for additional information about the Capital Bancorp, Inc. and Heritage Financial Holding Corporation

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mergers. For additional information about the Company s merger with Renasant Bancshares, Inc., refer to Item 1, Business, and Note T, Mergers and Acquisitions , in the Notes to the Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data, in the Company s Annual Report on Form 10-K for the year ended December 31, 2006, filed with the Securities and Exchange Commission on March 7, 2007.

(2) Per share information listed above has been restated to reflect the three-for-two stock splits effected in the form of dividends on August 28, 2006 and December 1, 2003. Please refer to Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, for a discussion of the financial data discussed above.

(3) Reflects the closing price on the NASDAQ Global Select Market at December 31, 2007 and 2006, on The NASDAQ National Market at December 31, 2005, and on the American Stock Exchange at December 31, 2004 and 2003

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(In Thousands, Except Share Data)

Highlights and Performance Overview for 2007

Net income was $31,101 for 2007 compared to $27,125 in 2006. The improvement in net income was influenced by a number of factors:

- On July 1, 2007, we completed our merger with Capital Bancorp, Inc. (Capital) of Nashville, Tennessee.

- Net interest income increased 13.99% to $95,821 for 2007 as compared to $84,063 for 2006. Interest income increased 28.46% to $198,203 for 2007 from $154,293 for 2006. Interest expense increased 45.78% to $102,382 for 2007 compared to $70,230 for 2006.

- Net charge-offs as a percentage of average loans increased to .14% in 2007 compared to .07% in 2006.

- Noninterest income increased to $52,187 for 2007, or $6,244 more than the $45,943 for 2006. Noninterest expenses increased $8,994 to $98,000 for 2007 compared to $89,006 for 2006.

- Loans, net of unearned income, totaled $2,586,593 at December 31, 2007, an increase of $759,831, or 41.59%, from December 31, 2006.

- Deposits totaled $2,547,821 at December 31, 2007, an increase of $438,856, or 20.81%, from December 31, 2006.

Other initiatives completed during 2007 include the following:

- We expanded our presence in our key markets in Mississippi with the opening of our second full-service banking office in Oxford in June, 2007.

- In June, 2007, we completed our primary offering of 2.76 million shares of our common stock at $22.50 per share resulting in net proceeds of $58,126.

We increased quarterly cash dividends to $.17 per share. During 2007, the Company s annual dividend rate was $.66 per share as compared to $.63 per share in 2006, after adjusting for the three-for-two stock split on August 28, 2006, representing a 4.76% increase.

We repurchased 383,770 shares of our common stock at a weighted average price per share of $20.35.

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A historical look at key performance indicators is presented below.

	2007	2006	2005	2004	2003
Diluted EPS	**$ 1.64**(1)	$ 1.71	$ 1.54	$ 1.42	$ 1.46
Diluted EPS Growth	**(4.09%)**	11.04%	8.45%	(2.74%)	5.04%
Return on Average Assets	**0.99%**	1.08%	1.03%	1.18%	1.33%
Return on Average Shareholders Equity	**9.29%**	11.00%	10.29%	11.52%	13.41%

(1) Diluted EPS for 2007 reflects the impact of our public offering of 2.76 million shares completed in June, 2007 and the issuance of approximately 2.8 million shares of our common stock in connection with our merger with Capital.

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

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

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 the estimation. The following discussion presents some of the more significant estimates used in preparing our financial statements.

The critical accounting policy most important to the presentation of our financial statements relates to the allowance for loan losses and the related provision for loan losses. The allowance for loan losses is available to absorb probable credit losses inherent in the entire loan portfolio. The appropriate level of the allowance is based on a quarterly analysis of the loan portfolio and represents an amount that management deems adequate to provide for inherent losses, including collective impairment as recognized under Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standard (Statement) No. 5, Accounting for Contingencies (Statement 5). The collective impairment is calculated based on loans grouped by grade. Another component of the allowance is losses on loans assessed as impaired under FASB Statement 114, Accounting by Creditors for Impairment of a Loan (Statement 114). The balance of the loans determined to be impaired under Statement 114 and their related allowance is included in management s estimation and analysis of the allowance for loan losses. 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 the Capital and Heritage mergers are accounted for under American Institute of Certified Public Accountants Statement of Position 03-3 (SOP 03-3). SOP 03-3 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 flow 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 our the SOP 03-3 loans resulting from the Capital and Heritage mergers is set forth below under the heading Risk Management Credit Risk and Allowance for Loan Losses and in Note C, Loans and Allowance for Loan Losses , in the Notes to the Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

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Goodwill arising from business combinations represents the value attributable to unidentifiable intangible elements in the business acquired. Our goodwill relates to value inherent in our banking and insurance operations. The value of this goodwill is dependent upon our ability to provide quality, cost effective services in the face of competition. As such, the value of our goodwill is supported ultimately by revenue, which is driven by the volume of business transacted and the market share acquired. A decline in earnings as a result of a lack of growth or our inability to deliver cost effective services over sustained periods can lead to impairment of goodwill, which could result in additional expense and adversely impact earnings in future periods.

In January 2006, we adopted the provisions of FASB Statement No. 123R, Share-Based Payment (Statement 123R). Statement 123R requires companies to recognize compensation expense for all share-based payments to employees. We have recognized compensation expense on our share-based payments since 2002 when we adopted the provisions of FASB Statement No. 123, Accounting for Stock-Based 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. For a description of our assumptions utilized in calculating the fair value of our share-based payments, please refer to Note M, Employee Benefit and Deferred Compensation Plans , in the Notes to the Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

Our independent actuary firm prepares actuarial valuations of our pension cost under FASB Statement No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans An Amendment of FASB Statements No. 87, 88, 106 and 132R (Statement 158). The discount rate utilized in the December 31, 2007 valuation was 6.50%, compared to 6.00% in 2006. Actual plan assets as of December 31, 2007 were used in the calculation and the expected long-term return on plan assets assumed for this valuation was 8.00%. Actual return on plan assets during 2007 approximated 4.81%. The pension plan covered under FASB Statement No. 87, Employers Accounting for Pensions , was frozen as of December 31, 1996.

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

We monitor the status of proposed and newly issued accounting standards to evaluate the impact on our financial condition and results of operations. The impact of newly issued accounting standards is discussed in further detail in Note A, Significant Accounting Policies , in the Notes to the Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

Financial Condition and Results of Operations

Net Income

Net income for the year ended December 31, 2007 was $31,101, which represents an increase of $3,976, or 14.66%, from net income of $27,125 for the year ended December 31, 2006. Net income for the year ended December 31, 2007 was reduced by $360 in after-tax merger expenses associated with the Capital merger. Basic earnings per share decreased $.09 to $1.66 for the year ended December 31, 2007 as compared to $1.75 for the prior year. Diluted earnings per share decreased $.07 to $1.64 for the year ended December 31, 2007 as compared to $1.71 for the prior year. The decrease in earnings per share from during 2007 as compared to 2006 is due primarily to the dilutive effect of the 5.56 million shares issued in our equity offering and the Capital merger, in the aggregate.

Net income for the year ended December 31, 2006 was $27,125, which represents an increase of $2,916, or 12.05%, from net income of $24,209 for the year ended December 31, 2005. Basic earnings per share increased $.19 to $1.75 for the year ended December 31, 2006 as compared to $1.56 for the prior year. Diluted earnings per share increased $.17 to $1.71 for the year ended December 31, 2006 as compared to $1.54 for the prior year. Net income for the year ended December 31, 2006 increased by $566, or $.04 per diluted share, in after-tax interest income due to the cash flows from certain loans acquired in connection with the Company s merger with Heritage and accounted for under SOP 03-3 exceeding initial estimates at the time of the merger. In 2005, net income increased $1,165, or $.07 per diluted share, from similar loans. In addition, net income for the year ended December 31, 2006 was increased by a $345, or $.02 per diluted share, from an after-tax gain recognized on the early repayment of a Federal Home Loan Bank (FHLB) advance which was called by the issuer.

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Net Interest Income

Net interest income, the difference between interest earned on assets and the cost of interest-bearing liabilities, is the largest component of our net income, comprising 65.59% of total revenue in 2007. Total revenue consists of net interest income on a fully taxable equivalent basis and noninterest income. The primary concerns in managing net interest income are the mix and the repricing of rate-sensitive assets and liabilities.

Net interest income on a tax equivalent basis increased $12,052 to $99,461 in 2007 from $87,409 in 2006. Of the increase in net interest income, the increase due to the favorable growth in the volume of net earning assets was $21,421. Interest income was reduced by $9,369 due to an increase in our cost of funds resulting from rising interest rates. Net interest income for 2007 includes $311 in interest income as cash flows from loans accounted for under SOP 03-3 exceeded initial estimates, as compared to $917 in interest income for such loans in 2006.

Net Interest Margin   Tax Equivalent

2007	2006	2005
3.57%	3.93%	4.04%

Net interest margin, the tax equivalent net yield on earning assets, decreased to 3.57% during 2007 from 3.93% in the prior year. Net interest margin and net interest income are influenced by several factors, primarily, changes in interest rates, competition and the shape of the interest rate yield curve. Beginning in September 2007, the Federal Reserve took several measures to encourage growth in the national economy, one of which was the reduction of its overnight borrowings rate by 100 basis points during the last four months of the year. During 2005 and 2006, the Federal Reserve increased this rate by 200 and 100 basis points, respectively, through a series of incremental increases with the last rate increase occurring in June 2006. As rates remained unchanged from June 2006 through September 2007, the cost of deposits steadily rose due to competition for these deposits throughout all of our markets. At the same time, however, competitive factors prevented the yield on earning assets from rising at the same pace. The increase in the cost of deposits was the primary factor in the decline in our net interest margin during 2007 as compared to 2006. As the Federal Reserve continues to reduce its overnight borrowing rate, it is our strategy to reduce our borrowing costs to mitigate the decline in interest income derived from variable rate loans.

Interest income, on a tax equivalent basis, grew 28.04% to $201,843 for 2007 from $157,639 for 2006. The growth in interest income was driven primarily by volume, as the average balance in interest-earning assets increased $565,674 during 2007, while the tax equivalent yield on earning assets increased 14 basis points to 7.24%. The merger with Capital increased the average balance of interest-earning assets by $294,213.

Interest expense increased to $102,382 for 2007 as compared to $70,230 for 2006. The average balance of interest bearing liabilities increased $505,739 to $2,477,690 during 2007 as compared to the average balance for 2006. The merger with Capital increased the average balance of interest-bearing liabilities by $267,209. The cost of interest-bearing liabilities increased from 3.56% in 2006 to 4.13% in 2007, or 57 basis points.

Net interest income on a tax equivalent basis increased $3,638 from $83,771 in 2005 to $87,409 in 2006. Of the tax equivalent increase, an increase of $8,064 was due to the favorable growth in net earning assets while changes in interest rates resulted in a decrease of $4,426. Interest income grew 19.66% to $157,639 for 2006 from $131,734 from 2005. The growth in interest income was driven primarily by volume, as the average balance in interest-earning assets increased $150,674 during 2006, while the tax equivalent yield on earning assets increased 74 basis points to 7.10%. Interest expense for 2006 was $70,230 as compared to $47,963 for 2005. The average balance of interest bearing liabilities increased $112,810 to $1,971,951 during 2006 as compared to the average balance for 2005. The cost of interest-bearing liabilities increased from 2.58% in 2005 to 3.56% in 2006, or 98 basis points.

Average Earning Assets to Total Average Assets

2007	2006	2005
88.96%	88.60%	87.94%

Average earning assets as a percentage of total average assets are shown above for the years ended December 31, 2007, 2006 and 2005. The tax equivalent yields on earning assets were 7.24%, 7.10% and 6.36% for 2007, 2006 and 2005, respectively.

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Loans and Loan Interest Income

Loans, excluding mortgage loans held for sale, are the Company s most significant earning asset, comprising 71.61%, 69.95% and 68.66% of total assets at December 31, 2007, 2006 and 2005, respectively. The table below sets forth loans outstanding, according to loan type, net of unearned income, at December 31:

	2007	*2006*	*2005*	*2004*	*2003*
Commercial, financial, agricultural	**$ 317,866**	$ 236,741	$ 226,203	$ 175,571	$ 140,149
Lease financing	**2,557**	4,234	7,468	10,809	12,148
Real estate construction	**386,184**	242,669	169,543	96,404	50,848
Real estate 1-4 family mortgage	**850,658**	636,060	566,455	375,698	293,097
Real estate commercial mortgage	**948,322**	629,354	597,273	395,048	280,097
Installment loans to individuals	**81,006**	77,704	79,281	87,950	86,313
Total loans net of unearned income	**$ 2,586,593**	$ 1,826,762	$ 1,646,223	$ 1,141,480	$ 862,652

As the table above shows, at December 31, 2007 loans increased $759,831, or 41.59%, from December 31, 2006, which includes $515,982 in loans acquired in connection with our merger with Capital. Organic loan growth in our Tennessee, Alabama and Mississippi region was $94,418, $87,127, and $62,304, respectively. At December 31, 2007, 81% of our loans originated in our key markets as compared to 73% at December 31, 2006.

At December 31, 2006 loans increased $180,539, or 10.97%, from December 31, 2005. Loan growth in our Tennessee region was $73,602, while loan growth in the Alabama region was $82,391, and loan growth in the Mississippi region was $24,546.

Average Loan to Average Deposit Ratio

2007	**2006**	**2005**
93.49%	87.83%	91.16%

Our loan portfolio yield increased to 7.64% in 2007 from 7.58% in 2006. The increase in the loan yields was driven by a higher interest rate environment in 2007 as compared to 2006, as the Federal Reserve s rate reductions occurred primarily in the fourth quarter of 2007. Rate increases resulted in our loan portfolio yields increasing from 6.79% in 2005 to 7.58% in 2006.

Mortgage loans held for sale were $37,468 at December 31, 2007 compared to $38,672 at December 31, 2006. Originations of mortgage loans to be sold totaled $605,594 for 2007 as compared to $468,749 for 2006. The increases in originations of mortgage loans to be sold are due in part to our expansion of our mortgage operations. In the third quarter of 2006, the Company expanded its retail mortgage operations by opening loan production offices in Alabama and expanded its wholesale mortgage operations by hiring a group of wholesale mortgage lenders in Mississippi. These additional mortgage lenders increased mortgage volume by $70,696 for 2007 as compared to 2006. Mortgage loans to be sold are locked in at a contractual rate with third party private investors, and the Company is obligated to sell the mortgages to such investors only if the mortgages are closed and funded. Gains and losses are realized at the time consideration is received and all other criteria for sales treatment have been met. These loans are typically sold within thirty days after the loan is funded. Although loan fees and some interest income are derived from mortgage loans held for sale, the main source of income is gains from the sale of mortgage loans in the secondary market. The Company does not actively market or originate subprime mortgage loans. During 2007 and 2006, originations of subprime mortgage loans constituted .04% and .29%, respectively, of the aggregate originations of mortgage loans. As such, our ability to sale loans in the secondary market was not significantly impacted by the national concerns regarding subprime mortgage loans. Further, we do not foresee these concerns to affect our ability to sell loans we originate to sale in the secondary market in the future.

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Investments and Investment Interest Income

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

	2007		2006		2005	
Obligations of other U.S. Government agencies and corporations	**$ 116,412**	**21%**	$ 90,950	21%	$ 87,199	22%
Mortgage-backed securities	**262,047**	**49**	203,962	48	173,098	43
Obligations of states and political subdivisions	**119,550**	**22**	110,914	26	106,343	27
Trust preferred securities	**4,907**	**1**	4,986	1	12,518	3
Other equity securities	**36,674**	**7**	17,253	4	19,876	5
	$ 539,590	**100%**	$ 428,065	100%	$ 399,034	100%

In 2007, investment income, on a tax equivalent basis, increased $4,639 to $27,610 from investment income on a tax equivalent basis for 2006. The average balance in the investment portfolio was $503,445, up $66,089, or 15.11%, over 2006. The tax equivalent yield on the investment portfolio was 5.48%, up 23 basis points from 2006.

The balance of our investment portfolio at December 31, 2007 increased $111,525 to $539,590 compared to $428,065 at December 31, 2006. The merger with Capital increased the investment portfolio by $72,266. During 2007, we purchased $167,223 in investment securities. The purchases were primarily mortgage-backed securities and collateralized mortgage obligations (CMO s), which in the aggregate made up approximately 61.08% of the purchases. The mortgage-backed securities and CMO s held in our investment portfolio are issued by government sponsored entities. We have limited our investments in mortgage-backed securities and CMO s issued by government sponsored entities because of the cash flow these instruments provide for funding loan growth and the yields on these securities, although taxable, are generally higher than yields on U.S. Government Agency securities. U.S. Government Agency securities purchased accounted for approximately 18.33%, with the remainder of the purchases being primarily in municipal securities. Maturities and calls of securities during 2007 totaled $78,221.

At December 31, 2007, unrealized losses of $2,329 were recorded on investment securities with a carrying value of $169,545. These unrealized losses are primarily, if not solely, attributable to changes in interest rates. At December 31, 2007, our investment portfolio mix remained similar to December 31, 2006 and 2005, with a significant portion of the portfolio being comprised of mortgage-backed securities.

In 2006, investment income, on a tax equivalent basis, increased $2,413 to $22,971 from investment income on a tax equivalent basis for 2005. The average balance in the investment portfolio was $437,356, up $16,467, or 3.91%, over 2005. The tax equivalent yield on the investment portfolio was 5.25%, up 37 basis points from 2005. At December 31, 2006, the balance of our investment portfolio was $428,065, an increase of $29,031 as compared to December 31, 2005. During 2006, we purchased $123,794 in investment securities. The purchases were primarily mortgage-backed securities and CMO s, comprising approximately 64.99% of the purchases. U.S. Government Agency securities purchased accounted for approximately 22.58%, with the remainder of the purchases being primarily in municipal securities. Maturities and calls of securities during 2006 totaled $61,449.

Deposits and Deposit Interest Expense

The Company relies on deposits as its major source of funds. Total deposits were $2,547,821, $2,108,965 and $1,868,451 as of December 31, 2007, 2006 and 2005, respectively. The merger with Capital increased the balance of 2007 total deposits by $490,257. Excluding deposits from Capital, deposits decreased $51,401, during 2007. The decrease in deposits occurred primarily in time deposits. We intentionally allowed $46,929 in brokered certificates of deposits acquired from Capital to expire. In addition, during the last half of 2007, rates paid on deposits, primarily time deposits, remained higher than alternative sources of funds. In response to these conditions, we were more selective in pricing time deposits and instead utilized lower costing alternative funding sources including federal funds purchased and FHLB advances. As a result, our time deposits decreased in certain regions. Deposits in the Tennessee region (excluding Capital deposits) decreased $7,094, while the Alabama region decreased $27,424

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during 2007. The Mississippi region s deposits grew $90,930 in 2007. Historically, rates paid on deposits have been lower in our Mississippi region than our other regions. Deposits in the Tennessee region grew $50,047, while the Alabama region grew $43,869 during 2006. The Mississippi region s deposits grew $146,598 in 2006. At December 31, 2007, 67% of our deposits were from our key markets as compared to 61% at December 31, 2006.

Average Interest-Bearing Deposits to Total Average Deposits

2007	2006	2005
88.44%	86.90%	86.74%

Interest expense for deposits was $83,816, $57,467 and $35,228 for 2007, 2006 and 2005, respectively. The cost of interest-bearing deposits was 3.92%, 3.31% and 2.28%, for the same periods. Interest-bearing deposits at December 31, 2007, 2006 and 2005 were $2,248,427, $1,837,728 and $1,618,181, respectively. The increase in interest-bearing deposits was primarily a result of the Capital merger. Interest-bearing deposits increased $219,547 during 2006. The increase in interest bearing deposits was primarily in public fund transactional accounts and time deposits. Public fund transactional accounts at December 31, 2006 were $240,069, an increase of $96,544 over the December 31, 2005 balance of $143,525. Time deposits increased $157,778 to $1,086,496 at December 31, 2006 as compared to $928,718 for the same period in 2005. A more detailed discussion of the cost of our deposits is set forth below under the heading Liquidity and Capital Resources in this item.

Noninterest-bearing deposits were $299,394, $271,237 and $250,270 at December 31, 2007, 2006 and 2005, respectively. The merger with Capital increased the December 31, 2007 balance of non-interest bearing deposits by $39,965. Including non-interest bearing deposits, our cost of deposits were 3.47%, 2.88% and 1.98% for 2007, 2006 and 2005.

To actively participate in the economic support of the communities in which we operate, we participate in gathering public funds. Public funds may be readily obtained based on the Company s pricing bid in comparison with competitors. The source of funds that we select depends on the terms and how those terms assist us in mitigating interest rate risk and maintaining our net interest margin. Accordingly, funds are only acquired when needed and at a rate that is prudent under the circumstances. Generally, public fund time deposits are higher costing due to the volume of the deposits and because they are obtained through a bid process. Our public fund transaction accounts are principally obtained from municipalities including school boards and utilities.

Borrowed Funds and Interest Expense on Borrowings

Interest expense on total borrowings was $18,566, $12,763 and $12,735 for the years ending December 31, 2007, 2006 and 2005, respectively. Total borrowings include advances from the FHLB, subordinated debentures, federal funds purchased, securities sold under agreements to repurchase and treasury, tax and loan accounts. FHLB advances were $464,717, $144,212 and $191,481 for the years ended December 31, 2007, 2006 and 2005, respectively. The Company had $287,000 and $26,000 in short-term FHLB advances outstanding at December 31, 2007 and 2006, respectively. The cost of our FHLB advances was 4.93%, 4.52% and 3.54% for 2007, 2006 and 2005. At December 31, 2007, the Company had $496,212 of availability on unused lines of credit with the FHLB. The merger with Capital in 2007 increased our FHLB advances by $57,257. During the last half of 2007, costs of borrowings at the FHLB were lower than costs of time deposits in certain of our markets. As such, we utilized these borrowings in anticipation of deposit costs in our markets declining as the Federal Reserve made further rate reductions in its overnight borrowing rate. Funds are borrowed from the Federal Home Loan Bank to match-fund against certain loans, negating interest rate exposure when rates rise. Such match-funded loans are typically large commercial or real estate loans. In addition, short-term FHLB advances and federal funds purchased are used to meet day to day liquidity needs.

In connection with the Capital merger, we assumed $12,372 in junior subordinated debentures issued by Capital which pay interest quarterly at a fixed rate of 5.64% through June 30, 2010 and will reprice quarterly equal to the three-month LIBOR plus 150 basis points thereafter. The principal amount of the junior subordinated debentures is due in 2035. Interest expense on subordinated debentures was $5,469 for the year ended December 31, 2007 as compared to $4,918 for the same period in 2006. For more information about our outstanding subordinated debentures, refer to the discussion in this item below under the heading Shareholders Equity and Regulatory Matters.

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The treasury tax and loan account balances for 2007, 2006 and 2005 were $10,000, $1,653 and $3,805, respectively. The balance in this account is contingent on the amount of funds we pledge as collateral as well as the Federal Reserve s need for funds.

Noninterest Income

Noninterest Income to Average Assets

2007	2006	2005
1.66%	1.83%	1.71%

Total noninterest income includes fees generated from deposit services, loan services, insurance products, trust and other wealth management products and services, security gains and all other noninterest income. Our focus over the last few years has been to develop and enhance our products that generate noninterest income in order to diversify our revenue sources. Noninterest income as a percentage of total revenues was 34.41%, 34.45% and 32.44% for 2007, 2006 and 2005, respectively. Our recent mergers are providing us with additional opportunities to further grow our noninterest income.

Noninterest income was $52,187 for the year ended December 31, 2007, an increase of $6,244, or 13.59%, as compared to 2006. Capital contributed $1,224 to noninterest income during 2007. For 2006, noninterest income was $45,943, an increase of $5,727, or 14.24%, over 2005.

Charges for deposit services, the primary contributor to noninterest income, were $20,528 for 2007, an increase of $2,082, or 11.29%, from 2006. Service charges on deposits in 2006 were $18,446, an increase of $1,670 from 2005. The primary reason we have experienced continued annual increases in service charges is attributable to the implementation of the HPC program in 2003. Through the HPC program we have been able to increase the number of service-chargeable deposit accounts. Service charges include maintenance fees on accounts, per item charges, account enhancement charges for additional packaged benefits and overdraft fees. Overdraft fees represented 88.51%, 86.63% and 84.51% of total charges for deposit services in 2007, 2006 and 2005.

Fees and commissions (which includes fees charged for both deposit services and loan services) increased 13.51% to $15,726 during 2007 as compared to $13,854 for 2006. Fees charged on loans include origination, underwriting, documentation and other administrative fees. Loan fees increased $1,122 during 2007 to $9,217 as compared to 2006. This increase reflects the loan growth the Company achieved over the same period. With respect to fees related to deposit services, interchange fees on debit card transactions continue to be a strong source of noninterest income. For 2007, fees associated with debit card usage were $4,003, an increase of 24.74% as compared to $3,209 for 2006. Income derived from use of our debit cards made up 25.45% of the total fees and commissions for 2007. We expect income from use of our debit cards to continue to grow as we make a direct effort to encourage usage by our customers.

Fees and commissions increased $2,666 to $13,854 during 2006 as compared to $11,188 for 2005. Loan fees increased 24.52% during 2006 to $8,095 as compared to $6,501 for 2005. The increase in loan fees during 2006 is attributable to loan growth during the same period. For 2006, fees associated with debit card usage were $3,209, an increase of 38.26% as compared to $2,321 for 2005.

Income earned on insurance products was $3,549, $3,533 and $3,573 for the years ended December 31, 2007, 2006 and 2005, respectively. Through Renasant Insurance, we offer a range of commercial and personal insurance products through major insurance carriers. Contingency income is a bonus received from the insurance underwriters and is based both on commission income and claims experience on our client s policies during the previous year. Increases and decreases in contingency income are reflective of corresponding increases and decreases in the amount of claims paid by insurance carriers. Contingency income, which is included in Other noninterest income in the Consolidated Statements of Income, was $265, $152 and $398 for 2007, 2006 and 2005, respectively.

Trust department revenue is reported in the Consolidated Statements of Income in the noninterest income section in the line account Trust revenue. Trust revenue increased 13.68% to $2,859 for 2007 compared to $2,515 for 2006. Continued improvement in the stock market and customers seeking higher yielding investment opportunities given the low interest rate environment fostered the increased activity. The market value of trust assets under management as of December 31, 2007 and 2006 was $526,347 and $483,944, respectively. Assets under management increased approximately 9.44% during 2007 as a result of new business. Trust revenue increased $22 to $2,515 for 2006 compared to $2,493 for 2005.

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Security gains of $78 for 2007 resulted from the sale of approximately $54,944 in securities compared to gains of $25 from the sale of approximately $35,660 in securities for 2006 and a securities gain of $70 from the sale of approximately $39,046 in securities for 2005.

Gains on the sale of mortgage loans for 2007 were $4,863, an increase of $1,366, or 39.06%, from 2006. Originations of mortgage loans to be sold totaled $605,594 for 2007 as compared to $468,749 for 2006. Gains on the sale of mortgage loans for 2006 were $3,497, an increase of $692 from 2005. The increase in gains over the past several years is attributable to an improvement in our loan delivery process implemented in the third quarter of 2006. The improvement in our delivery process increased the number of loans delivered daily, thereby reducing our penalties for late delivery. The increase in gains on the sale of mortgage loans during 2007 and 2006 as compared to prior years is also attributable to higher volumes of retail originations. Retail originations carry a higher spread than wholesale originations.

Other noninterest income for 2007 includes a $499 gain recognized from the sale of other real estate, a $141 gain resulting from insurance proceeds that exceeded the write-off of premises and equipment due to a fire and a $314 nontaxable death benefit from our life insurance policies. In comparison, other noninterest income for 2006 includes a $558 gain recognized on the early repayment of an FHLB advance which was called by the issuer and a $654 nontaxable death benefit from our life insurance policies.

Noninterest Expense

Noninterest Expense to Average Assets

2007	2006	2005
3.13%	3.55%	3.56%

Total noninterest expense includes salaries and employee benefits, data processing, net occupancy, equipment and other noninterest expense. Noninterest expense was $98,000, $89,006 and $83,940 for 2007, 2006 and 2005, respectively. Noninterest expense increased $8,994, or 10.10%, during 2007 as compared to 2006. The operations of Capital increased noninterest expenses $6,142 during 2007. In addition, noninterest expense for 2007 includes $583 in costs associated the Capital merger.

Salaries and employee benefits is the largest component of noninterest expenses and represented 56.11%, 55.91%, and 54.94% of total noninterest expenses at December 31, 2007, 2006 and 2005, respectively. During 2007, salaries and employee benefits increased $5,230, or 10.51%, to $54,990 as compared to $49,760 for 2006. The additional salaries and employee benefits expense from Capital were $3,285 for 2007. Nonrecurring expense due to duplicate staff at our headquarters and in our Nashville operations needed to facilitate the consolidation of back office functions related to the merger totaled $148. The remaining increase in salaries and employee benefits was primarily due to normal annual salary increases and increases in health care benefits.

During 2006, salaries and employee benefits increased $3,647, or 7.91%, to $49,760 as compared to $46,113 for 2005. The increase in salaries and employee benefits was primarily due to normal annual salary increases, increases in health care benefits and personnel for the de novo branch activity in late 2005 and early 2006. Salaries and employee benefits for 2006 was further increased by the addition of mortgage originators discussed earlier and the addition of strategic hires in our Alabama market.

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 $1,444, $1,471 and $680 at December 31, 2007, 2006 and 2005, respectively.

Data processing costs increased $604, or 14.11%, to $4,885 for 2007 from 2006. Data processing costs increased $253, or 6.28%, to $4,281 for 2006 from 2005. The increase in data processing costs for 2007 and 2006 is reflective of increased loan and deposit processing from growth in the number of loans and deposits. In 2007, data processing costs were further increased by the merger with Capital.

Net occupancy expense in 2007 was $7,999, up $843 from 2006. The increase due to the merger with Capital accounted for approximately 68% of the increase. Our strategic focus is to expand our footprint throughout our markets and, thus, we expect to continue to experience gradual increases in our occupancy and equipment expense.

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Occupancy expense in 2006 was $7,156, up $1,103 from 2005 primarily due to our de novo branch office efforts in East Memphis, Collierville and Oxford.

Computer and equipment expense in 2007 was $4,208, an increase of $329, or 8.48%, over 2006. Computer and equipment expense in 2006 increased $100 over 2005. The increase in computer and equipment expense is associated with additional equipment expense from the operations of Capital.

Professional fees include fees for legal and accounting services. In addition, professional fees include fees we paid to our directors. Professional fees were $2,705 for 2007 as compared to $2,478 for 2006 and $2,268 for 2005. The increase in professional fees in 2007 is due to normal increases in accounting, director and consulting fees.

Amortization of intangible assets increased $352 to $1,991 for 2007 compared to $1,639 for 2006. In connection with the Capital, Heritage and Renasant Bancshares, Inc. mergers, we recorded $5,974, $5,224 and $5,801, respectively, in finite-lived intangible assets. These intangible assets are being amortized over their estimated useful lives, which range between 5-10 years. Amortization of intangible assets decreased $619 to $1,639 for 2006 compared to $2,258 for 2005. During 2005, we amortized the remaining piece of the core deposit intangible acquired in connection with the assumption of certain deposit liabilities for three branches of Security Federal Savings and Loan Association purchased from the Resolution Trust Corporation in 1994. The amortization was $399 in 2005 and represents the majority in the decrease in amortization expense from 2005 to 2006.

Efficiency Ratio

2007	**2006**	**2005**
64.62%	66.75%	67.70%

One measure of productivity in the banking industry is sometimes referred to as the efficiency ratio . This ratio is calculated to measure the cost of generating one dollar of revenue. That is, the ratio is designed to reflect the percentage of one dollar which must be expended to generate that dollar of revenue. The Company calculates this ratio by dividing noninterest expense by the sum of net interest income on a fully taxable equivalent basis and noninterest income. Our efficiency ratio improved during 2007 as compared to 2006. The improvement is attributable to growing our noninterest income at a greater rate than the growth in our noninterest expenses. We remain committed to aggressively managing our costs within the framework of our business model.

Income Taxes

Income tax expense for 2007, 2006 and 2005 was $14,069, $11,467 and $9,503, respectively. The effective tax rates for those years were 31.15%, 29.71% and 28.19%, respectively. The effective tax rate for these periods is less than the combined federal and state statutory rates due to our continued investment in tax-exempt securities and tax-free leases and loans. In both 2007 and 2006, we recorded nontaxable death benefits from life insurance.

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 by a credit administration department, loan committees and a loss management committee. Credit quality and policies are major concerns of credit administration and these committees. We try to maintain diversification within our loan portfolio in order to minimize the effect of economic conditions within a particular industry.

The allowance for loan losses is available to absorb probable credit losses inherent in the entire loan portfolio. The appropriate level of the allowance is based on a quarterly analysis of the loan portfolio and represents an amount that management deems adequate to provide for inherent losses, including collective impairment as recognized under Statement 5. The collective impairment is calculated based on loans grouped by grade. Another component of the allowance is losses on loans assessed as impaired under Statement 114. The balance of these loans determined as impaired under Statement 114 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. If the allowance is deemed inadequate, management provides additional reserves through the provision for loan losses. The allowance for loan losses was $26,372, $19,534 and $18,363 at December 31, 2007, 2006 and 2005, respectively.

We have a number of documented loan policies and procedures that set forth the approval and monitoring process of the lending function. Adherence to these policies and procedures is monitored by management and the Board of Directors. A number of committees and an underwriting staff oversee the lending operations of the Company. These include in-house loan and loss management committees and a Board of Directors loan committee. In addition, we maintain a loan review staff.

The underwriters review and score loan requests that are made by our lending staff. In compliance with 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 scored by the underwriters. 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 the officers lending limits are reviewed by senior credit officers, in-house loan committees or the Board of Directors.

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, the credit risk in the portfolio, economic conditions and trends within each of these factors.

Grades are assigned by lending personnel based on the scoring of the loans that are funded. Loan grades range from 1 to 9, with 1 being loans with the least credit risk. Allowance factors established by management are applied to each grade to determine the amount needed in the allowance for loan losses. The allowance factors are established based on our loss experience, adjusted for trends and expectations about losses inherent in our existing portfolios. Large groups of smaller balance homogeneous loans are evaluated collectively for impairment. For impaired loans, a specific reserve is established to adjust the carrying value of the loan to its estimated net realizable value.

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 $50 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. When the ultimate collectibility of a loan s principal is in doubt, wholly or partially, the loan is placed on nonaccrual.

Loan review personnel monitor the grades assigned to loans through periodic examination. The Loss Management Committee monitors loans that are past due or those that have been downgraded due to a decline in the collateral value or cash flow of the debtor and adjusts the loan credit grade accordingly. This information is used to assist management in monitoring credit quality.

Foreclosure proceedings are initiated after all collection efforts have failed. The collateral is purchased from the borrower at public auction for fair market value, 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 loan committee (comprised of the Board of Directors) for charge-off approval. These charge-offs reduce the allowance for loan losses.

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. In addition, management reviews past due ratios by officer, community bank and Company.

Charge-offs reflect the realization of losses in the portfolio that were recognized previously through the provision for loan losses. Net charge-offs for the year ended December 31, 2007 were $3,253, or .14% as a percentage of average loans. Two loans which had been on nonperforming status since 2006 and had been fully reserved for in the allowance for loan losses when they were placed on nonperforming status were charged-off in the fourth quarter of 2007, resulting in charge-offs of $1,870, or .08% of average loans. Net charge-offs for the year ended December 31,

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2006 were $1,237, or .07% as a percentage of average loans, and were positively impacted by recoveries of $875 on two loans previously charged-off by Heritage prior to our merger. Net charge-offs for 2005 were $3,244, or .20% of average loans. The foreclosure in the first quarter of 2005 on the collateral securing one credit relationship resulted in charge-offs of $906, or .06% of average loans, for the year ending December 31, 2005. All amounts charged-off related to this one credit relationship had been fully reserved in the allowance for loan losses.

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

	2007	2006	2005	2004	2003
Balance at beginning of year	**$ 19,534**	$ 18,363	$ 14,403	$ 13,232	$ 12,203
Additions from business combinations	**5,253**		4,214	2,845	
Provision for loan losses	**4,838**	2,408	2,990	1,547	2,713
Charge-offs					
Commercial, financial, agricultural	**253**	659	467	1,685	511
Real estate construction	**1,939**	222	141		
Real estate 1-4 family mortgage	**1,293**	1,762	2,027	1,083	488
Real estate commercial mortgage	**2**	217	419	125	530
Installment loans to individuals	**612**	222	832	724	514
Total charge-offs	**4,099**	3,082	3,886	3,617	2,043
Recoveries					
Commercial, financial, agricultural	**278**	501	71	132	52
Real estate construction	**29**		32		
Real estate 1-4 family mortgage	**229**	249	279	66	68
Real estate commercial mortgage	**156**	1,014	35	8	50
Installment loans to individuals	**154**	81	225	190	189
Total recoveries	**846**	1,845	642	396	359
Net charge-offs	**3,253**	1,237	3,244	3,221	1,684
Balance at end of year	**$ 26,372**	$ 19,534	$ 18,363	$ 14,403	$ 13,232
Net charge-offs to:					
Loans-average	**.14%**	.07%	.20%	.32%	.20%
Allowance for loan losses	**12.34%**	6.33%	17.67%	22.36%	12.73%
Allowance for loan losses to:					
Loans-year end	**1.02%**	1.07%	1.12%	1.26%	1.53%
Nonperforming loans	**162.02%**	173.05%	291.94%	166.11%	181.09%
Nonperforming loans to:					
Loans-year end	**.63%**	.62%	.38%	.76%	.85%
Loans-average	**.72%**	.64%	.39%	.87%	.86%

The allowance for loan losses as a percentage of loans was 1.02% at December 31, 2007 as compared to 1.07% at December 31, 2006 and 1.12% at December 31, 2005. The decrease in the allowance for loan losses as a percentage of loans at December 31, 2007 as compared to December 31, 2006 is due to organic loan growth of $243,849, the merger with Capital, whose allowance for loan losses as a percentage of loans was lower than ours, and the aforementioned charge-off of two loans totaling $1,870 which had been provided for in previous years. In 2006, we maintained our credit quality while the loan portfolio grew $180,539 compared to 2005, and this resulted in the reduction of the allowance for loan losses as a percentage of loans from 2005 to 2006.

The SOP 03-3 loans acquired in the Capital and Heritage mergers are carried at values which, in management s opinion, reflect the estimated future cash flows, based on the facts and circumstances surrounding each respective loan at the date of acquisition. We continually monitor these loans as part of our normal credit review and

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monitoring procedures for changes in the estimated future cash flows. The Company increased the provision for loan losses by $79 through a charge to the income statement as one of these loans with a carrying value of $191 deteriorated further in 2006. The Company did not increase the provision for loan losses for loans accounted for under SOP 03-3 during 2007. Management believes that as of December 31, 2007 the credit quality of the loans accounted for under SOP 03-3 has not deteriorated further since the date of acquisition and, thus, the carrying value of these loans at December 31, 2007 continues to reflect the future cash flows.

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

(In Thousands)	2007	2006	2005	2004	2003
Commercial, financial, agricultural	**$ 5,583**	$ 4,570	$ 4,484	$ 3,437	$ 3,158
Lease financing	**12**	19	22	97	89
Real estate construction	**2,613**	982	577	447	411
Real estate 1-4 family mortgage	**8,219**	6,481	6,199	4,638	4,243
Real estate commercial mortgage	**8,756**	6,498	6,216	4,854	4,459
Installment loans to individuals	**1,189**	984	865	930	854
Unallocated					18
Total	**$ 26,372**	$ 19,534	$ 18,363	$ 14,403	$ 13,232

The following table quantifies the amount of the specific reserves component of the allowance for loan losses and the amount of the allowance determined by applying allowance factors to graded loans at December 31 for each of the years presented:

(In Thousands)	2007	2006	2005	2004	2003
Specific reserves	**$ 3,625**	$ 4,377	$ 3,985	$ 2,786	$ 2,630
Allocated reserves based on loan grades	**22,747**	15,157	14,378	11,617	10,584
Unallocated					18
Total	**$ 26,372**	$ 19,534	$ 18,363	$ 14,403	$ 13,232

Nonperforming loans are those on which the accrual of interest has stopped or loans which are contractually past due 90 days, on which interest continues to accrue. Generally, the accrual of income is discontinued when the full collection of principal or interest is in doubt or when the payment of principal or interest has been contractually 90 days past due, unless the obligation is both well secured and in the process of collection. Management, the Loss Management Committee and our loan review staff closely monitor loans that are considered to be nonperforming. Restructured loans are those for which concessions have been granted to the borrower due to a deterioration of the borrower s financial condition. Such concessions may include reduction in interest rates or deferral of interest or principal payments. The following table shows the principal amounts of nonperforming and restructured loans at December 31:

(In Thousands)	2007	2006	2005	2004	2003
Nonperforming loans:					
Nonaccruing	**$ 14,231**	$ 7,821	$ 3,984	$ 6,443	$ 4,624
Accruing loans past due 90 days or more	**2,046**	3,467	2,306	2,228	2,683
Total nonperforming loans	**16,277**	11,288	6,290	8,671	7,307
Restructured loans	**543**	768	116	760	384
Total nonperforming and restructured loans	**$ 16,820**	$ 12,056	$ 6,406	$ 9,431	$ 7,691

Interest income foregone on restructured loans	**$ 4**	$ 9	$ 10	$ 265	$ 6

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All loans where information exists about possible credit problems that would cause us to have serious doubts about the borrower s ability to comply with the current repayment terms of the loan have been reflected in the table above. As of December 31, 2007, we do not hold any other interest-bearing assets that would be included in the table above if such assets were loans. As shown in the above table, nonperforming loans were $16,277 at December 31, 2007, an increase of $4,989 as compared to the same date in 2006.

Overall, the increase in nonperforming loans at December 31, 2007 as compared to December 31, 2006 is reflective of loans, primarily construction loans and real estate loans to fund land development, which experienced cash flow problems in the second half of 2007. As the housing slowdown began to impact the economy, management required the senior credit officers to review and inspect all construction loans and commercial and residential real estate loans to fund land development. Several of the loans included in nonperforming loans as of December 31, 2007 were identified during this review. The merger with Capital increased nonperforming loans $1,496 at December 31, 2007. Further, 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, 2007.

Provision for Loan Losses to Average Loans

2007	2006	2005
.21%	.14%	.18%

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 adequate to meet the inherent risks of losses in our loan portfolio. The provision for loan losses was $4,838, $2,408 and $2,990 for 2007, 2006 and 2005, respectively. Factors considered in management s assessment for the periods presented include the internal risk rating of individual credits, the size and diversity of our loan portfolio, historical and current trends in net charge-offs, trends in nonperforming loans, trends in past due loans and current economic conditions in the markets in which we operate. Specifically, the increase in the provision for loan losses for 2007 as compared to 2006 is due to the Company providing for organic loan growth, replenishing the reserve for loan charge-offs during the year and providing for loans placed on nonperforming status. The decrease in provision for loan losses for 2006 as compared to 2005 is primarily attributable to the aforementioned $875 recovery in 2006.

Loan Concentrations

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

	2007	2006	2005	2004	2003
Commercial, financial, agricultural	**12.29%**	12.96%	13.74%	15.38%	16.25%
Lease financing	**0.10**	0.23	0.45	0.95	1.41
Real estate construction	**14.93**	13.28	10.30	8.45	5.89
Real estate 1-4 family mortgage	**32.89**	34.82	34.41	32.91	33.98
Real estate commercial mortgage	**36.66**	34.45	36.28	34.61	32.47
Installment loans to individuals	**3.13**	4.26	4.82	7.70	10.00
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, 2007, there were no concentrations of loans exceeding 10% of total loans which are not disclosed as a category of loans separate from the categories listed above.

Interest Rate Risk

Market risk is the risk of loss from adverse changes in market prices and rates. The majority of assets and liabilities of a financial institution are monetary in nature and therefore differ greatly from most commercial and industrial companies that have significant investments in fixed assets and inventories. Our market risk arises primarily from interest rate risk inherent in lending and deposit-taking activities. Management believes the most significant impact

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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 more rigorous and explicit fashion. Our current financial position is combined with assumptions regarding future business to calculate net interest income under varying hypothetical rate scenarios. The EVE measures our long-term earnings exposure from changes in market rates of interest. EVE is defined as the present value of assets minus the present value of liabilities at a point in time. A decrease in EVE due to a specified rate change indicates a decline in the long-term earnings capacity of the balance sheet assuming that the rate change remains in effect over the life of the current balance sheet.

The following rate shock analysis depicts the estimated impact on net interest income and EVE of immediate changes in interest rates at the specified levels at December 31:

	Percentage Change In:			
	Net Interest Income [1]		**Economic Value of Equity** [2]	
Change in Interest Rates (In Basis Points)	**2007**	**2006**	**2007**	**2006**
+200	**(10.7%)**	4.1%	**6.6%**	0.1%
+100	**(5.2%)**	2.2%	**5.8%**	0.2%
-100	**3.2%**	(2.3%)	**(8.4%)**	(7.2%)
-200	**3.9%**	(10.2%)	**(11.1%)**	(10.4%)

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

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

The preceding measures assume no change in asset/liability compositions. Thus, the measures do not reflect actions the ALCO may undertake in response to such changes in interest rates. The balance sheet structure as of December 31, 2007 indicates we are liability sensitive. The above results of the interest rate shock analysis are within the limits set by the Board of Directors. The scenarios assume instantaneous movements in interest rates in increments of 100 and 200 basis points. Recently, it has been the Federal Reserve s policy to adjust the target federal funds rate incrementally over time. As interest rates are adjusted over a period of time, it is our strategy to proactively change the volume and mix of our balance sheet in order to mitigate our interest rate risk. The computation of the prospective effects of hypothetical interest rate changes requires numerous assumptions regarding characteristics of new business and the behavior of existing positions. These business assumptions are based upon our experience, business plans and published industry experience. Key assumptions employed in the model include asset prepayment speeds, competitive factors, the relative price sensitivity of certain assets and liabilities and the expected life of non-maturity deposits. Because these assumptions are inherently uncertain, actual results will differ from simulated results.

To mitigate our interest rate risk in the current rate environment, we have entered into two interest rate swaps. The first swap has a notional amount of $100,000 whereby we receive a fixed rate of interest and pay a variable rate based on the Prime rate. The effective date of this swap was May 11, 2006 and its maturity date is May 11, 2009. This interest rate swap is a designated cash flow hedge designated to convert the variable interest rate on $100,000 of loans to a fixed rate. At December 31, 2007, the rate paid to us by the third-party was 100 basis points higher than the rate we paid on this swap. As such, this swap is considered effective as of December 31, 2007. The second swap has a notional amount of $31,000 whereby we receive a variable rate of interest based on the three-month

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LIBOR plus 187 basis points and pay a fixed rate of 5.72%. The effective date of this swap was December 5, 2007 and its maturity date is March 15, 2010. The interest rate swap is a designated cash flow hedge designed to convert the variable interest rate on $31,000 of our junior subordinated debentures to a fixed rate. At December 31, 2007, the rate paid to us by the third-party was 114 basis points higher than the rate we paid on this swap. As such, this swap is considered effective as of December 31, 2007.

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

Liquidity and Capital Resources

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

Core deposits, which are deposits excluding time deposits, are a major source of funds used by the Bank to meet cash flow needs. Maintaining the ability to acquire these funds as needed in a variety of markets is the key to assuring the Bank s liquidity. When evaluating the movement of these funds, even during large interest rate changes, it is apparent that we continue to attract deposits that can be used to meet cash flow needs. This is evidenced by our increase in core deposits during 2007. Management continues to monitor the liquidity and potentially volatile liabilities ratios to ensure compliance with ALCO targets.

Our security portfolio is another alternative for meeting liquidity needs. These assets have readily available markets that offer conversions to cash as needed. Within the next twelve months the securities available for sale portfolio is forecasted to generate cash flow through maturities equal to 25.91% of the carrying value of the total securities portfolio. Other sources available for meeting liquidity needs include federal funds purchased and advances from the FHLB. Interest is charged at the market federal funds rate on federal funds purchased and FHLB advances. Federal funds purchased at December 31, 2007 totaled $59,800. Funds obtained from the FHLB are used primarily to match-fund real estate loans in order to minimize interest rate risk and may be used to meet day to day liquidity needs. As of December 31, 2007, our outstanding balance with the FHLB was $464,717. The total amount of the remaining credit available to us from the FHLB at December 31, 2007 was $496,212. We also maintain lines of credits with other commercial banks totaling $35,000. These are unsecured lines of credit maturing at various times within the next twelve months. At December 31, 2007 and 2006, there were no amounts outstanding under these lines of credit.

At December 31, 2007, our total cost of funds, including noninterest bearing demand deposit accounts, was 3.71%, up from 3.14% at December 31, 2006 and from 2.29% at December 31, 2005. Noninterest bearing demand deposit accounts made up approximately 10.13% of our average total deposits and borrowed funds at that date, comparable to 11.70% at December 31, 2006 and 11.26% at December 31, 2005. Interest bearing transaction accounts, money market accounts and savings accounts made up approximately 31.42% of our funds for 2007 and had an average cost of 2.63%, comparable to 33.28% of our funds with an average cost of 2.16% for 2006 and 32.39% of our funds with an average cost of 1.27% for 2005. Another significant source of funds was time deposits, which are the highest costing deposit in our deposit mix. Time deposits made up 46.12% of the total deposits and borrowed funds with an average cost of 4.80% for 2007, compared to 44.37% of the total with an average cost of 4.18% at December 31, 2006 and 41.31% of the total with an average cost of 3.08% at December 31, 2005. FHLB advances, typically used for clients who prefer longer-term fixed rate loans, made up approximately 8.77%, 6.79% and 10.86% of our average total deposits and borrowed funds with an average cost of 4.93%, 4.52% and 3.54% in 2007, 2006 and 2005, respectively.

Our strategy in choosing funds is focused on attempting to mitigate interest rate risk, and thus we utilize funding sources that are commensurate with the interest rate risk associated with the assets. Accordingly, management targets growth of non-interest bearing deposits. While we do not control the types of deposit instruments our clients choose, we do influence those choices with the rates we offer and with the deposit specials we offer. For example, we have been able to obtain public funds based on our aggressiveness in pricing. We constantly monitor our funds position and evaluate the effect various funding sources have on our financial position.

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Our cost of funds in 2007 increased due to competition for deposits in our markets. Also, in the second half of 2007, customers began moving funds into short-term (less than one year) time deposits as short-term interest rates were the same or higher than longer term rates. As such, 86.69% of our time deposits have a maturity of less than 12 months at December 31, 2007, further increasing our cost of funds. These increases were partially offset by our use of alternative borrowings, as the cost of these borrowings were lower than the cost of equivalent term time deposits.

Cash and cash equivalents were $99,793 at December 31, 2007, compared to $98,201 at December 31, 2006 and $95,863 at December 31, 2005. Cash used in investing activities for the year ended December 31, 2007, was $353,805, compared to $215,717 for the same period of 2006 and $103,086 in 2005. Cash used in investing activities for the year ended December 31, 2007 includes the net cash paid for the Capital merger of $52,606. During 2007, the Company used $262,016 to fund loan growth as compared to $185,774 for 2006 and $135,516 in 2005. The Company used $167,223 to purchase investment securities in 2007. In 2007, we received proceeds of $133,165 from the sale and maturity of our investment portfolio.

Cash provided by financing activities for the year ended December 31, 2007 was $312,129 compared to $183,992 for the same period of 2006 and $93,178 in 2005. Cash provided by financing activities for 2007 includes the proceeds from the issuance of 2.76 million shares of the Company s common stock in a public equity offering. The proceeds from the equity offering totaled $58,126 and were used to the fund the cash portion of the merger consideration for the Capital merger. Short-term and long-term borrowings increased $324,238. This was offset by deposit runoff of $51,547 during 2007.

The Company completed the merger with Capital on July 1, 2007. The aggregate transaction value, including transaction expenses and the dilutive impact of Capital s options assumed by the Company, was approximately $131,400. In accordance with the merger agreement, the Company delivered to Capital shareholders either cash, Company common stock or a combination of cash and Company common stock, in exchange for the shares of Capital common stock owned by a shareholder. The cash portion of the merger consideration was $56,055 and was funded with the proceeds of the Company s equity offering. The Company issued 2,797,238 shares of its common stock in the transaction, totaling approximately $67,497. These shares were registered under the Securities Act of 1933, as amended.

The Company completed the merger with Heritage on January 1, 2005. The aggregate transaction value, including transaction expenses and the dilutive impact of Heritage s options assumed by the Company, was approximately $75,658. In accordance with the merger agreement, the Company delivered to Heritage shareholders either cash, Company common stock or a combination of cash and Company common stock, in exchange for the shares of Heritage common stock owned by a shareholder. The cash portion of the merger consideration was $23,055 and was funded with proceeds from the issuance of $31,959 in junior subordinated debentures to PHC Statutory Trust II. The Company issued 2,054,382 shares of its common stock in the transaction, totaling approximately $45,333. These shares were registered under the Securities Act of 1933, as amended.

In January 2008, the Company announced plans to consolidate several of its offices located throughout the metro-Birmingham area into one location in downtown Birmingham. After consolidation, the new location will house a full-service branch, the Company s mortgage operations, commercial loan operations and general administrative functions. In addition, the new location will serve as the headquarters of our Alabama operations. The Company expects to incur approximately $993 in capital expenditures in connection with this relocation, which is expected to be completed by the third quarter of 2008.

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 L, Restrictions on Cash, Bank Dividends, Loans or Advances , in the Notes to Consolidated Financial Statements of the Company in Item 8, Financial Statements and Supplementary Data, for a detailed discussion of the federal and state restrictions on the Bank s ability to transfer funds to the Company.

Off-Balance Sheet Transactions

The Company enters into loan commitments and standby letters of credit in the normal course of its business. Loan commitments are made to accommodate the financial needs of the Company s customers. Standby letters of credit commit the Company to make payments on behalf of customers when certain specified future events occur. Both arrangements have credit risk essentially the same as that involved in extending loans to customers and are subject

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to the Company s normal credit and underwriting policies. Collateral (e.g. securities, receivables, inventory and equipment) 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, 2007, 2006 and 2005 are as follows:

	2007	**2006**	**2005**
Loan commitments	**$ 794,592**	$577,439	$401,711
Standby letters of credit	**27,843**	23,245	24,491

As discussed above under the heading Risk Management Interest Rate Risk , we entered into an interest rate swap with a notional amount of $100,000 whereby we will receive a fixed rate of interest and pay a variable rate based on the Prime rate. The effective date of the swap was May 11, 2006 and the maturity date of the swap is May 11, 2009. We have also entered into an interest rate swap with a notional amount of $31,000 whereby we receive a variable rate of interest based on the three-month LIBOR plus 187 basis points and pay a fixed rate based of 5.72%. The effective date of this swap was December 5, 2007 and its maturity date is March 15, 2010.

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

Contractual Obligations

The following table presents, as of December 31, 2007, significant fixed and determinable contractual obligations to third parties by payment date.

		Payments Due In:		
	Note Reference	**One Year or Less**	**One to Three Years**	**Three to Five Years**