

RENASANT CORP

Form 10-K

February 27, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2018

Commission file number 001-13253

RENASANT CORPORATION

(Exact name of registrant as specified in its charter)

Mississippi

(State or other jurisdiction of
incorporation or organization)

64-0676974

(I.R.S. Employer
Identification No.)

209 Troy Street, Tupelo, Mississippi
(Address of principal executive offices)

38804-4827

(Zip Code)

Registrant's telephone number, including area code

(662) 680-1001

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

Title of each class

Name of each exchange on which registered

Common Stock, \$5.00 par value

The NASDAQ Global Select Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 30, 2018, the aggregate market value of the registrant's common stock, \$5.00 par value per share, held by non-affiliates of the registrant, computed by reference to the last sale price as reported on The NASDAQ Global Select Market for such date, was \$2,191,549,020.

As of February 22, 2019, 58,569,904 shares of the registrant's common stock, \$5.00 par value per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2019 Annual Meeting of Shareholders of Renasant Corporation are incorporated by reference into Part III of this Form 10-K.

Renasant Corporation and Subsidiaries
 Form 10-K
 For the Year Ended December 31, 2018
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PART I

This Annual Report on Form 10-K may contain or incorporate by reference statements regarding Renasant Corporation (referred to herein as the “Company”, “we”, “our”, or “us”) that constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements usually include words such as “expects,” “projects,” “proposes,” “anticipates,” “believes,” “intends,” “estimates,” “strategy,” “plan,” “potential,” “possible,” “approximately,” “should” and various such words and other similar expressions. The forward-looking statements in, or incorporated by reference into, this report reflect our current assumptions and estimates of, among other things, future economic circumstances, industry conditions, business strategy and decisions, Company performance and financial results. Management believes its assumptions and estimates are reasonable, but they are all inherently subject to significant business, economic and competitive risks and uncertainties, many beyond management’s control, that could cause the Company’s actual results and experience to differ from the anticipated results and expectations indicated or implied in such forward-looking statements. Such differences may be material. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and, accordingly, investors should not place undue reliance on these forward-looking statements, which speak only as of the date they are made.

Important factors currently known to management that could cause actual results to differ materially from those in forward-looking statements include the following risks (which are addressed in more detail in Item 1A, Risk Factors, of this Form 10-K):

- the Company’s ability to efficiently integrate acquisitions into its operations, retain the customers of these businesses, grow the acquired operations and realize the cost savings expected from an acquisition to the extent and in the timeframe anticipated by management, including with respect to the Company’s recently-completed acquisition of Brand Group Holdings, Inc.;
- the effect of economic conditions and interest rates on a national, regional or international basis;
- timing and success of the implementation of changes in operations to achieve enhanced earnings or effect cost savings;
- competitive pressures in the consumer finance, commercial finance, insurance, financial services, asset management, retail banking, mortgage lending and auto lending industries;
- the financial resources of, and products available to, competitors;
- changes in laws and regulations as well as changes in accounting standards;
- changes in policy by regulatory agencies;
- changes in the securities and foreign exchange markets;
- the Company’s potential growth, including its entrance or expansion into new markets, and the need for sufficient capital to support that growth;
- changes in the quality or composition of the Company’s loan or investment portfolios, including adverse developments in borrower industries or in the repayment ability of individual borrowers;
- an insufficient allowance for loan losses as a result of inaccurate assumptions;
- general economic, market or business conditions, including the impact of inflation;
- changes in demand for loan products and financial services;
- concentration of credit exposure;
- changes or the lack of changes in interest rates, yield curves and interest rate spread relationships;
- increased cybersecurity risk, including potential network breaches, business disruptions or financial losses;
- natural disasters and other catastrophic events in the Company’s geographic area;
- the impact, extent and timing of technological changes; and
- other circumstances, many of which are beyond management’s control.

The Company expressly disclaims any obligation to update or revise forward-looking statements to reflect changed assumptions

or estimates, the occurrence of unanticipated events or changes to future operating results that occur after the date the forward-looking statements are made.

The information set forth in this Annual Report on Form 10-K is as of February 22, 2019, unless otherwise indicated herein.

ITEM 1. BUSINESS

General

Renasant Corporation, a Mississippi corporation incorporated in 1982, owns and operates Renasant Bank, a Mississippi banking corporation with operations in Mississippi, Tennessee, Alabama, Florida and Georgia, and Renasant Insurance, Inc., a Mississippi corporation with operations in Mississippi. Renasant Insurance, Inc. is a wholly-owned subsidiary of Renasant Bank. Renasant Bank is referred to herein as the “Bank,” and Renasant Insurance, Inc. is referred to herein as “Renasant Insurance.”

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

r eturn on average assets	n et interest margin and spread
t he efficiency ratio	f ee income shown as a percentage of loans and deposits
l oan and deposit growth	t he volume and pricing of deposits
n et charge-offs to average loans	t he percentage of loans past due and nonaccruing

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

Our vision is further validated through our core values. These values include (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 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 (which has a broader membership than the Company board). Responsibility for the management of the Bank remains with the Board of Directors and officers of the Bank; however, management services rendered by the Company to the Bank are intended to supplement internal management and expand the scope of banking services normally offered by the Bank.

Acquisition of Brand Group Holdings, Inc.

On September 1, 2018, the Company completed its acquisition by merger of Brand Group Holdings, Inc. (“Brand”), a bank holding company headquartered in Atlanta, Georgia and the parent company of The Brand Banking Company (“Brand Bank”), a Georgia banking corporation. On the same date, Brand Bank merged with and into Renasant Bank. On the closing date of the acquisition, Brand operated thirteen banking locations throughout the greater Atlanta metropolitan area. The Company issued 9,306,477 shares of common stock and paid approximately \$21.9 million to Brand shareholders, excluding cash paid for fractional shares, and paid approximately \$17.2 million, net of tax benefit, to Brand stock option holders for 100% of the voting equity in Brand in a transaction valued at approximately \$474 million. Including the effect of purchase accounting adjustments, the Company acquired assets with a fair value of \$2.3 billion which included loans held for investment and loans held for sale with a fair value of \$1.6 billion, and assumed liabilities with a fair value of \$1.9 billion, including deposits with a fair value of \$1.7 billion. At the acquisition date, approximately \$321.9 million of goodwill and \$27.5 million of core deposit intangible assets were recorded. The Company is finalizing the fair values of the assets acquired and liabilities assumed as part of the acquisition; accordingly, the foregoing amounts remain subject to change.

Acquisition of Metropolitan BancGroup, Inc.

On July 1, 2017, the Company completed its acquisition by merger of Metropolitan BancGroup, Inc. (“Metropolitan”), a bank holding company headquartered in Ridgeland, Mississippi and the parent of Metropolitan Bank, a Mississippi banking corporation. On the same date, Metropolitan Bank merged with and into Renasant Bank. On the closing date

of the acquisition, Metropolitan operated eight banking locations in Nashville and Memphis, Tennessee and the Jackson, Mississippi Metropolitan Statistical Area.

The Company issued 4,883,182 shares of its common stock and paid \$4.8 million to Metropolitan stock option holders, net of tax benefit, for 100% of the voting equity interest in Metropolitan in a transaction valued at \$219.5 million. Including the effect of purchase accounting adjustments, the Company acquired assets with a fair value of \$1.4 billion, including loans held for investment and loans held for sale with a fair value of \$967.8 million, and assumed liabilities with a fair value of \$1.1 billion, including deposits with a fair value of \$942.1 million. At the acquisition date, approximately \$140.5 million of goodwill and \$7.0 million of core deposit intangible assets were recorded.

Operations

The Company has three reportable segments: a Community Banks segment, an Insurance segment and a Wealth Management segment.

Neither we, the Bank nor Renasant Insurance have any foreign operations.

Operations of Community Banks

Substantially all of our business activities are conducted through, and substantially all of our assets and revenues are derived from, the operations of our community banks, which offer a complete range of banking and financial services to individuals and to small to medium-size businesses. As described in more detail below, these services include checking and savings accounts, business and personal loans, interim construction loans, specialty commercial lending, as well as safe deposit and night depository facilities. Automated teller machines are located throughout our market area. Our Online and Mobile Banking products and our call center also provide 24-hour banking services.

As of December 31, 2018, we had 199 banking, insurance and wealth management offices located throughout our markets in Mississippi, Tennessee, Alabama, Florida and Georgia.

Lending Activities. Income generated by our lending activities, in the form of both interest income and loan-related fees, comprises a substantial portion of our revenue, accounting for approximately 68.52%, 66.16% and 67.92% of our total gross revenues in 2018, 2017 and 2016, respectively. Total gross revenues consist of interest income on a fully taxable equivalent basis and noninterest income. Our lending philosophy is to minimize credit losses by following strict credit approval standards, diversifying our loan portfolio by both type and geography and conducting ongoing review and management of the loan portfolio. Loans are originated through our traditional community banking model based on customer need. Customer needs are met either through our commercial or personal banking lending groups depending on the relationship and type of service or product desired. Our commercial lending group provides banking services to corporations or other business customers and originates loans for general corporate purposes, such as financing for commercial and industrial projects or income producing commercial real estate. Also included in our commercial lending group are experienced lenders within our specialty lines of business, which consist of our asset-based lending, Small Business Administration lending, healthcare, factoring, and equipment lease financing banking groups. Our personal banking group provides small consumer installment loans, residential real estate loans, lines of credit and construction financing and originates conventional first and second mortgages. 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. Our loans are primarily generated within the market areas where our branches are located.

— **Commercial, Financial and Agricultural Loans.** Commercial, financial and agricultural loans (referred to as “commercial loans”), which accounted for approximately 14.27% of our total loans at December 31, 2018, are customarily granted to established local business customers in our market area on a fully collateralized basis to meet their credit needs. The terms and loan structure are dependent on the collateral and strength of the borrower. The loan-to-value ratios range from 50% to 85%, depending on the type of collateral. Terms are typically short term in nature and are commensurate with the secondary source of repayment that serves as our collateral.

Although commercial loans may be collateralized by equipment or other business assets, the repayment of this type of loan depends primarily on the creditworthiness and projected cash flow of the borrower (and any guarantors). Thus, the chief considerations when assessing the risk of a commercial loan are the local business borrower’s ability to sell its products and services, thereby generating sufficient operating revenue to repay us under the agreed upon terms and conditions, and the general business conditions of the local economy. The liquidation of collateral is considered a secondary source of repayment. Another source of repayment are guarantors of the loan, if any. To manage these risks, the Bank’s policy is to secure its commercial loans with both the assets of the borrowing business and any other

additional collateral and guarantees that may be available. In addition, we actively monitor certain financial measures of the borrower, including advance rate, cash flow, collateral value and other appropriate credit factors. We use commercial loan credit scoring models for smaller size commercial loans.

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— 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 30.78% of our total loans at December 31, 2018, being residential real estate loans. We offer both first and second mortgages on residential real estate. Loans secured by residential real estate in which the property is the principal residence of the borrower are referred to as “primary” 1-4 family mortgages. Loans secured by residential real estate in which the property is rented to tenants or is not the principal residence of the borrower are referred to as “rental/investment” 1-4 family mortgages. We also offer loans for the preparation of residential real property prior to construction (referred to in this Annual Report as “residential land development loans”). In addition, we offer home equity loans or lines of credit and term loans secured by first and second mortgages on the residences of borrowers who elect to use the accumulated equity in their homes 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 retail efforts in our branches or originations by or referrals from our mortgage operations, via our correspondent relationships with other financial institutions, and online through our Renasant Consumer Direct channel. 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 residential real estate 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. Retained portfolio loans are made primarily through the Bank’s adjustable-rate mortgage product offerings.

We also originate residential real estate loans with the intention of selling them in the secondary market to third party private investors or directly to government sponsored entities. When these loans are sold, we either release or retain the related servicing rights, depending on a number of factors, such as the pricing of such loans in the secondary market, fluctuations in interest rates that would impact the profitability of the loans and other market-related conditions. Residential real estate originations to be sold are sold either on a “best efforts” basis or under a “mandatory delivery” sales agreement. Under a “best efforts” sales agreement, residential real estate originations are locked in at a contractual rate with third party private investors or directly with government sponsored agencies, and we are obligated to sell the mortgages to such investors only if the mortgages are closed and funded. The risk we assume is conditioned upon loan underwriting and market conditions in the national mortgage market. Under a “mandatory delivery” sales agreement, the Company commits to deliver a certain principal amount of mortgage loans to an investor at a specified price and delivery date. Penalties are paid to the investor if we fail to satisfy the contract. The Company does not actively market or originate subprime mortgage loans.

With respect to second lien home equity loans or lines of credit, which inherently carry a higher risk of loss upon default, we limit our exposure by limiting these types of loans to borrowers with high credit scores.

— Real Estate – Commercial Mortgage. Our real estate – commercial mortgage loans (“commercial real estate loans”) represented approximately 44.60% of our total loans at December 31, 2018. Included in this portfolio are loans in which the owner develops a property with the intention of locating its business there. These loans are referred to as “owner-occupied” commercial real estate loans. Payments on these loans are dependent on the successful development and management of the business as well as the borrower’s ability to generate sufficient operating revenue to repay the loan. The Bank mitigates the risk that our estimate of value will prove to be inaccurate by having sufficient sources of secondary repayment as well as guarantor support. In some instances, in addition to our mortgage on the underlying real estate of the business, our commercial real estate loans are secured by other non-real estate collateral, such as equipment or other assets used in the business.

In addition to owner-occupied commercial real estate loans, we offer loans in which the owner develops a property where the source of repayment of the loan will come from the sale or lease of the developed property, for example, retail shopping centers, hotels, storage facilities, etc. These loans are referred to as “non-owner occupied” commercial real estate loans. We also offer commercial real estate loans to developers of commercial properties for purposes of site acquisition and preparation and other development prior to actual construction (referred to in this Annual Report as “commercial land development loans”). Non-owner occupied commercial real estate loans and commercial land development loans are dependent on the successful completion of the project and may be affected by adverse conditions in the real estate market or the economy as a whole.

We seek to minimize risks relating to all commercial real estate loans by limiting the maximum loan-to-value ratio and strictly scrutinizing the financial condition of the borrower, the quality of the collateral, the management of the property securing the loan and, where applicable, the financial strength of the tenant occupying the property. Loans are usually structured either to fully amortize over the term of the loan or to balloon after the third year or fifth year of the loan, typically with an amortization period not to exceed 20 years. We also actively monitor such financial measures as advance rate, cash flow, collateral value and other appropriate credit factors. We generally obtain loan guarantees from financially capable parties to the transaction based on a review of the guarantor's financial statements.

— Real Estate – Construction. Our real estate – construction loans (“construction loans”) represented approximately 8.15% of our total loans at December 31, 2018. 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 9 to 12 months for residential property and from 12 to 24 months for non-residential and multi-family properties. Similar to non-owner occupied commercial real estate loans, the source of repayment of a construction loan comes from the sale or lease of newly-constructed property, although often construction loans are repaid with the proceeds of a commercial real estate loan that we make to the owner or lessor of the newly-constructed property.

Construction lending entails significant additional risks compared to residential real estate or commercial real estate lending, including the risk that loan funds are advanced upon the security of the property under construction, which is of uncertain value prior to the completion of construction. The risk is to evaluate accurately the total loan funds required to complete a project and to ensure proper loan-to-value ratios during the construction phase. We address the risks associated with construction lending in a number of ways. As a threshold matter, we limit loan-to-value ratios to 85% of when-completed appraised values for owner-occupied and investor-owned residential or commercial properties. We monitor draw requests either internally or with the assistance of a third party, creating an additional safeguard that ensures advances are in line with project budgets.

— Installment Loans to Individuals. Installment loans to individuals (or “consumer loans”), which represented approximately 1.52% of our total loans at December 31, 2018, are granted to individuals for the purchase of personal goods. Loss or decline of income by the borrower due to unplanned occurrences represents the primary risk of default to us. In the event of default, a shortfall in the value of the collateral may pose a loss to us in this loan category. Before granting a consumer loan, we assess the applicant’s credit history and ability to meet existing and proposed debt obligations. Although the applicant’s creditworthiness is the primary consideration, the underwriting process also includes a comparison of the value of the collateral, if any, to the proposed loan amount. We obtain a lien against the collateral securing the loan and hold title until the loan is repaid in full.

— Equipment Financing and Leasing. Equipment financing loans (or “lease financing loans”), which represented approximately 0.68% of our total loans at December 31, 2018, are granted to provide capital to businesses for commercial equipment needs. These loans are generally granted for periods ranging between two and five years at fixed rates of interest. Loss or decline of income by the borrower due to unplanned occurrences represents the primary risk of default to us. In the event of default, a shortfall in the value of the collateral may pose a loss to us in this loan category. We obtain a lien against the collateral securing the loan and hold title (if applicable) until the loan is repaid in full. Transportation, manufacturing, healthcare, material handling, printing and construction are the industries that typically obtain lease financing. In addition, we offer a product tailored to qualified not-for-profit customers that provides real estate financing at tax-exempt rates.

Addressing Lending Risks. To protect against the risks associated with fluctuations in economic conditions within the Bank’s footprint, management has implemented a strategy to proactively monitor the risk to the Company presented by the Bank’s loan portfolio as a whole. First, we purposefully manage the loan portfolio to avoid excessive concentrations in any particular loan category. Our goal is to structure the loan portfolio so that it is comprised of approximately one-third commercial loans and owner-occupied commercial real estate loans, one-third non-owner occupied commercial real estate loans and one-third residential real estate loans and consumer loans. Construction and land development loans are allocated between the commercial real estate and residential real estate categories based on the property securing the loan. With respect to construction and land development loans in particular, management monitors whether the allocation of these loans across geography and asset type heightens the general risk associated with these types of loans. We also monitor concentrations in our construction and land development loans based on regulatory guidelines promulgated by banking regulators which include evaluating the aggregate value of these loans as a percentage of our risk-based capital (this is referred to as the “100/300 Test” and is discussed in more detail under the “Supervision and Regulation” heading below) as well as monitoring loans considered to be high volatility commercial real estate. A further discussion of the risk reduction policies and procedures applicable to our lending activities 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.”

Investment Activities. We acquire investment securities to provide a source for meeting our liquidity needs as well as to supply securities to be used in collateralizing certain deposits and other types of borrowings. We primarily acquire mortgage-backed securities and collateralized mortgage obligations issued by government-sponsored entities such as FNMA, FHLMC and GNMA (colloquially known as “Fannie Mae,” “Freddie Mac” and “Ginnie Mae,” respectively) as well as municipal securities. Generally, cash flows from maturities and calls of our investment securities that are not used to fund loan growth are reinvested in investment securities. We also hold investments in pooled trust preferred securities. At December 31, 2018, all of the Company’s investment securities were classified as available for sale. Investment income generated by our investment activities, both taxable and tax-exempt, accounted for approximately 5.38%, 6.48% and 6.98% of our total gross revenues in 2018, 2017 and 2016, respectively.

Deposit Services. We offer a broad range of deposit services and products to our consumer and commercial clients. Through our community branch networks, we offer consumer checking accounts with free online and mobile banking, which includes bill pay and transfer features, peer-to-peer payment, interest bearing checking, money market accounts, savings accounts, certificates of deposit, individual retirement accounts and health savings accounts. For our commercial clients, we offer a competitive suite of cash management products which include, but are not limited to, remote deposit capture, account reconciliation with CD-ROM statements, electronic statements, positive pay, ACH origination and wire transfer, wholesale and retail lockbox, investment sweep accounts, enhanced business Internet banking, outbound data exchange and multi-bank reporting.

The deposit services we offer accounted for approximately 9.52%, 10.57% and 10.78% of our total gross revenues in 2018, 2017 and 2016, respectively, in the form of fees for deposit services. The deposits held by the Bank have been primarily generated within the market areas where our branches are located.

Operations of Wealth Management

Through the Wealth Management segment, we offer a wide variety of fiduciary services and administer (as trustee or in other fiduciary or representative capacities) qualified retirement plans, profit sharing and other employee benefit plans, personal trusts and estates. In addition, the Wealth Management segment offers annuities, mutual funds and other investment services through a third party broker-dealer. For 2018, the Wealth Management segment contributed total revenue of \$15.8 million, or 2.59%, of the Company's total gross revenues. Wealth Management operations are headquartered in Tupelo, Mississippi, and Birmingham, Alabama, but our products and services are available to customers in all of our markets through our community banks.

Operations of Insurance

Renasant Insurance is a full-service insurance agency offering all lines of commercial and personal insurance through major carriers. For 2018, Renasant Insurance contributed total revenue of \$10.3 million, or 1.69%, of the Company's total gross revenues and operated ten offices - one office each in Ackerman, Brandon, Corinth, Durant, Kosciusko, Louisville, Madison, Oxford, Starkville and Tupelo, Mississippi.

Competition

Community Banks

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

For 2018, we maintained approximately 14% of the market share (deposit base) in our entire Mississippi area, approximately 2% in our entire Tennessee area, approximately 2% in our entire Alabama area, approximately 2% in our entire Florida area and approximately 2% in our entire Georgia area.

Certain markets in which we operate have demographics that we believe indicate the possibility of future growth at higher rates than other markets in which we operate. The following table shows our deposit share in those markets as of June 30, 2018 (which is the latest date that such information is available):

Market	Available Deposits (in billions)	Deposit Share	
Mississippi			
Tupelo	\$ 2.4	50.6	%
DeSoto County	2.6	13.5	%
Oxford	1.2	9.0	%
Columbus	1.0	8.7	%
Starkville	1.0	31.0	%
Jackson	12.6	4.1	%
Tennessee			
Memphis	26.1	2.4	%
Nashville	48.7	1.2	%
Maryville	2.1	2.9	%
Alabama			
Birmingham	34.8	0.7	%
Decatur	1.9	18.0	%
Huntsville/Madison	7.2	1.5	%
Montgomery	6.4	1.1	%
Tuscaloosa	3.5	1.4	%
Florida			
Columbia	1.0	2.5	%
Gainesville	4.4	2.2	%
Ocala	6.2	2.1	%
Georgia			
Alpharetta/Roswell	9.0	1.9	%
Canton/Woodstock	3.2	5.0	%
Cartersville/Cumming	4.0	4.4	%
Gwinnett County	17.1	10.6	%
Lowndes County	2.0	2.9	%

Source: FDIC, as of June 30, 2018

Wealth Management

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

Insurance

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

Supervision and Regulation

General

The U.S. banking industry is highly regulated under federal and state law. We are a bank holding company registered under the Bank Holding Company Act of 1956, as amended (the "BHC Act"). As a result, we are subject to supervision, regulation and examination by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). The Bank is a commercial bank chartered under the laws of the State of Mississippi; it is not a member of the Federal

Reserve System. As a Mississippi non-member bank, the Bank is subject to supervision, regulation and examination by the Mississippi Department of Banking and Consumer Finance (the “DBCF”), as the chartering entity of the bank, and by the FDIC, as the insurer of the Bank’s deposits. As a result of this extensive system of supervision and regulation, the growth and earnings performance of the Company and the Bank are affected not only by management decisions and general and local economic conditions, but also by the statutes, rules, regulations

and policies administered by the Federal Reserve, the FDIC and the DBCF, as well as by other federal and state regulatory authorities with jurisdiction over our operations, such as the Consumer Financial Protection Bureau (the “CFPB”).

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

The description below summarizes certain elements of the bank regulatory framework applicable to us and the Bank. This summary is not, however, intended to describe all laws, regulations and policies applicable to us and the Bank, and the description is qualified in its entirety by reference to the full text of the statutes, regulations, policies, interpretative letters and other written guidance that are described below. Further, the following discussion addresses the bank regulatory framework as in effect as of the date of this Annual Report on Form 10-K. Legislation and regulatory action to revise federal and Mississippi banking laws and regulations, sometimes in a substantial manner, are continually under consideration by the U.S. Congress, state legislatures and federal and state regulatory agencies. Accordingly, the following discussion must be read in light of the enactment of any new federal or state banking laws or regulations or any amendment or repeal of existing laws or regulations, or any change in the policies of the regulatory agencies with jurisdiction over the Company’s operations, after the date of this Annual Report on Form 10-K.

Supervision and Regulation of Renasant Corporation

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

Scope of Permissible Activities. Under the BHC Act, we are prohibited from engaging directly or indirectly in activities other than those of banking, managing or controlling banks or furnishing services to or performing services for our subsidiary banks and from acquiring a direct or indirect interest in or control of more than 5% of the voting shares of any company that is not a bank or financial holding company. The principal exception to this prohibition is that we may engage, directly or indirectly (including through the ownership of shares of another company), in certain activities that the Federal Reserve has found to be so closely related to banking or managing and controlling banks as to be a proper incident thereto. In making determinations whether activities are closely related to banking or managing banks, the Federal Reserve must 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.

Currently-permitted activities include, among others, operating a mortgage, finance, credit card or factoring company; providing certain data processing, storage and transmission services; acting as an investment or financial advisor; acting as an insurance agent for certain types of credit-related insurance; leasing personal or real property on a nonoperating basis; and providing certain stock brokerage services.

Pursuant to the amendment to the BHC Act effected by the Financial Services Modernization Act of 1999 (commonly referred to as the Gramm-Leach Bliley Act, or the “GLB Act”), a bank holding company whose subsidiary deposit institutions are “well capitalized” and “well managed” may elect to become a “financial holding company” (“FHC”) and thereby engage without prior Federal Reserve approval in certain banking and non-banking activities that are deemed to be financial in nature or incidental to financial activity. These “financial in nature” activities include securities

underwriting, dealing and market making; organizing, sponsoring and managing mutual funds; insurance underwriting and agency activities; merchant banking activities; and other activities that the Federal Reserve has determined to be closely related to banking. No regulatory approval is required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve. We have not elected to become an FHC.

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

Capital Adequacy Guidelines. The Federal Reserve has adopted risk-based capital guidelines for bank holding companies. The risk-based capital guidelines are designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks and bank holding companies, to factor off-balance sheet exposure into the assessment of capital adequacy, to minimize disincentives for holding liquid, low-risk assets and to achieve greater consistency in the evaluation of the capital adequacy of major banking organizations worldwide. Under these guidelines, assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items. These requirements apply on a consolidated basis to bank holding companies with consolidated assets of \$500 million, such as the Company. In addition to the risk-based capital guidelines, the Federal Reserve has adopted a minimum Tier 1 capital (leverage) ratio, under which a bank holding company must maintain a minimum level of Tier 1 capital to average total consolidated assets of at least 4%.

The capital requirements applicable to the Company are substantially similar to those imposed on the Bank under FDIC regulations, described below under the heading “Supervision and Regulation of Renasant Bank - Capital Adequacy Guidelines.”

Payment of Dividends; Source of Strength. Under Federal Reserve policy, in general a bank holding company should pay dividends only when (1) its net income available to shareholders over the last four quarters (net of dividends paid) has been sufficient to fully fund the dividends, (2) the prospective rate of earnings retention appears to be consistent with the capital needs and overall current and prospective financial condition of the bank holding company and its subsidiaries and (3) the bank holding company will continue to meet minimum regulatory capital adequacy ratios after giving effect to the dividend.

In addition, a bank holding company is required to serve as a source of financial strength to its subsidiary banks. This means that we are expected to use available resources to provide adequate financial resources to the Bank, including during periods of financial stress or adversity, and to maintain the financial flexibility and capital-raising capacity to obtain additional resources for assisting the Bank where necessary. In addition, any capital loans that we make to the Bank are subordinate in right of payment to deposits and to certain other indebtedness of the Bank. In the event of our bankruptcy, any commitment by us to a federal bank regulatory agency to maintain the capital of the Bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Acquisitions by Bank Holding Companies. The BHC Act requires every bank holding company to obtain the prior approval of the Federal Reserve before it acquires all or substantially all of the assets of any bank, merges or consolidates with another bank holding company or acquires ownership or control of any voting shares of any bank if after such acquisition it would own or control, directly or indirectly, more than 5% of the voting shares of such bank. The Federal Reserve will not approve any acquisition, merger or consolidation that would have a substantially anti-competitive effect, unless the anti-competitive impact of the proposed transaction is clearly outweighed by a greater public interest in meeting the convenience and needs of the community to be served. The Federal Reserve also considers capital adequacy and other financial and managerial resources and future prospects of the companies and the banks concerned, together with the convenience and needs of the community to be served and the record of the bank holding company and its subsidiary bank(s) in combating money laundering activities. Finally, in order to acquire banks located outside of their home state, a bank holding company and its subsidiary institutions must be “well capitalized” and “well managed.” In addition, as detailed in “Scope of Permissible Activities” above, we cannot acquire direct or indirect control of more than 5% of the voting shares of a company engaged in non-banking activities.

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

Anti-Tying Restrictions. Bank holding companies and their affiliates are prohibited from tying the provision of certain services, such as extensions of credit, to other nonbanking services offered by a bank holding company or its affiliates. Sarbanes-Oxley Act of 2002. The Sarbanes-Oxley Act of 2002 generally established a comprehensive framework to modernize and reform the oversight of public company auditing, improve the quality and transparency of financial reporting by those companies and strengthen the independence of auditors. Among other things, the legislation:

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Created the Public Company Accounting Oversight Board, which is empowered to set auditing, quality control and ethics standards, to inspect registered public accounting firms, to conduct investigations and to take disciplinary actions, subject to SEC oversight and review;

Strengthened auditor independence from corporate management by, among other things, limiting the scope of consulting services that auditors can offer their public company audit clients;

Heightened the responsibility of public company directors and senior managers for the quality of the financial reporting and disclosure made by their companies. A number of provisions to deter wrongdoing by corporate management were also adopted;

Imposed a number of new corporate disclosure requirements; and

Imposed a range of new criminal penalties for fraud and other wrongful acts, as well as extended the period during which certain types of lawsuits can be brought against a company or its insiders.

Heightened Requirements for Bank Holding Companies with \$10 Billion or More in Assets. Various federal banking laws and regulations, including rules adopted by the Federal Reserve pursuant to the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), impose heightened requirements on certain large banks and bank holding companies, including those with at least \$10 billion in total consolidated assets. Although the Economic Growth, Regulatory Relief, and Consumer Protection Act enacted in May 2018 resulted in a number of the Dodd-Frank Act requirements no longer being applicable to banks of our size, such as the requirement to conduct stress testing and to establish a risk committee, we had already begun developing policies and procedures to comply with the Dodd-Frank Act rules well before the Company approached \$10 billion in assets. For example, we established an Enterprise Risk Management Committee tasked with monitoring the risks identified by other Company and Bank committees in the context of the impact of each identified risk on other identified risks and ultimately on the Company as a whole. We also implemented new controls and procedures related to stress testing. These actions enhanced the Company’s risk oversight practices. The recent legislation did not eliminate the Dodd-Frank Act provision requiring that the Company be examined for compliance with federal consumer protection laws primarily by the CFPB now that it has over \$10 billion in assets.

Supervision and Regulation of the Bank

General. As a Mississippi-chartered bank, the Bank is subject to the regulation and supervision of the Mississippi Department of Banking and Consumer Finance. As an FDIC-insured institution that is not a member of the Federal Reserve, the Bank is subject to the regulation and supervision of the FDIC. The regulations of the FDIC and the DBCF affect virtually all of the Bank’s activities, including the minimum levels of capital, the ability to pay dividends, mergers and acquisitions, borrowing and the ability to expand through new branches or acquisitions and various other matters.

Insurance of Deposits. The deposits of the Bank are insured through the Deposit Insurance Fund (the “DIF”) up to \$250,000 for most accounts. The FDIC administers the DIF, and the FDIC must by law maintain the DIF at an amount equal to a specified percentage of the estimated annual insured deposits or assessment base. The minimum designated reserve ratio of the DIF is currently 1.15% of total insured deposits, but this ratio will increase to 1.35% by September 30, 2020. The FDIC must offset the effect of this increase for banks with assets less than \$10 billion, meaning that banks above such asset threshold, such as the Bank, will bear the cost of the increase.

To fund the DIF, FDIC-insured banks are required to pay deposit insurance assessments to the FDIC on a quarterly basis. The amount of an institution’s assessment is based on its average consolidated total assets less its average tangible equity during the assessment period. As to the rate, it is based on our risk classification. An institution’s risk classification is assigned based on its capital levels and the level of supervisory concern that the institution poses to the regulators. The higher an institution’s risk classification, the higher its assessment rate (on the assumption that such institutions pose a greater risk of loss to the DIF). In addition, the FDIC can impose special assessments in certain instances. Now that we have reported assets in excess of \$10 billion for four consecutive quarters, our assessment rate is based not only on our risk classification but also incorporates forward-looking measures. Also, we are subject to a surcharge designed to increase the DIF to specified levels.

In addition to assessments to fund the DIF, all institutions with deposits insured by the FDIC must pay assessments to fund interest payments on bonds issued by the Financing Corporation, a mixed-ownership government corporation established as a financing vehicle for the Federal Savings & Loan Insurance Corporation. The assessment rate for the

first quarter of fiscal 2019 is .0014% of insured deposits and is adjusted quarterly. These assessments will continue until the bonds mature in 2019 (the corporation's ability to issue new debt has been terminated). The FDIC may terminate the deposit insurance of any insured depository institution, including the Bank, if it determines after a hearing that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, order or any condition imposed by an agreement with the FDIC. For an institution with no tangible capital, deposit insurance may be temporarily suspended during the hearing process for the

permanent termination of insurance. If the FDIC terminates an institution's deposit insurance, accounts insured at the time of the termination, less withdrawals, will continue to be insured for a period of six months to two years, as determined by the FDIC. We are not aware of any existing circumstances which would result in termination of the Bank's deposit insurance.

Interstate Banking and Branching. Under Mississippi law, the Bank may establish additional branch offices within Mississippi, subject to the approval of the DBCF. After the Dodd-Frank Act, which repealed the "opt-in" provisions of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1997, we can also establish additional branch offices outside Mississippi, subject to prior regulatory approval, so long as the laws of the state where the branch is to be located would permit a state bank chartered in that state to establish a branch. Finally, we may also establish offices in other states by merging with banks or by purchasing branches of other banks in other states, subject to certain restrictions.

Dividends. The restrictions and guidelines with respect to the Company's payment of dividends are described above. As a practical matter, for so long as our operations chiefly consist of ownership of the Bank, the Bank will remain our source of dividend payments, and our ability to pay dividends will be subject to any restrictions applicable to the Bank.

The ability of the Bank to pay dividends is restricted by federal and state laws, regulations and policies. Under Mississippi law, a Mississippi bank may not pay dividends unless its earned surplus is in excess of three times capital stock. A Mississippi bank with earned surplus in excess of three times capital stock may pay a dividend, subject to the approval of the DBCF. In addition, the FDIC also has the authority to prohibit the Bank from engaging in business practices that the FDIC considers to be unsafe or unsound, which, depending on the financial condition of the Bank, could include the payment of dividends. Federal Reserve regulations also limit the amount the Bank may loan to the Company unless such loans are collateralized by specific obligations.

Capital Adequacy Guidelines. The FDIC has promulgated risk-based capital guidelines similar to, and with the same underlying purposes as, those established by the Federal Reserve with respect to bank holding companies. Under those guidelines, assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items. The capital guidelines have been subject to a number of revisions in recent years. Pursuant to the Dodd-Frank Act, capital requirements for insured depository institutions are countercyclical, such that capital requirements increase in times of economic expansion and decrease in times of economic contraction. More recently, the Federal Reserve, the FDIC and the Office of the Comptroller of the Currency adopted rules implementing the "Basel III" regulatory capital reforms, promulgated by the Basel Committee on Banking Supervision, a committee of central banks and bank supervisors, including the standardized approach of Basel II for non-core banks and bank holding companies such as the Bank and the Company. The Basel III rules substantially revised the risk-based capital requirements.

- **Current Guidelines.** Under the current risk-based capital adequacy guidelines, we are required to maintain (1) a ratio of common equity Tier 1 capital ("CET1") to total risk-weighted assets of not less than 4.5%; (2) a minimum leverage capital ratio of 4%; (3) a minimum Tier 1 risk-based capital ratio of 6%; and (4) a minimum total risk-based capital ratio of 8%. CET1 generally consists of common stock, retained earnings, accumulated other comprehensive income and certain minority interests, less certain adjustments and deductions. In addition, we must maintain a "capital conservation buffer," which is a specified amount of CET1 capital in addition to the amount necessary to meet minimum risk-based capital requirements. The capital conservation buffer is designed to absorb losses during periods of economic stress. If our ratio of CET1 to risk-weighted capital is below the capital conservation buffer, we will face restrictions on our ability to pay dividends, repurchase our outstanding stock and make certain discretionary bonus payments. As of January 1, 2019, the required capital conservation buffer is 2.5% of CET1 to risk-weighted assets in addition to the amount necessary to meet minimum risk-based capital requirements. In addition, the Basel III Rules have revised the agencies' rules for calculating risk-weighted assets to enhance risk sensitivity and to incorporate certain international capital standards of the Basel Committee on Banking Supervision. These revisions affect the calculation of the denominator of a banking organization's risk-based capital ratios to reflect the higher-risk nature of certain types of loans. As applicable to the Bank:

-For residential mortgages, the former 50% risk weight for performing residential first-lien mortgages and 100% risk-weight for all other mortgages has been replaced with a risk weight of between 35% and 200% determined by

the mortgage's loan-to-value ratio and whether the mortgage falls into one of two categories based on eight criteria that include the term, use of negative amortization and balloon payments, certain rate increases and documented and verified borrower income.

For commercial mortgages, a 150% risk weight for certain high volatility commercial real estate acquisition, development and construction loans has been substituted for the former 100% risk weight.

The former 100% risk weight is now a 150% risk weight for loans, other than residential mortgages, that are 90 days past due or on nonaccrual status.

Finally, Tier 1 capital treatment for “hybrid” capital items like trust preferred securities has been eliminated, subject to various grandfathering and transition rules. We and the Bank meet all minimum capital requirements as currently in effect. For a detailed discussion of the Company’s capital ratios, see Note 24, “Regulatory Matters,” in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

- Prompt Corrective Action. Under Section 38 of the Federal Deposit Insurance Act (the “FDIA”), each federal banking agency is required to implement a system of prompt corrective action for institutions that it regulates. The federal banking agencies (including the FDIC) have adopted substantially similar regulations to implement this mandate. Under current regulations, a bank is (i) “well capitalized” if it has total risk-based capital of 10% or more, has a Tier 1 risk-based ratio of 8% or more, has a common equity Tier 1 capital ratio of 6.5%, has a Tier 1 leverage capital ratio of 5% or more and is not subject to any order or final capital directive to meet and maintain a specific capital level for any capital measure, (ii) “adequately capitalized” if it has a total risk-based capital ratio of 8% or more, a Tier 1 risk-based capital ratio of 6% or more, a common equity Tier 1 capital ratio of 4.5% and a Tier 1 leverage capital ratio of 4% or more (3% under certain circumstances) and does not meet the definition of “well capitalized,” (iii) “undercapitalized” if it has a total risk-based capital ratio that is less than 8%, a Tier 1 risk-based capital ratio that is less than 6%, a common equity Tier 1 capital ratio that is less than 4.5% or a Tier 1 leverage capital ratio that is less than 4%, (iv) “significantly undercapitalized” if it has a total risk-based ratio that is less than 6%, a Tier 1 risk-based capital ratio that is less than 4%, a common equity Tier 1 capital ratio of less than 3% or a Tier 1 leverage capital ratio that is less than 3%, and (v) “critically undercapitalized” if it has a ratio of tangible equity to total assets that is equal to or less than 2%.

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

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

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

Interchange Fees. Under Section 1075 of the Dodd-Frank Act (often referred to as the “Durbin Amendment”), the Federal Reserve established standards for assessing whether the interchange fees, or “swipe” fees, that banks charge for processing electronic payment transactions are “reasonable and proportional” to the costs incurred by issuers for processing such transactions. Under the Federal Reserve’s rules, the maximum permissible interchange fee is no more than 21 cents plus 5 basis points of the transaction value for many types of debit interchange transactions. A debit card issuer may also recover one cent per transaction for fraud prevention purposes if the issuer develops and implements policies and procedures reasonably designed to achieve certain fraud-prevention standards. The Federal Reserve also has rules governing routing and exclusivity that require issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product. Due to being over \$10 billion in total assets as of December 31, 2018, Renasant Bank will be subject to the interchange fee cap beginning July 1, 2019.

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

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

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

100/300 Test. In response to rapid growth in commercial real estate ("CRE") loan concentrations and observed weaknesses in risk management practices at some financial institutions, the FDIC, the Federal Reserve, and the Office of the Comptroller of the Currency published Joint Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices (which we refer to as the "CRE guidance"). The CRE guidance is intended to promote sound risk management practices and appropriate levels of capital to enable institutions to engage in CRE lending in a safe and sound manner. Federal banking regulators use certain criteria to identify financial institutions that are potentially exposed to significant CRE concentration risk. Among other things, an institution will be deemed to potentially have significant CRE concentration risk exposure if, based on its call report, either (1) total loans classified as acquisition, development and construction ("ADC") loans represent 100% or more of the institution's total capital or (2) total CRE loans, which consists of ADC and non-owner occupied CRE loans as defined in the CRE guidance, represent 300% or more the institution's total capital, where the balance of the institution's CRE loan portfolio has increased by 50% or more during the prior 36 months. The foregoing criteria are commonly referred to as the 100/300 Test. As of December 31, 2018, our ADC loans represented 76.65% of our total capital, and our total CRE loans represented 240.58% of capital.

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

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

Federal Reserve System. The Federal Reserve requires all depository institutions to maintain reserves against their transaction accounts (primarily NOW and Super NOW checking accounts) and non-personal time deposits. The required reserves must be maintained in the form of vault cash or an account at a Federal Reserve bank. At December 31, 2018, the Bank was in compliance with its reserve requirements.

Consumer Financial Products and Services. We are subject to a broad array of federal and state laws designed to protect consumers in connection with our lending activities, including the Equal Credit Opportunity Act, the Fair

Credit Reporting Act, the Truth in Lending Act, the Truth in Savings Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the Electronic Funds Transfer Act, and, in some cases, their respective state law counterparts. The CFPB, which is an independent bureau within the Federal Reserve, has broad regulatory, supervisory and enforcement authority over our offering and provision of consumer financial products and services under these laws.

Relating to mortgage lending in particular, the CFPB issued regulations governing the ability to repay, qualified mortgages, mortgage servicing, appraisals and compensation of mortgage lenders. These regulations limit the type of mortgage products that

the Bank can offer; they also affect our ability to enforce delinquent mortgage loans. The CFPB has also issued complex rules integrating the required disclosures under the Truth in Lending Act, the Truth in Savings Act and the Real Estate Settlement Procedures Act (the “TRID rules”). The TRID rules combine the prior good faith estimate and truth in lending disclosure form into a new “loan estimate” form and combine the HUD-1 and final truth in lending disclosure forms into a new “closing disclosure” form.

We have established numerous controls and procedures designed to ensure that we fully comply with the TRID rules and all other consumer protection laws, both federal and state, as they are currently interpreted (which interpretations are subject to change by the CFPB). In addition, our employees undergo at least annual training to ensure that they remain aware of consumer protection laws and the activities mandated, or prohibited, thereunder.

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

Financial Privacy Requirements. Federal law and regulations limit a financial institution’s ability to share a customer’s financial information with unaffiliated third parties and otherwise contain extensive protections for a customer’s private information. Specifically, these provisions require all financial institutions offering financial products or services to retail customers to provide such customers with the financial institution’s privacy policy at the beginning of the relationship and annually thereafter. Further, such customers must be given the opportunity to “opt out” of the sharing of personal financial information with unaffiliated third parties. The sharing of information for marketing purposes is also subject to limitations. The Bank currently has privacy protection policy and procedures in place, which we believe comply with all applicable regulations.

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

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

Supervision and Regulation of our Wealth Management and Insurance Operations

Our Wealth Management and Insurance operations are subject to licensing requirements and regulation under the laws of the United States and the State of Mississippi. The laws and regulations are primarily for the benefit of clients. In all jurisdictions, the applicable laws and regulations are subject to amendment by regulatory authorities. Generally, such authorities are vested with relatively broad discretion to grant, renew and revoke licenses and approvals and to implement regulations. Licenses may be denied or revoked for various reasons, including the violation of such regulations, conviction of crimes and the like. Other possible sanctions which may be imposed for violation of

regulations include suspension of individual employees, limitations on engaging in a particular business for a specified period of time, censures and fines.

Monetary Policy and Economic Controls

We and the Bank are affected by the policies of regulatory authorities, including the Federal Reserve. An important function of the Federal Reserve is to regulate the national supply of bank credit in order to stabilize prices. Among the instruments of monetary policy used by the Federal Reserve to implement these objectives are open market operations in U.S. Government securities,

changes in the discount rate on bank borrowings and changes in reserve requirements against bank deposits. These instruments are used in varying degrees to influence overall growth of bank loans, investments and deposits and may also affect interest rates charged on loans or paid for deposits.

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

Sources and Availability of Funds

The funds essential to our, and the Bank's, business consist primarily of funds derived from customer deposits, loan repayments, cash flows from our investment securities, securities sold under repurchase agreements, Federal Home Loan Bank advances and subordinated notes. 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, 2018, we employed 2,359 people throughout all of our segments on a full-time equivalent basis. Of this total, the Bank accounted for 2,294 employees (inclusive of employees in our Community Banks and Wealth Management segments), and Renasant Insurance employed 65 individuals. The Company has no additional employees; however, at December 31, 2018, 14 employees of the Bank served as officers of the Company in addition to their positions with the Bank.

Dependence Upon a Single Customer

No material portion of our loans have been made to, nor have our deposits been obtained from, a single or small group of customers; the loss of any single customer or small group of customers with respect to any of our reportable segments would not have a material adverse effect on our business as a whole or with respect to that segment in particular. A discussion of concentrations of credit in our loan portfolio is set forth under the heading "Financial Condition - Loans" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Available Information

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

Table 1 – Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential (In Thousands)

The following table sets forth average balance sheet data, including all major categories of interest-earning assets and interest-bearing liabilities, together with the interest earned or interest paid and the average yield or average rate on each such category for the years ended December 31, 2018, 2017 and 2016:

	2018			2017			2016		
	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate
Assets									
Interest-earning assets:									
Loans:									
Not purchased ⁽¹⁾	\$6,019,177	\$286,643	4.76 %	\$5,060,496	\$226,524	4.48 %	\$4,294,032	\$187,055	4.36 %
Purchased	2,162,410	132,199	6.11 %	1,795,306	114,043	6.35 %	1,555,502	104,983	6.75 %
Purchased and covered ⁽²⁾	—	—	— %	—	—	— %	46,438	3,295	7.10 %
Total Loans	8,181,587	418,842	5.12 %	6,855,802	340,567	4.97 %	5,895,972	295,333	5.01 %
Loans held for sale	270,270	12,892	4.77 %	174,369	7,469	4.28 %	237,199	8,497	3.58 %
Securities:									
Taxable ⁽³⁾	844,692	23,713	2.81 %	746,557	17,408	2.33 %	721,661	15,305	2.12 %
Tax-exempt	217,190	9,232	4.25 %	329,430	15,838	4.81 %	351,950	16,555	4.70 %
Total securities	1,061,882	32,945	3.10 %	1,075,987	33,246	3.09 %	1,073,611	31,860	2.97 %
Interest-bearing balances with banks	148,677	3,076	2.07 %	195,072	2,314	1.19 %	89,514	459	0.51 %
Total interest-earning assets	9,662,416	467,755	4.84 %	8,301,230	383,596	4.62 %	7,296,296	336,149	4.61 %
Cash and due from banks	163,286			140,742			130,360		
Intangible assets	747,008			565,507			491,530		
FDIC loss share indemnification asset ⁽²⁾	—			—			4,961		
Other assets	531,857			501,829			493,363		
Total assets	\$11,104,567			\$9,509,308			\$8,416,510		
Liabilities and shareholders' equity									
Interest-bearing liabilities:									
Deposits:									
Interest-bearing demand ⁽⁴⁾	\$4,246,585	\$23,678	0.56 %	\$3,609,567	\$9,559	0.26 %	\$3,090,495	\$5,874	0.19 %
Savings deposits	596,990	868	0.15 %	567,723	394	0.07 %	525,498	372	0.07 %
Time deposits	2,040,675	25,214	1.24 %	1,715,828	14,667	0.85 %	1,587,444	11,610	0.73 %
Total interest-bearing deposits	6,884,250	49,760	0.72 %	5,893,118	24,620	0.42 %	5,203,437	17,856	0.34 %
Borrowed funds	388,077	15,569	4.01 %	419,070	13,233	3.16 %	523,812	10,291	1.96 %
Total interest-bearing liabilities	7,272,327	65,329	0.90 %	6,312,188	37,853	0.60 %	5,727,249	28,147	0.49 %
Noninterest-bearing deposits	2,036,754			1,724,834			1,467,881		

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Other liabilities	94,152	91,336	105,342
Shareholders' equity	1,701,334	1,380,950	1,116,038
Total liabilities and shareholders' equity	\$ 11,104,567	\$ 9,509,308	\$ 8,416,510
Net interest income/ net interest margin	\$ 402,426 4.16 %	\$ 345,743 4.16 %	\$ 308,002 4.22 %

(1) Shown net of unearned income.

(2) Represents information associated with purchased loans covered under FDIC loss sharing agreements prior to the termination of such agreements on December 8, 2016.

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

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

The average balances of nonaccruing assets are included in this table. Interest income and weighted average yields on tax-exempt loans and securities have been computed on a fully tax equivalent basis assuming a federal tax rate of 21% and a state tax rate of 4.45%, which is net of federal tax benefit.

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 indicated. Information is provided in each category with respect to changes attributable to (1) changes in volume (changes in volume multiplied by prior yield/rate); (2) changes in yield/rate (changes in yield/rate multiplied by prior volume); and (3) changes in both yield/rate and volume (changes in yield/rate multiplied by changes in volume). The changes attributable to the combined impact of yield/rate and volume have been allocated on a pro-rata basis using the absolute ratio value of amounts calculated.

	2018 Compared to 2017			2017 Compared to 2016		
	Volume	Rate	Net	Volume	Rate	Net
Interest income:						
Loans:						
Not purchased	\$44,963	\$15,156	\$60,119	\$34,309	\$5,160	\$39,469
Purchased	22,200	(4,044)	18,156	15,278	(6,218)	9,060
Purchased and covered ⁽¹⁾	—	—	—	(3,295)	—	(3,295)
Loans held for sale	4,916	507	5,423	(2,691)	1,663	(1,028)
Securities:						
Taxable	2,471	3,834	6,305	581	1,522	2,103
Tax-exempt	(4,929)	(1,677)	(6,606)	(1,082)	365	(717)
Interest-bearing balances with banks	(358)	1,120	762	1,252	603	1,855
Total interest-earning assets	69,263	14,896	84,159	44,352	3,095	47,447
Interest expense:						
Interest-bearing demand deposits	1,944	12,175	14,119	1,375	2,310	3,685
Savings deposits	21	453	474	29	(7)	22
Time deposits	3,145	7,402	10,547	1,098	1,959	3,057
Borrowed funds	(879)	3,215	2,336	(3,307)	6,249	2,942
Total interest-bearing liabilities	4,231	23,245	27,476	(805)	10,511	9,706
Change in net interest income	\$65,032	\$(8,349)	\$56,683	\$45,157	\$(7,416)	\$37,741

⁽¹⁾ Represents information associated with purchased loans covered under FDIC loss sharing agreements prior to the termination of such agreements on December 8, 2016.

Table 3 – Investment Portfolio
(In Thousands)

The following table sets forth the scheduled maturity distribution and weighted average yield based on the amortized cost of our investment portfolio as of December 31, 2018. Information regarding the carrying value of the investment securities listed below as of December 31, 2018, 2017 and 2016 is contained under the heading “Financial Condition – Investments” and “Results of Operations – Net Interest Income” in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations.

	Amount	Yield
Available for Sale:		
Obligations of other U.S. Government agencies and corporations		
Maturing after one year through five years	\$2,536	2.40 %
Obligations of states and political subdivisions		
Maturing within one year	39,310	4.65 %
Maturing after one year through five years	41,768	3.73 %
Maturing after five years through ten years	73,028	3.54 %
Maturing after ten years	46,692	4.24 %
Trust preferred securities		
Maturing after ten years	12,359	2.93 %
Other debt securities - corporate debt		
Maturing after five years through ten years	8,797	4.93 %
Residential mortgage backed securities not due at a single maturity date:		
Government agency MBS	621,690	2.67 %
Government agency CMO	332,697	2.75 %
Commercial mortgage backed securities not due at a single maturity date:		
Government agency MBS	21,957	3.05 %
Government agency CMO	28,446	2.86 %
Other debt securities not due at a single maturity date	35,249	3.97 %
	\$1,264,529	3.10 %

Weighted average yields on tax-exempt obligations have been computed on a fully tax equivalent basis assuming a federal tax rate of 21% and a state tax rate of 4.45%, which is net of federal tax benefit.

Table 4 – Loan Portfolio
(In Thousands)

The following table sets forth loans held for investment, net of unearned income, outstanding at December 31, 2018, which, based on remaining scheduled repayments of principal, are due in the periods indicated. Loans with balloon payments and longer amortizations are often repriced and extended beyond the initial maturity when credit conditions remain satisfactory. Demand loans, loans having no stated schedule of repayments and no stated maturity, and overdrafts are reported below as due in one year or less. For information regarding the loan balances in each of the categories listed below as of the end of each of the last five years, see Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, under the heading “Financial Condition – Loans.” See “Risk Management – Credit Risk and Allowance for Loan Losses” in Item 7 for information regarding the risk elements applicable to, and a summary of our loan loss experience with respect to, the loans in each of the categories listed below.

	One Year or Less	After One Year Through Five Years	After Five Years	Total
Commercial, financial, agricultural	\$ 704,179	\$ 529,914	\$ 61,819	\$ 1,295,912
Lease financing	2,178	58,126	1,561	61,865
Real estate – construction	578,832	85,702	76,134	740,668
Real estate – 1-4 family mortgage	974,789	686,866	1,133,688	2,795,343
Real estate – commercial mortgage	1,215,660	2,124,930	710,919	4,051,509
Installment loans to individuals	49,628	73,643	14,561	137,832
	\$ 3,525,266	\$ 3,559,181	\$ 1,998,682	\$ 9,083,129

The following table sets forth the fixed and variable rate loans maturing or scheduled to reprice after one year as of December 31, 2018:

	Interest Sensitivity	
	Fixed	Variable
	Rate	Rate
Due after one year through five years	\$ 2,877,670	\$ 681,511
Due after five years	966,613	1,032,069
	\$ 3,844,283	\$ 1,713,580

Table 5 – Deposits
(In Thousands)

The following table shows the maturity of certificates of deposit and other time deposits of \$100 or more at December 31, 2018:

	Certificates of Deposit	Other
Three Months or Less	\$ 178,231	\$ 26,343
Over Three through Six Months	139,362	27,699
Over Six through Twelve Months	363,525	13,060
Over 12 Months	566,281	2,232
	\$ 1,247,399	\$ 69,334

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.

Risks Related To Our Business and Industry

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

General business and economic conditions in the United States and abroad can materially affect our business and operations. A weak U.S. economy is likely to cause uncertainty about the federal fiscal policymaking process, the medium and long-term fiscal outlook of the federal government and future tax rates. In addition, economic conditions in foreign countries could affect the stability of global financial markets, which could hinder U.S. economic growth. Weak economic conditions are characterized by deflation, fluctuations in debt and equity capital markets, a lack of liquidity and/or depressed prices in the secondary market for mortgage loans, increased delinquencies on mortgage, consumer and commercial loans, residential and commercial real estate price declines and lower home sales and commercial activity. All of these factors are detrimental to our business, and the interplay between these factors can be complex and unpredictable. Our business is also significantly affected by monetary and related policies of the U.S. federal government and its agencies. Changes in any of these policies are influenced by macroeconomic conditions and other factors that are beyond our control. Adverse economic conditions and government policy responses to such conditions could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

More particularly, much of our business development and marketing strategy is directed toward fulfilling the banking and financial services needs of small to medium size businesses. Such businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities. If general economic conditions negatively impact our Mississippi, Tennessee, Alabama, Florida and Georgia markets generally and these businesses are adversely affected, our financial condition and results of operations may be negatively affected.

We are subject to lending risk.

There are inherent risks associated with our lending activities. These risks include, among other things, the impact of changes in interest rates and changes in the economic conditions in the markets where we operate as well as those across the United States. Increases in interest rates on loans 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, 2018, approximately 67.03% of our loan portfolio consisted of commercial, construction and commercial real estate loans. These types of loans are generally viewed as having more risk to our financial condition than other types of loans due primarily to the large amounts loaned to individual borrowers. Because the loan portfolio contains a significant number of commercial, construction and commercial real estate loans with relatively large balances, the deterioration of one or a few of these loans could cause a significant increase in nonperforming loans.

An increase in nonperforming loans could result in a net loss of earnings from these loans, an increase in the provision for possible loan losses and an increase in loan charge-offs, all of which could have a material adverse effect on our financial condition and results of operations.

Our commercial, construction and commercial real estate loan portfolios are discussed in more detail under the heading “Operations – Operations of Community Banks” in Item 1, Business.

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

At December 31, 2018, approximately 83.53% of our loan portfolio had real estate as a primary or secondary component of the collateral securing the loan. The real estate provides an alternate source of repayment in the event of a default by the borrower. Real estate values have generally recovered since the recent recession, but any adverse change in our markets could significantly impair the value of the particular collateral securing our loans and our ability to sell the collateral upon foreclosure for an amount necessary to satisfy the borrower’s obligations to us. Furthermore, in a declining real estate market, we often will need to further increase our allowance for loan losses to address the deterioration in the value of the real estate securing our loans. Any of the foregoing could have a material adverse effect on our financial condition and results of operations.

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

In addition to the general risks associated with our lending activities described above, including the effects of declines in real estate values, commercial real estate (“CRE”) loans are subject to additional risks. These loans depend on cash flows from the property to service the debt. Cash flows, either in the form of rental income or the proceeds from sales of commercial real estate, may be affected significantly by general economic conditions. A general downturn in the local economy where the property is located, or a decline in occupancy rates in particular, could increase the likelihood of default. An increase in defaults in our CRE loan portfolio could have a material adverse effect on our financial condition and results of operations. At December 31, 2018, we had approximately \$4.5 billion in commercial real estate loans, representing approximately 49.79% of our loans outstanding on that date, as follows:

(thousands)	December 31, 2018
	Commercial Real Estate
Owner-occupied	\$ 1,600,262
Non-owner occupied	2,272,859
Construction	471,120
Land Development:	
Commercial mortgage	178,388
Total Commercial real estate loans	\$ 4,522,629

As discussed under the heading “Supervision and Regulation” in Item 1, Business, above, the federal banking agencies promulgated guidance regarding when an institution will be deemed to potentially have significant CRE concentration risk exposure, as indicated by the results of the 100/300 Test. Although the 100/300 Test is not a limit on our lending activity, if any future results of a 100/300 Test evaluation show us to have a potential CRE concentration risk, we may elect, or be required by our regulators, to adopt additional risk management practices or other limits on our activities, which could have a material adverse effect on our financial condition and results of operations.

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

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

Although we try to maintain diversification within our loan portfolio in order to minimize the effect of economic conditions within a particular industry, management also maintains an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expense, to absorb probable credit losses inherent in the entire loan portfolio. The appropriate level of the allowance is based on management’s ongoing analysis of the loan portfolio and represents an amount that management deems adequate to provide for inherent losses, including collateral impairment. Among other considerations in establishing the allowance 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 our control, may require an increase in the allowance for loan losses.

The recent recession in the United States highlighted the inherent difficulty in estimating with precision the extent to which credit risks and future trends need to be addressed through a provision to our allowance for loan losses. Any

deterioration of current economic conditions could cause us to experience higher than normal delinquencies and credit losses. As a result, we may be required to make further increases in our provision for loan losses and to charge off additional loans in the future, which could materially adversely affect our financial condition and results of operations. In addition, bank regulatory agencies periodically review the allowance for loan losses and may require an increase in the provision for loan losses or the recognition of further loan charge-offs, based on judgments different than those of management. In addition,

if charge-offs in future periods exceed the allowance for loan losses, we will need additional provisions to increase the allowance for loan losses. Any increases in the allowance for loan losses will result in a decrease in net income and, possibly, capital and may have a material adverse effect on our financial condition and results of operations. A discussion of the policies and procedures related to management's process for determining the appropriate level of the allowance for loan losses is set forth under the heading "Risk Management – Credit Risk and Allowance for Loan Losses" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

We are subject to interest rate risk.

Our earnings and cash flows are largely dependent upon our net interest income. Net interest income is the difference between interest earned on assets, such as loans and securities, and the cost of interest-bearing liabilities, such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Federal Reserve. In light of improving labor markets and its assessment of the rate of inflation, the Federal Reserve has increased the federal funds target rate by 25 basis points on eight separate occasions since December 2016 and has indicated that economic conditions may warrant additional increases in the federal funds target rate in the future. Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and securities and the amount of interest we pay on deposits and borrowings, but such changes could also affect (1) our ability to originate loans and obtain deposits, which could reduce the amount of fee income generated, and (2) the fair value of our financial assets and liabilities.

Our financial results are constantly exposed to market risk.

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

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

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

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

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

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

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

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

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

The planned phasing out of the London Interbank Offered Rate (“LIBOR”) as a financial benchmark may adversely affect our business and financial results.

LIBOR is the reference rate used for many of our transactions, including our lending and borrowing and our purchase and sale of securities, as well as the derivatives that we use to manage risk related to such transactions. In July 2017, the United Kingdom Financial Conduct Authority, which regulates the process for establishing LIBOR, announced that it would no longer compel banks to submit the rates required to calculate LIBOR after 2021, meaning that the continuation of LIBOR on its current basis cannot be guaranteed after that date. It is impossible to predict at this time whether LIBOR will continue to be viewed as an acceptable market benchmark, what benchmark rate(s) may replace LIBOR or how LIBOR will be determined for purposes of financial instruments that are currently referencing LIBOR if and when it ceases to exist.

We have loans, borrowings and other financial instruments with attributes that are either directly or indirectly dependent on LIBOR, and the uncertainty surrounding potential reforms, including the use of alternative reference rates and changes to the methods and processes used to calculate rates, may have an adverse effect on these financial instruments. In addition, since proposed alternative rates are calculated differently, payments under contracts referencing new rates will differ from those referencing LIBOR, creating additional costs and risks. Our failure to adequately manage the transition process, which include changes to risk and pricing models, valuation tools and product design could adversely impact our reputation with our customers. Although we are currently unable to assess what the ultimate impact of the transition from LIBOR will be, failure to adequately manage the transition could have a material adverse effect on our business, financial condition and results of operations.

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

Maintaining adequate liquidity is crucial to the operation of our business. We need sufficient liquidity to meet customer loan requests, deposit maturities and withdrawals and other cash commitments arising in both the ordinary course of business and in other unpredictable circumstances. We rely on dividends from the Bank as our primary source of funds. The primary source of the Bank’s funds are customer deposits, loan repayments, proceeds from our investment securities and borrowings. 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.

If the aforementioned sources of liquidity are not adequate for our needs, we may attempt to raise additional capital in the equity or debt 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.

If we are unable to meet our liquidity needs through any of the aforementioned sources, whether at all or at the time or the cost that we anticipate, we may be required to slow or discontinue loan growth, capital expenditures or other investments or liquidate assets.

A failure or breach of our operational or security systems, including as a result of cyber-attacks, could disrupt our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation and create significant financial and legal exposure for us.

As a financial institution, we rely heavily on our ability, and the ability of our third party service providers, to securely process, record, transmit and monitor confidential and other information through our and our third party service provider’s computer systems and networks. Our operational systems, including, among other things, deposit and loan servicing, online banking, wealth management, accounting and data processing, could be materially adversely impacted by a failure, interruption or breach in the security or integrity of any of these systems, whether our own or one of our third party service provider’s. Threats to these systems come from a variety of sources, including computer hacking involving the introduction of computer viruses or malware, cyber-attacks, electronic fraudulent activity and

attempted theft of financial assets. These threats are very sophisticated and constantly evolving.

We have invested a significant amount of time and expense, in both security infrastructure investments and the development of policies and procedures governing our operations, in our efforts to ensure the security and integrity of our systems from the aforementioned threats, and we continue to upgrade our systems and evolve our policies and procedures to address vulnerabilities that we identify as well as new techniques being used to compromise our systems of which we become aware, especially as we expand our mobile and online banking presence. In addition, we require our third party service providers to be similarly diligent

in protecting their own systems from such existing and new threats. Despite these efforts, we can provide no assurances that our systems, or our provider's systems, will not experience any failures, interruptions or security breaches or that, if any such failures, interruptions or breaches occur, they will be addressed in a timely and adequate manner. If the security and integrity of our systems, or the systems of one of our providers, are compromised, our operations could be significantly disrupted and our or our customer's confidential information could be misappropriated, among other things. This in turn could result in financial losses to us or our customers, damage to our reputation, the violation of privacy or other laws and significant litigation risk, all of which could have a material adverse effect on our financial condition and results of operations.

Our risk management framework may not be effective in mitigating risk and loss to us.

We are subject to numerous risks, including lending risk, interest rate risk, liquidity risk, market risk, information security risk and model risk, among other risks encountered in the ordinary course of our operations. We have put in place processes and procedures designed to identify, measure, monitor, report and analyze these risks. However, all risk management frameworks are inherently limited when current procedures cannot anticipate the existence or future development of currently unanticipated or unknown risks, and we may have underestimated the impact of known risks. The recent recession and the heightened regulatory scrutiny of financial institutions that resulted therefrom, coupled with increases in the scope and complexity of our operations, among other things, have increased the level of risk that we must manage. Accordingly, we could suffer losses as a result of our failure to properly anticipate and manage these risks.

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

We have grown our business through the acquisition of entire financial institutions and through de novo branching. We have engaged in whole-bank acquisitions, most recently acquiring Brand and its wholly-owned subsidiary Brand Bank on September 1, 2018. In addition, since the beginning of 2011, we have opened eight de novo branches, acquired specified assets and the operations of, and assumed specified liabilities of, failed financial institutions in two FDIC-assisted transactions and acquired the RBC Bank (USA) trust division. We intend to continue pursuing a growth strategy for our business through de novo branching and to evaluate attractive acquisition opportunities that are presented to us. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies when expanding their franchise, including the following:

Management of Growth. We may be unable to successfully:

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

Operating Results. Existing offices or future offices may not 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, our de novo branches or branches that we may acquire may not be successful even after they have been established or acquired, as the case may be.

Expansion into New Markets. Much of our recent growth has been focused in the highly-competitive metropolitan areas of Memphis and Nashville, Tennessee, Birmingham and Huntsville, Alabama, Atlanta, Georgia, east Tennessee, as well as Gainesville and Ocala, Florida. In these growth markets we face competition from a wide array of financial institutions, including much larger, well-established financial institutions. Our acquisition of Brand increased our presence in Atlanta, Georgia, a highly attractive and competitive market.

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 fail to realize the anticipated benefits of our recent and pending acquisitions.

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

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

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

- ~~d~~ deposit attrition, customer loss and revenue loss;
- ~~t~~ the loss of key employees;
- ~~t~~ the disruption of our operations and business;
- ~~o~~ our inability to maintain and increase competitive presence;
- ~~p~~ossible inconsistencies in standards, control procedures and policies; and/or
- ~~u~~nexpected problems with costs, operations, personnel, technology and credit.

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

We may continue to experience increased credit costs or need to take additional markdowns and make additional provisions to the allowance for loan losses on purchased loans. Any of these actions could adversely affect our financial condition and results of operations in the future. In addition, as our integration efforts continue in connection with the Brand acquisition, we may incur other unanticipated costs, including the diversion of personnel, or losses. In addition, the attention and effort devoted to the integration of an acquired business may divert management's attention from other important issues and could harm our business.

We may face risks with respect to future acquisitions.

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

~~the~~ time and costs associated with identifying and evaluating potential acquisition and merger targets;
~~in~~ 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 acquired businesses.

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

Our profitability may be negatively impacted by changes in the amount and timing of the resolution of purchased impaired loans.

Under applicable accounting standards, we are required to periodically re-estimate the expected cash flows from impaired loans that we have purchased as part of our acquisition transactions. The carrying value of these loans can be impaired due to lower-than-expected cash flows, increases in loss estimates or defaults. Any such impairment must be recognized in the period in which the change in estimated cash flow occurs. Any such impairment will reduce our results of operations and profitability, and such reduction could be material.

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

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

Our industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. The consolidation of financial institutions in connection with the 2008-2009 recession has continued to the present time, and we expect additional consolidation to occur as a result of, among other things, elevated regulatory compliance costs and changes in laws affecting larger financial institutions. 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, legislative and regulatory changes on both the federal and state level may materially affect competitive conditions in our industry. Finally, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Many of our competitors have fewer regulatory constraints and may have lower cost structures.

Our ability to compete successfully depends on a number of factors, including, among other things:
~~the~~ ability to develop, maintain and build upon long-term customer relationships based on top quality service, high ethical standards and safe and sound assets;
~~the~~ ability to expand our market position;
~~the~~ scope, relevance and pricing of products and services offered to meet customer needs and demands;
~~the~~ rate at which we introduce new products and services relative to our competitors;
~~e~~customer satisfaction with our level of service; and
~~i~~industry and general economic trends.

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

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

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

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

We and the Bank are subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole. These regulations affect our lending practices, capital structure, investment practices, dividend policy and growth, among other things. In addition, significant changes to such regulations have been proposed or may be proposed. 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, "well managed" under regulatory examination procedures or "satisfactory" under the CRA could compromise our status as a bank holding company and related eligibility for a streamlined review process for merger or acquisition proposals and would result in higher deposit insurance premiums assessed by the FDIC.

We are also subject to various privacy, data protection and information security laws. Under the GLB Act, we are subject to limitations on our ability to share our customers' nonpublic personal information with unaffiliated parties, and we are required to provide certain disclosures to our customers about our data collection and security practices. Customers have the right to opt out of our disclosure of their personal financial information to unaffiliated parties. Finally, the GLB Act requires us to develop, implement and maintain a written comprehensive information security program containing appropriate safeguards for our customers' nonpublic personal information. New laws and regulations have also been proposed that could increase our privacy, data protection and information security compliance costs. Our failure to comply with new or existing privacy, data protection and information security laws and regulations could result in material regulatory or governmental investigations and/or fines, sanctions and other expenses.

As a public company, we are also subject to laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, the Dodd-Frank Act and SEC regulations. These laws, regulations and standards are subject to varying interpretations, amendment or outright repeal. As a result, the amendment or repeal of any such laws, regulations or standards, or the issuance of new guidance for complying therewith by regulatory and governing bodies, 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, such violations nevertheless may occur. The information under the heading “Supervision and Regulation” in Item 1, Business, and Note 24, “Regulatory Matters,” in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data, provides more information regarding the regulatory environment in which we and the Bank operate.

Higher FDIC deposit insurance premiums and assessments could adversely affect our financial condition.

In order to replenish the Deposit Insurance Fund following the recession in 2008-2009, the FDIC significantly increased the assessment rates paid by financial institutions for deposit insurance. In 2016, the targeted ratio of the DIF to insured deposits was achieved, which allowed banks with assets less than \$10 billion to have a reduction in costs. However, banks, including the Bank, with greater than \$10 billion in assets will continue to have higher assessed rates until the DIF ratio reaches 1.35%. Additionally, under the Dodd-Frank Act, if the FDIC increases reserves against future losses, the increased assessments are to be borne primarily by institutions with assets greater than \$10 billion, which will apply to the Bank. Any increases in FDIC insurance premiums and any special assessments may adversely affect our financial condition and results of operations.

We are subject to heightened regulatory requirements now that we exceed \$10 billion in assets.

As discussed under the heading “Supervision and Regulation” in Item 1, Business, the Dodd-Frank Act and regulations promulgated thereunder impose additional requirements on bank holding companies with total assets of at least \$10 billion. In addition, banks with total assets of at least \$10 billion are primarily examined by the Consumer Financial Protection Bureau with respect to various federal consumer financial protection laws and regulations. Finally, since we exceeded \$10 billion in assets as of December 31, 2018, we are subject to the limitation on interchange fees imposed pursuant to the Durbin Amendment to the Dodd-Frank Act. To prepare for the Company being subject to additional regulations upon exceeding \$10 billion in assets, in recent years we incurred a number of significant expenses, and we expect to continue to incur additional expenses to address heightened regulatory requirements on account of having in excess of \$10 billion in assets. Further, the impact of the Durbin Amendment will reduce our noninterest income. These additional expenses and the expected decrease in interchange fee revenue could have a material adverse effect on our business, financial condition and results of operations. Our regulators may also consider our compliance with these regulatory requirements when examining our operations generally or considering any request for regulatory approval we may make, even requests for approvals on unrelated matters such as acquisitions of other financial institutions.

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

Our financial statements are subject to the application of accounting principles generally accepted in the United States (“GAAP”), which are periodically revised and/or expanded. From time to time, FASB or other accounting standard setting bodies adopt new accounting standards or amend existing standards. In addition, market conditions often prompt these bodies to promulgate new guidance that further interprets or seeks to revise accounting pronouncements related to financial instruments, structures or transactions as well as to issue new standards expanding disclosures. Our estimate of the impact of accounting developments that have been issued but not yet implemented is disclosed in our annual reports on Form 10-K and our quarterly reports on Form 10-Q, but the impact of these changes often is difficult to precisely assess. In some cases, we could be required to apply a new or revised standard retroactively, resulting in changes to previously reported financial results, or a cumulative charge to retained earnings. It is possible that future accounting standards that we are required to adopt could change the current accounting treatment that we apply to our consolidated financial statements and that such changes could have a material effect on our financial condition and results of operations.

In particular, in June 2016 FASB issued Accounting Standards Update 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”), which significantly changes the way entities recognize impairment on many financial assets by requiring immediate recognition of estimated credit losses expected to occur over the asset's remaining life, in place of the current “incurred loss” model for recognizing credit losses, which delays recognition of credit losses until it is probable a loss has been incurred. This new impairment recognition model is referred to as the current expected credit loss (“CECL”) model. The CECL model, which applies to loans, held-to-maturity debt instruments, lease receivables, loan commitments and financial guarantees that are not accounted for at fair value, will require us to present these financial assets at the net amount expected to be collected, at the time the loan is booked and subject to periodic adjustment. The amount of expected credit losses is to be based on past events, historical experience, current conditions as well as reasonable and

supportable forecasts that affect the collectability of the reported amount. This new accounting standard will be effective for us in the first quarter 2020.

The anticipated change in loan loss reserves due to the implementation of the CECL model is currently unknown and is dependent upon many factors that are yet to be determined, such as the economic environment at adoption and any future FASB clarifications. However, we currently expect to recognize a one-time cumulative-effect adjustment to our allowance for loan losses as of the beginning of the first quarter of 2020, consistent with regulatory expectations. We also anticipate that the adoption of the CECL model will materially affect how we determine our allowance for loan losses and could require us to significantly increase our allowance. Moreover, the CECL model may create more volatility in the level of our allowance for loan losses. If we are required to materially increase our level of allowance for loan losses for any reason, such increase could materially and adversely affect our business, financial condition and results of operations.

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

Our success depends in part on our ability to retain key executives and to attract and retain additional qualified personnel who have experience both in sophisticated banking matters and in operating a bank of our size. Competition for such personnel can be intense in the banking industry, and we may not be successful in attracting or retaining the personnel we require. The unexpected loss of one or more of our key personnel could have a material adverse effect on our business because of their skills, knowledge of our markets, years of industry experience and the difficulty of promptly finding qualified replacements.

We 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, such as Hurricane Michael in October 2018 and Hurricane Irma in September 2017, which impacted our Florida markets, and the April 2011 storms that devastated much of east Mississippi and west Alabama, could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue and/or cause us to incur additional expenses. Although management has established disaster recovery policies and procedures, the occurrence of any such event could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations.

Risks Associated With Our Common Stock

Our stock price can be volatile.

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

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

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

The trading volume in our common stock is less than that of other 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 generally less than that of many of our competitors and other bank holding companies that are publicly-traded companies. For the 60 days ended February 22, 2019, the average daily trading volume for Renasant common stock was 206,346 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 23, "Restrictions on Cash, Securities, Bank Dividends, Loans or Advances," in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data, provides a detailed discussion about the restrictions governing the Bank's ability to transfer funds to us.

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

We have supported a portion of our growth through the issuance of trust preferred securities from special purpose trusts and accompanying junior subordinated debentures. Also, in connection with our acquisitions of other financial institutions, we have assumed junior subordinated debentures. At December 31, 2018, we had trust preferred securities and accompanying junior subordinated debentures with a carrying value of \$109.6 million. Payments of the principal and interest on the trust preferred securities of these trusts are conditionally guaranteed by us. Further, the junior subordinated debentures we issued to the trusts are senior to our shares of common stock. As a result, we must make payments on the junior subordinated debentures before any dividends can be paid on our common stock and, in the event of our bankruptcy, dissolution or liquidation, the holders of the junior subordinated debentures must be satisfied before any distributions can be made on our common stock (such dividend restrictions do not apply to the subordinated notes issued in August 2016 or assumed in connection with the Metropolitan and Brand acquisitions). We have the right to defer distributions on our junior subordinated debentures (and the related trust preferred securities) for up to five years, during which time no dividends may be paid on our common stock.

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

Our common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC, any deposit insurance fund or by any other public or private entity. Investment in our common stock is inherently risky for the reasons

described in this “Risk Factors” section and elsewhere in this Annual Report on Form 10-K and is subject to the same market forces that affect the price of common stock in any company. As a result, an investor may lose some or all of his investment in our common stock.

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

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

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

Shares eligible for future sale could have a dilutive effect.

Shares of our common stock eligible for future sale, including those that may be issued in any other private or public offering of our common stock for cash or as incentives under incentive plans, could have a dilutive effect on the market for our common stock and could adversely affect market prices. As of February 22, 2019, there were 150,000,000 shares of our common stock authorized, of which 58,569,904 shares were outstanding.

The FDIC's Statement of Policy on Qualifications for Failed Bank Acquisitions may restrict our activities and those of certain investors in us.

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

The principal executive offices of the Company are located at 209 Troy Street, Tupelo, Mississippi. Various departments occupy each floor of the five-story building. The Technology Center, also located in Tupelo, houses electronic data processing, document preparation, document imaging, loan servicing and deposit operations. As of December 31, 2018, Renasant operated 152 full-service branches, 12 limited-service branches, an ATM network, which includes 151 ATMs at on-premise locations and 24 ATMs located at off-premise sites, and an Interactive Teller Machine (ITM) network that includes 14 ITMs at on-premise locations and two ITMs located at off-premise sites. Our Community Banks and Wealth Management segments operate out of all of these offices. The Bank owns 121 of its 152 full-service branch banking facilities. The remaining 31 full-service branches are under lease agreements. The Bank owns 11 of the 12 limited-service branches. The Bank also operates 20 locations used exclusively for Mortgage Banking, three locations used exclusively for loan production and two locations used exclusively for investment services; of these locations, two are owned by the Bank with the remaining 23 under lease agreements. The 55 banking facilities that are occupied under leases have unexpired terms ranging from one to sixteen years.

Renasant Insurance, a wholly-owned subsidiary of the Bank, owns seven stand-alone offices and leases three branches throughout Mississippi.

None of our properties are subject to any material encumbrances.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings to which the Company, the Bank, Renasant Insurance or any other subsidiaries are a party or to which any of their property is subject, and no such legal proceedings were terminated in the fourth quarter of 2018.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information and Holders

The Company's common stock trades on The NASDAQ Global Select Market ("NASDAQ") under the ticker symbol "RNST." On February 22, 2019, the Company had approximately 4,531 shareholders of record and the closing sales price of the Company's common stock was \$38.58.

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

Issuer Purchases of Equity Securities

	Total Number of Shares Repurchased (1)	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Share Repurchase Plans (2)	Maximum Number of Shares or Approximate Dollar Value That May Yet Be Purchased Under Share Repurchase Plans (3)
October 1, 2018 to October 31, 2018	77,000	\$ 34.96	77,000	\$ 47,308
November 1, 2018 to November 31, 2018	122,121	35.81	122,065	42,938
December 1, 2018 to December 31, 2018	—	—	—	42,938
Total	199,121	\$ 35.48	199,065	

Represents shares repurchased as part of a publicly announced share repurchase plan or shares withheld to satisfy (1) federal and state tax liabilities related to the vesting of time-based restricted stock awards during the three month period ended December 31, 2018

The Company announced a \$50.0 million stock repurchase program on October 24, 2018. During the fourth quarter of 2018, the Company repurchased \$7.1 million of common stock, or 199,065 shares, at a weighted average price (2) of \$35.48. The plan will remain in effect until the earlier of October 23, 2019 or the repurchase of the entire amount of common stock authorized to be repurchased by the Board of Directors.

(3) Dollars in thousands

Unregistered Sales of Equity Securities

The Company did not sell any unregistered equity securities during 2018.

Stock Performance Graph

The following performance graph compares the performance of our common stock to the NASDAQ Market Index and to the SNL Geographic Index, Southeast, which is a peer group of regional southeast bank holding companies (which includes the Company), for our reporting period. The performance graph assumes that the value of the investment in our common stock, the NASDAQ Market Index and the SNL Geographic Index, Southeast was \$100 at December 31, 2013, and that all dividends were reinvested.

	Period Ending December 31,					
	2013	2014	2015	2016	2017	2018
Renasant Corporation	\$100.00	\$94.17	\$114.40	\$143.19	\$141.16	\$106.26
NASDAQ Market Index	100.00	114.75	122.74	133.62	173.22	168.30
SNL Geographic Index, Southeast ⁽¹⁾	100.00	112.63	110.87	147.18	182.06	150.42

The SNL Geographic Index, Southeast, is a peer group of 74 regional bank holding companies, whose common stock is traded either on the New York Stock Exchange, NYSE Amex or NASDAQ, and who are headquartered in (1) Alabama, Arkansas, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia.

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

ITEM 6. SELECTED FINANCIAL DATA⁽¹⁾

(In Thousands, Except Share Data) (Unaudited)

Year Ended December 31,	2018	2017	2016	2015	2014	
Interest income	\$461,854	\$374,750	\$329,138	\$263,023	\$226,409	
Interest expense	65,329	37,853	28,147	21,665	23,927	
Net interest income	396,525	336,897	300,991	241,358	202,482	
Provision for loan losses	6,810	7,550	7,530	4,750	6,167	
Noninterest income	143,961	132,140	137,415	108,270	80,509	
Noninterest expense	345,029	301,618	295,099	245,114	190,937	
Income before income taxes	188,647	159,869	135,777	99,764	85,887	
Income taxes	41,727	67,681	44,847	31,750	26,305	
Net income	\$146,920	\$92,188	\$90,930	\$68,014	\$59,582	
Per Common Share						
Net income – Basic	\$2.80	\$1.97	\$2.18	\$1.89	\$1.89	
Net income – Diluted	2.79	1.96	2.17	1.88	1.88	
Book value at December 31	34.91	30.72	27.81	25.73	22.56	
Closing price ⁽²⁾	30.18	40.89	42.22	34.41	28.93	
Cash dividends declared and paid	0.80	0.73	0.71	0.68	0.68	
Dividend payout	28.67	% 37.24	% 32.72	% 36.17	% 36.17	%
At December 31,						
Assets	\$12,934,878	\$9,829,981	\$8,699,851	\$7,926,496	\$5,805,129	
Loans, net of unearned income	9,083,129	7,620,322	6,202,709	5,413,462	3,987,874	
Securities	1,250,777	671,488	1,030,530	1,105,205	983,747	
Deposits	10,128,557	7,921,075	7,059,137	6,218,602	4,838,418	
Borrowings	651,324	297,360	312,135	570,496	188,825	
Shareholders' equity	2,043,913	1,514,983	1,232,883	1,036,818	711,651	
Selected Ratios						
Return on average:						
Total assets	1.32	% 0.97	% 1.08	% 0.99	% 1.02	%
Shareholders' equity	8.64	% 6.68	% 8.15	% 7.76	% 8.61	%
Average shareholders' equity to average assets	15.32	% 14.52	% 13.26	% 12.76	% 11.89	%
At December 31,						
Shareholders' equity to assets	15.80	% 15.41	% 14.17	% 13.08	% 12.26	%
Allowance for loan losses to total loans, net of unearned income ⁽³⁾	0.77	% 0.83	% 0.91	% 1.11	% 1.29	%
Allowance for loan losses to nonperforming loans ⁽³⁾	379.96	% 348.37	% 320.08	% 283.46	% 209.49	%
Nonperforming loans to total loans, net of unearned income ⁽³⁾	0.20	% 0.24	% 0.28	% 0.39	% 0.62	%

(1) Selected consolidated financial data includes the effect of mergers and other acquisition transactions from the date of each merger or other transaction. On September 1, 2018, Renasant Corporation acquired Brand Group Holdings, Inc., a Georgia corporation ("Brand"), headquartered in Lawrenceville, Georgia. On July 1, 2017, Renasant Corporation acquired Metropolitan BancGroup, Inc., a Delaware corporation ("Metropolitan"), headquartered in Ridgeland, Mississippi. On April 1, 2016, Renasant Bank, Renasant Corporation's wholly-owned subsidiary, acquired KeyWorth Bank, a Georgia banking corporation ("KeyWorth"), headquartered in Johns Creek, Georgia. On July 1, 2015, Renasant Corporation acquired Heritage Financial Group, Inc., a Maryland corporation ("Heritage"), headquartered in Albany, Georgia. For additional information about the Brand and Metropolitan acquisitions, please refer to Item 1, Business, and Note 2, "Mergers and Acquisitions," in the Notes to Consolidated Financial

Statements in Item 8, Financial Statements and Supplementary Data, in this Annual Report on Form 10-K. For additional information about the KeyWorth and Heritage acquisitions, please refer to Item 1, Business, and

Note 2, “Mergers and Acquisitions,” in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data in Renasant’s Annual Report on Form 10-K/A for the year ended December 31, 2017, filed with the SEC on February 28, 2018.

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

Excludes assets acquired from Brand, Metropolitan, KeyWorth, Heritage and prior acquisitions and assets covered (3) under loss share agreements with the FDIC. Effective December 8, 2016, Renasant Bank entered into an agreement with the FDIC that terminated all of the loss share agreements.

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

(In Thousands, Except Share Data)

Performance Overview

Net income was \$146,920 for 2018 compared to \$92,188 for 2017 and \$90,930 for 2016. Basic and diluted earnings per share ("EPS") were \$2.80 and \$2.79, respectively, for 2018 compared to \$1.97 and \$1.96, respectively, for 2017 and \$2.18 and \$2.17, respectively, for 2016. At December 31, 2018, total assets increased to \$12,934,878 from \$9,829,981 at December 31, 2017. The comparability of our financial condition and results of operations since 2016 has been influenced by a number of factors:

Acquisitions

Effective September 1, 2018, the Company completed its acquisition of Brand Group Holdings, Inc. ("Brand") in a transaction valued at \$474,453. Including the effect of purchase accounting adjustments, which are still being finalized by the Company and are subject to change, the Company acquired assets with a fair value of \$2,335,472 which included gross loans with a fair value of \$1,589,254, and assumed liabilities with a fair value of \$1,861,019, including deposits with a fair value of \$1,714,177. The acquisition expanded the Company's footprint in the greater Atlanta, Georgia metropolitan area.

Effective July 1, 2017, the Company completed its acquisition of Metropolitan BancGroup, Inc. ("Metropolitan") in a transaction valued at \$219,461. Including the effect of purchase accounting adjustments, the Company acquired assets with a fair value of \$1,350,881, including gross loans with a fair value of \$967,804, and assumed liabilities with a fair value of \$1,137,291, including deposits with a fair value of \$942,084. The acquisition expanded the Company's footprint in the Memphis and Nashville markets in Tennessee and in the metro Jackson area in Mississippi.

Other

The Tax Cuts and Jobs Act, enacted on December 22, 2017, among other things, permanently lowered the federal corporate tax rate, effective for tax years including or beginning January 1, 2018. United States generally accepted accounting principles required the Company to revalue its net deferred tax assets on the date of enactment based on the reduction in the overall future tax benefit expected to be realized at the lower tax rate implemented by the new legislation. After reviewing the Company's inventory of deferred tax assets and liabilities on the date of enactment and giving consideration to the future impact of the lower corporate tax rates and other provisions of the new legislation, the Company's revaluation of its net deferred tax assets in December 2017 was \$14,486. This write-down lowered our diluted EPS for 2017 by \$0.31.

In December 2016, the Bank entered into an agreement with the Federal Deposit Insurance Corporation (the "FDIC") to terminate all of the Bank's loss share agreements. As part of this termination, we made a \$4,849 payment to the FDIC. The Company incurred a one-time pre-tax charge of \$2,053 in connection with the termination of the agreement, which impacted diluted EPS in 2016 by \$0.04.

In August 2016, the Company completed the public offering and sale of a combined \$100,000 in subordinated notes. A portion of the proceeds was used to prepay approximately \$38,900 in borrowings from the FHLB resulting in a penalty charge of approximately \$2,200. Together with other penalties incurred in the prepayment of other borrowings in 2016, the penalty had an impact to diluted EPS of \$0.04.

Financial Highlights

Net interest income increased 17.70% to \$396,525 for 2018 as compared to \$336,897 for 2017; net interest income was \$300,991 for 2016. The increase since 2016 was due primarily to the increase in average earnings assets from the acquisitions of Brand and Metropolitan and organic growth in the Company's non purchased loan portfolio. Yields on earning assets increased as we replaced maturing assets with assets earning similar or higher rates of interest.

Furthermore, the increases to the target federal funds rate implemented by the Federal Reserve Board over the last three years resulted in higher yields on loans in our portfolio that earn a variable rate of interest. The Company was able to manage the cost of its deposits with these interest rate increases such that interest expense increased at a much lower rate during this time.

Net charge-offs as a percentage of average loans decreased to 0.05% in 2018 compared to 0.06% in 2017. Net charge-offs as a percentage of average loans was 0.12% in 2016. The provision for loan losses was \$6,810 for 2018

compared to \$7,550 for 2017 and \$7,530 for 2016.

Noninterest income was \$143,961 for 2018 compared to \$132,140 for 2017 and \$137,415 for 2016. The overall growth in noninterest income since 2016 is primarily attributable to the Brand and Metropolitan acquisitions. The decrease in noninterest income from 2016 to 2017 is primarily attributable to a year-over-year decrease in mortgage banking income, which was driven by lower mortgage loan originations.

Noninterest expense was \$345,029, \$301,618 and \$295,099 for 2018, 2017 and 2016, respectively. The increase in noninterest expense and its related components since 2016 is primarily attributable to the Brand and Metropolitan acquisitions. The Company recorded merger expense related to its recent acquisitions of \$14,246, \$10,378 and \$4,023 in 2018, 2017 and 2016, respectively, which impacted diluted EPS in each year by \$0.21, \$0.15 and \$0.06, respectively.

Loans, net of unearned income, were \$9,083,129 at December 31, 2018 compared to \$7,620,322 in 2017 and \$6,202,709 in 2016. Excluding purchased loans of \$2,693,417 and \$2,031,766 at December 31, 2018 and 2017, respectively, the portfolio increased by \$801,156, or 14.34%, from December 31, 2017.

Deposits totaled \$10,128,557 at December 31, 2018 compared to \$7,921,075 at December 31, 2017 and \$7,059,137 at December 31, 2016. The growth in deposits from 2016 to 2018 was partially attributable to the Brand and Metropolitan acquisitions noted above. Noninterest bearing deposits averaged \$2,036,754, or 22.83% of average deposits, for 2018 compared to \$1,724,834, or 22.64% of average deposits, for 2017 and \$1,467,881 or 22.00% of average deposits, for 2016.

A historical look at key performance indicators is presented below.

	2018	2017	2016	2015	2014
Diluted EPS	\$2.79	\$1.96	\$2.17	\$1.88	\$1.88
Diluted EPS Growth	42.35 %	(9.68)%	15.43 %	— %	54.10 %
Shareholders' equity to assets	15.80 %	15.41 %	14.17 %	13.08 %	12.26 %
Tangible shareholders' equity to tangible assets ⁽¹⁾	8.92 %	9.56 %	9.00 %	7.54 %	7.52 %
Return on Average Assets	1.32 %	0.97 %	1.08 %	0.99 %	1.02 %
Return on Average Tangible Assets ⁽¹⁾	1.47 %	1.08 %	1.20 %	1.11 %	1.15 %
Return on Average Shareholders' Equity	8.64 %	6.68 %	8.15 %	7.76 %	8.61 %
Return on Average Tangible Shareholders' Equity ⁽¹⁾	15.98 %	11.84 %	15.28 %	14.50 %	16.25 %

These performance indicators are non-GAAP financial measures. A reconciliation of these financial measures from (1) GAAP to non-GAAP can be found under the "Non-GAAP Financial Measures" heading at the end of this Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

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 and considers other factors that could impact these estimates. We monitor the status of proposed and newly issued accounting standards to evaluate the impact on our financial condition and results of operations. Our accounting policies, including the impact of newly issued accounting standards, are discussed in further detail in Note 1, "Significant Accounting Policies," in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data. The following discussion presents some of the more significant estimates used in preparing our financial statements.

Allowance for Loan Losses

The accounting policy most important to the presentation of our financial statements relates to the allowance for loan losses and the related provision for loan losses. The allowance for loan losses is available to absorb probable credit losses inherent in the entire loan portfolio. The appropriate level of the allowance is based on an ongoing analysis of the loan portfolio and represents an amount that management deems adequate to provide for inherent losses, including collective impairment as recognized under the Financial Accounting Standards Board Accounting Standards Codification Topic ("ASC") 450, "Contingencies" ("ASC 450"). Collective impairment is calculated based on loans grouped by grade. Another component of the allowance is losses on loans assessed as impaired under ASC 310, "Receivables" ("ASC 310"). The balance of the loans determined to be impaired under ASC 310 and the related allowance is included in management's estimation and analysis of the allowance for loan losses. The determination of the appropriate level of the allowance is sensitive to a variety of internal factors, primarily historical loss ratios and assigned risk ratings, and external factors, primarily the economic environment. While no one factor is dominant, each could cause actual loan losses to differ materially from originally estimated amounts. For more information about the 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.” Loans purchased in acquisitions or mergers with evidence of credit deterioration since origination are accounted for under ASC 310-30, “Loans and Debt Securities Acquired with Deteriorated Credit Quality” (“ASC 310-30”). ASC 310-30 prohibits the carryover of an allowance for loan losses for loans purchased in which the acquirer concludes that it will not collect the contractual

amount. As a result, these loans are carried at values which represent management's estimate of the future cash flows of these loans. Increases in expected cash flows to be collected from the contractual cash flows are required to be recognized as an adjustment of the loan's yield over its remaining life, while decreases in expected cash flows are required to be recognized as an impairment. A more detailed discussion of loans accounted for under ASC 310-30, which were acquired in connection with our mergers, including our acquisitions of Brand and Metropolitan, is set forth below under the heading "Risk Management – Credit Risk and Allowance for Loan Losses" and in Note 5, "Purchased Loans" in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

Other-Than-Temporary-Impairment on Investment Securities

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

The amount of OTTI recorded in earnings as a credit loss is dependent upon management's estimate of discounted future cash flows expected from the investment security. The difference between the expected cash flows and the amortized cost basis of the security is considered to be credit loss. The remaining difference between the fair value and the amortized cost basis of the security is considered to be related to all other market factors. Our estimate of discounted future cash flows incorporates a number of assumptions based on both qualitative and quantitative factors. Performance indicators of the security's underlying assets, including credit ratings and current and projected default and deferral rates, as well as the credit quality and capital ratios of the issuing institutions are considered in the analysis. Changes in these assumptions could impact the amount of OTTI recognized as a credit loss in earnings. For additional information regarding the evaluation of our securities portfolio for OTTI, please refer to Note 1, "Significant Accounting Policies," and Note 3, "Securities," in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

Intangible Assets

Our intangible assets consist primarily of goodwill, core deposit intangibles, and customer relationship intangibles. Goodwill arises from business combinations and represents the value attributable to unidentifiable intangible elements of the business acquired. Other intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights. We review the goodwill of each of our reporting units (that is, our reportable segments for financial accounting purposes) for impairment on an annual basis, or more often, if events or circumstances indicate that it is more likely than not that the fair value of the reporting unit is below the carrying value of its equity. In determining the fair value of our reporting units, we use the market approach. The market approach averages the values derived by applying a market multiple, based on observed purchase transactions, to the book value, tangible book value, loan and/or deposit balances and the last twelve months adjusted and unadjusted net income. If the carrying amount of goodwill allocated to each reporting unit exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess.

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

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

Benefit Plans and Stock Based Compensation

Our independent actuary firm prepares actuarial valuations of our pension cost under ASC 715, "Compensation – Retirement Benefits" ("ASC 715"). The discount rate utilized in the December 31, 2018 valuation was 4.56%, compared to 3.96% in 2017. Actual plan assets as of December 31, 2018 were used in the calculation and the expected long-term return on plan assets assumed for this valuation was 6.00%. Changes in these assumptions and estimates can materially affect the benefit plan obligation and the funded status of the plan which in turn may impact shareholders' equity through an adjustment to accumulated other comprehensive income and future pension expense. The pension plan covered under ASC 715 was frozen as of December 31, 1996.

The Company recognizes compensation expense for all share-based payments to employees in accordance with ASC 718, "Compensation – Stock Compensation." We utilize the Black-Scholes model for determining fair value of our options. Determining the fair value of, and ultimately the expense we recognize related to, our stock options requires us to make assumptions regarding dividend yields, expected stock price volatility, estimated forfeitures and the expected life of the option. Changes in these assumptions and estimates can materially affect the calculated fair value of stock-based compensation and the related expense to be recognized. The fair value of restricted stock awards equals the closing price of our common stock as of the business day immediately preceding the date of the award. The Company has elected to account for forfeitures in compensation cost when they occur as permitted under the guidance in ASC 718. Changes in this assumption in the future could result in lower expenses related to the Company's share-based payments. For a description of our assumptions utilized in calculating the fair value of our share-based payments, please refer to Note 14, "Employee Benefit and Deferred Compensation Plans," in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

Business Combinations, Accounting for Purchased Loans

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

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

Mortgage Servicing Rights

The Company recognizes as assets the right to service mortgage loans that it sells to secondary market investors, known as mortgage servicing rights. Mortgage servicing rights are carried at the lower of cost or fair value. Mortgage servicing rights are amortized in proportion to and over the period of estimated servicing income. External valuations of the fair value of mortgage servicing rights are obtained monthly and determined using various assumptions including expected cash flows, prepayment speeds, market discount rates, servicing costs, mortgage interest rates and other factors. These assumptions can, and generally will, change as market conditions and interest rates change resulting in fluctuations of the fair value. The Company does not currently hedge the mortgage servicing rights asset. For additional information regarding our mortgage servicing rights, please refer to Note 10, "Mortgage Servicing Rights," in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

Other Real Estate Owned

Other real estate owned (“OREO”) consists of properties obtained through foreclosure or acceptance of a deed in lieu of foreclosure in satisfaction of a loan obligation. Other real estate owned is initially recorded at fair market value based on appraised value less selling costs, estimated as of the date acquired, with any loss recognized as a charge-off through the allowance for loan losses. Reductions in the carrying value subsequent to acquisition are charged to earnings. The fair value of OREO is derived primarily

from independent appraisers. Our internal policies generally require OREO properties to be appraised every 12 months. Significant judgments and complex estimates are required in estimating the fair value of OREO, and the period of time within which such estimates can be considered current is significantly shortened during periods of market volatility. As a result, the net proceeds realized from sales transactions could differ significantly from appraisals, comparable sales, and other estimates used to determine the fair value of OREO.

Income Taxes

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

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

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

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

For additional information regarding our income tax accounting, please refer to Note 1, "Significant Accounting Policies," and Note 16, "Income Taxes," in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

Financial Condition

The following discussion provides details regarding the changes in significant balance sheet accounts at December 31, 2018 compared to December 31, 2017 and December 31, 2016.

Mergers and Acquisitions

Acquisition of Brand Group Holdings, Inc.

On September 1, 2018, the Company completed its acquisition by merger of Brand Group Holdings, Inc. (“Brand”), the parent company of The Brand Banking Company. At closing, Brand merged with and into the Company, with the Company the surviving corporation in the merger; immediately thereafter, The Brand Banking Company merged with and into Renasant Bank, with Renasant Bank the surviving banking corporation in the merger. The assets acquired and liabilities assumed, as presented in the table below, have been recorded at estimated fair value and are subject to change pending finalization of all valuations.

(in thousands)	September 1, 2018
Cash and cash equivalents	\$ 193,436
Securities	71,246
Loans including loans held for sale	1,589,254
Premises and equipment	20,070
Intangible assets	349,416
Other assets	112,050
Total assets	\$ 2,335,472

Deposits	\$ 1,714,177
Borrowings	90,912
Other liabilities	55,930
Total liabilities	\$ 1,861,019

As part of the merger agreement, Brand agreed to divest the operations of its subsidiary Brand Mortgage Group, LLC (“BMG”), which transaction was completed as of October 31, 2018. As a result, the balance sheet and results of operations of BMG, which the Company considers to be immaterial to the overall results of the Company, are included in the Company's results from September 1, 2018 to October 31, 2018. The following table summarizes the results of operations for BMG included in the Company's Consolidated Statements of Income for the year ended December 31, 2018:

(in thousands)	
Interest income	\$ 357
Interest expense	279
Net interest income	78
Noninterest income	4,043
Noninterest expense	4,398
Net income before taxes	\$(277)

The Company's financial condition and results of operations include the impact of Brand's operations since the September 1, 2018 acquisition date.

Acquisition of Metropolitan BancGroup, Inc.

Effective July 1, 2017, the Company completed its acquisition of Metropolitan BancGroup, Inc. (“Metropolitan”), the parent company of Metropolitan Bank. At closing, Metropolitan merged with and into the Company, with the Company the surviving corporation in the merger; immediately thereafter, Metropolitan Bank merged with and into Renasant Bank, with Renasant Bank the surviving banking corporation in the merger. The following table summarizes the fair value on July 1, 2017 of assets acquired and liabilities assumed at acquisition date in connection with the merger with Metropolitan.

Cash and cash equivalents	\$47,556
Securities	108,697
Loans, including mortgage loans held for sale	967,804
Premises and equipment	8,576
Other real estate owned	1,203
Intangible assets	147,478
Other assets	69,567
Total assets	\$1,350,881

Deposits	\$942,084
Borrowings	174,522
Other liabilities	20,685
Total liabilities	\$1,137,291

The Company's financial condition and results of operations include the impact of Metropolitan's operations since the July 1, 2017 acquisition date.

See Note 2, "Mergers and Acquisitions," in the Notes to Consolidated Financial Statements included in Item 1, "Financial Statements," for details regarding the Company's recent mergers and acquisitions.

Assets

Total assets were \$12,934,878 at December 31, 2018 compared to \$9,829,981 at December 31, 2017 and \$8,699,851 at December 31, 2016. The acquisition of Brand increased total assets \$2,335,472 at September 1, 2018, and the acquisition of Metropolitan increased total assets \$1,350,881 at July 1, 2017. The increase in total assets from 2016 to 2017 due to the Metropolitan acquisition and organic loan growth was offset by the strategic initiatives to manage total assets to below \$10,000,000 at December 31, 2017. The Company sold certain investment securities and shortened the holding period of mortgage loans held for sale and used these proceeds to reduce certain wholesale funding sources. More details regarding these initiatives are provided below.

Investments

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

	2018		2017		2016	
	Balance	% of Portfolio	Balance	% of Portfolio	Balance	% of Portfolio
Obligations of other U.S. Government agencies and corporations	\$2,511	0.20 %	\$3,564	0.53 %	\$16,259	1.58 %
Obligations of states and political subdivisions	203,269	16.25	234,481	34.92	342,181	33.20
Mortgage-backed securities	990,437	79.19	406,765	60.58	631,556	61.29
Trust preferred securities	10,633	0.85	9,388	1.40	18,389	1.78
Other debt securities	43,927	3.51	17,290	2.57	22,145	2.15
	\$1,250,777	100.00%	\$671,488	100.00%	\$1,030,530	100.00%

The Brand acquisition in 2018 and the Metropolitan acquisition in 2017 contributed approximately \$71,246 and \$108,697 at each respective acquisition date to the securities portfolio.

The overall decrease in the balance of our securities portfolio from 2016 to 2017 was a result of the Company's successful implementation of several strategic initiatives, collectively referred to as our "deleveraging strategy," to manage its consolidated assets below \$10,000,000 at December 31, 2017 in order to delay the impact of the Durbin Amendment to the Dodd-Frank Act. Among other things, the Durbin Amendment imposes limitations on the amount of debit card interchange fees banking institutions with more than \$10,000,000 in assets as of the end of a fiscal year can charge its customers. The deleveraging strategy involved the sale of certain investment securities and the shortening of the holding period of mortgage loans held for sale; the proceeds from these sales were used to reduce

certain wholesale funding sources. Securities sold during the fourth quarter of 2017 pursuant

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to our deleveraging strategy had an aggregate carrying value of \$446,880 on the dates of sale. The Company collected net proceeds of \$446,971 which resulted in a net gain of \$91 on the sales.

During 2018, we purchased \$686,887 in investment securities; the majority of these purchases were made as part of the releveraging of the Company's balance sheet, which was completed in the second quarter of 2018, with the remainder of our purchases being ordinary course purchases of investment securities. Mortgage-backed securities and collateralized mortgage obligations ("CMOs"), in the aggregate, comprised 97.31% of the purchases. CMOs are included in the "Mortgage-backed securities" line item in the above table. The mortgage-backed securities and CMOs held in our investment portfolio are issued by government sponsored entities. Other debt securities in our investment portfolio consist of corporate debt securities and issuances from the Small Business Administration ("SBA"). The carrying value of securities sold during 2018 totaled \$2,403 resulting in a net loss of \$16, while proceeds from maturities and calls of securities during 2018 totaled \$160,703, which were primarily reinvested in the securities portfolio.

During 2017, we purchased \$210,190 in investment securities. Mortgage-backed securities and CMOs, in the aggregate, comprised 99.05% of the purchases. The carrying value of securities sold during 2017, including the aforementioned sales of securities as part of our deleveraging strategy, totaled \$495,192 resulting in a net gain of \$148. Proceeds from maturities and calls of securities during 2017 totaled \$185,327, which were primarily used to reduce wholesale funding or reinvested in the securities portfolio.

In the third quarter of 2017, the Company also decided to transfer all held to maturity securities, which primarily consisted of municipal securities, into the available for sale portfolio in light of the ongoing fiscal uncertainty in many state and local governments. Although the Company's analysis of its securities portfolio in third quarter of 2017 showed that its municipal securities had not experienced significant deterioration as of the date of such analysis, the Company transferred all held to maturity securities to available for sale in order to give management the flexibility to quickly liquidate any municipal securities should further analysis review more significant deterioration than had been experienced to date. At the date of transfer, the securities transferred had a carrying value of \$365,941, which included an unrealized gain of \$13,219.

At December 31, 2018, unrealized losses of \$18,269 were recorded on available for sale investment securities with a carrying value of \$822,506. At December 31, 2017 and 2016, unrealized losses of \$10,488 and \$16,065, respectively, were recorded on available for sale securities with a carrying value of \$373,947 and \$494,619, respectively. The Company does not intend to sell any of the securities in an unrealized loss position, and it is not more likely than not that the Company will be required to sell any such security prior to the recovery of its amortized cost basis, which may be maturity. Furthermore, even though a number of these securities have been in a continuous unrealized loss position for a period greater than twelve months, the Company is collecting principal and interest payments from the respective securities as scheduled. Accordingly, the Company did not record any other-than-temporary impairment for the years ended December 31, 2018, 2017 or 2016.

The Company holds investments in pooled trust preferred securities. This portfolio had a cost basis of \$12,359, \$12,442 and \$23,749 and a fair value of \$10,633, \$9,388 and \$18,389 at December 31, 2018, 2017 and 2016, respectively. The investment in pooled trust preferred securities consists of two securities representing interests in various tranches of trusts collateralized by debt issued by over 160 financial institutions. During 2017, the Company sold one of its pooled trust preferred securities with a carrying value of \$9,346 at the time of sale for net proceeds of \$9,403 resulting in a gain of \$57. For more information about the Company's trust preferred securities, see Note 3, "Securities," in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data, in this report.

Loans

Loans, excluding loans held for sale, are the Company's most significant earning asset, comprising 70.22%, 77.52% and 71.30% of total assets at December 31, 2018, 2017 and 2016, respectively. The table below sets forth the balance of loans outstanding by loan type at December 31:

	2018	2017	2016	2015	2014
Commercial, financial, agricultural	\$1,295,912	\$1,039,393	\$717,490	\$636,837	\$483,283
Lease financing	61,865	54,013	46,841	34,815	10,114

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Real estate – construction	740,668	633,389	552,679	357,665	212,061
Real estate – 1-4 family mortgage	2,795,343	2,343,721	1,878,177	1,735,323	1,236,360
Real estate – commercial mortgage	4,051,509	3,427,530	2,898,895	2,533,729	1,956,914
Installment loans to individuals	137,832	122,276	108,627	115,093	89,142
Total loans, net of unearned income	\$9,083,129	\$7,620,322	\$6,202,709	\$5,413,462	\$3,987,874

The Brand acquisition on September 1, 2018 and the Metropolitan acquisition on July 1, 2017 increased the loan portfolio by \$1,331,087 and \$965,033, respectively, on the acquisition dates.

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

	2018	2017	2016	2015	2014
Commercial, financial, agricultural	14.27 %	13.64 %	11.57 %	11.76 %	12.12 %
Lease financing	0.68	0.71	0.75	0.64	0.25
Real estate – construction	8.15	8.31	8.91	6.61	5.32
Real estate – 1-4 family mortgage	30.78	30.76	30.28	32.06	31.00
Real estate – commercial mortgage	44.60	44.98	46.74	46.80	49.07
Installment loans to individuals	1.52	1.60	1.75	2.13	2.24
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 that would cause them to be similarly impacted by economic or other conditions. At December 31, 2018, there were no concentrations of loans exceeding 10% of total loans other than loans disclosed in the table above. Non purchased loans at December 31, 2018 were \$6,389,712, compared to \$5,588,556 at December 31, 2017 and \$4,713,572 at December 31, 2016. Since 2016, the Company has experienced organic loan growth across all categories of loans with loans from our specialty commercial business lines, which consist of our asset-based lending, Small Business Administration lending, healthcare, factoring, and equipment lease financing banking groups, contributing \$102,251 of the total increase in non purchased loans from December 31, 2017. Our specialty commercial business lines contributed \$55,259 of the total increase in non purchased loans from December 31, 2016 to December 31, 2017.

Looking at the change in loans geographically, non purchased loans in our Mississippi, Tennessee and Georgia markets increased by \$115,797, \$36,400 and \$403,942, respectively, while non purchased loans in our Alabama and Florida markets (collectively referred to as our “Central Region”) increased by \$245,017 when compared to December 31, 2017.

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Loans purchased in previous acquisitions, collectively referred to as “purchased loans,” totaled \$2,693,417, \$2,031,766 and \$1,489,137 at December 31, 2018, 2017 and 2016, respectively. The following tables provide a breakdown of non purchased loans and purchased loans from previous acquisitions as of the dates presented:

	December 31, 2018		
	Non Purchased	Purchased	Total Loans
Commercial, financial, agricultural	\$875,649	\$420,263	\$1,295,912
Lease financing	61,865	—	61,865
Real estate – construction:			
Residential	214,452	55,096	269,548
Commercial	421,067	50,053	471,120
Condominiums	—	—	—
Total real estate – construction	635,519	105,149	740,668
Real estate – 1-4 family mortgage:			
Primary	1,221,908	458,035	1,679,943
Home equity	452,248	157,245	609,493
Rental/investment	304,309	57,878	362,187
Land development	109,425	34,295	143,720
Total real estate – 1-4 family mortgage	2,087,890	707,453	2,795,343
Real estate – commercial mortgage:			
Owner-occupied	1,052,521	547,741	1,600,262
Non-owner occupied	1,446,353	826,506	2,272,859
Land development	129,491	48,897	178,388
Total real estate – commercial mortgage	2,628,365	1,423,144	4,051,509
Installment loans to individuals	100,424	37,408	137,832
Total loans, net of unearned income	\$6,389,712	\$2,693,417	\$9,083,129
	December 31, 2017		
	Non Purchased	Purchased	Total Loans
Commercial, financial, agricultural	\$763,823	\$275,570	\$1,039,393
Lease financing	54,013	—	54,013
Real estate – construction:			
Residential	178,400	25,041	203,441
Commercial	361,345	55,734	417,079
Condominiums	7,913	4,956	12,869
Total real estate – construction	547,658	85,731	633,389
Real estate – 1-4 family mortgage:			
Primary	924,468	403,637	1,328,105
Home equity	445,149	116,990	562,139
Rental/investment	281,662	72,590	354,252
Land development	78,255	20,970	99,225
Total real estate – 1-4 family mortgage	1,729,534	614,187	2,343,721
Real estate – commercial mortgage:			
Owner-occupied	938,444	436,011	1,374,455
Non-owner occupied	1,319,453	554,239	1,873,692
Land development	132,179	47,204	179,383
Total real estate – commercial mortgage	2,390,076	1,037,454	3,427,530
Installment loans to individuals	103,452	18,824	122,276
Total loans, net of unearned income	\$5,588,556	\$2,031,766	\$7,620,322

	December 31, 2016		
	Non Purchased Loans	Purchased Loans	Total Loans
Commercial, financial, agricultural	\$589,290	\$128,200	\$717,490
Lease financing	46,841	—	46,841
Real estate – construction:			
Residential	197,029	19,282	216,311
Commercial	285,638	49,471	335,109
Condominiums	1,259	—	1,259
Total real estate – construction	483,926	68,753	552,679
Real estate – 1-4 family mortgage:			
Primary	747,678	281,721	1,029,399
Home equity	400,448	86,151	486,599
Rental/investment	219,237	62,917	282,154
Land development	58,367	21,658	80,025
Total real estate – 1-4 family mortgage	1,425,730	452,447	1,878,177
Real estate – commercial mortgage:			
Owner-occupied	833,509	378,756	1,212,265
Non-owner occupied	1,106,727	397,404	1,504,131
Land development	134,901	47,598	182,499
Total real estate – commercial mortgage	2,075,137	823,758	2,898,895
Installment loans to individuals	92,648	15,979	108,627
Total loans, net of unearned income	\$4,713,572	\$1,489,137	\$6,202,709

Loans secured by real estate represented 83.53%, 84.05%, 85.93%, 85.47% and 85.39% of the Company's total loan portfolio at December 31, 2018, 2017, 2016, 2015 and 2014, respectively. The following table provides further details of the types of loans in the Company's loan portfolio secured by real estate at December 31:

	2018	2017	2016	2015	2014
Real estate – construction:					
Residential	\$269,548	\$203,441	\$216,311	\$168,615	\$93,273
Commercial	471,120	417,079	335,109	186,569	116,263
Condominiums	—	12,869	1,259	2,481	2,525
Total real estate – construction	740,668	633,389	552,679	357,665	212,061
Real estate – 1-4 family mortgage:					
Primary	1,679,943	1,328,105	1,029,399	1,031,909	701,735
Home equity	609,493	562,139	486,599	382,255	296,036
Rental/investment	362,187	354,252	282,154	251,966	190,879
Land development	143,720	99,225	80,025	69,193	47,710
Total real estate – 1-4 family mortgage	2,795,343	2,343,721	1,878,177	1,735,323	1,236,360
Real estate – commercial mortgage:					
Owner-occupied	1,600,262	1,374,455	1,212,265	1,082,554	865,361
Non-owner occupied	2,272,859	1,873,692	1,504,131	1,272,259	944,428
Land development	178,388	179,383	182,499	178,916	147,125
Total real estate – commercial mortgage	4,051,509	3,427,530	2,898,895	2,533,729	1,956,914
Total loans secured by real estate	\$7,587,520	\$6,404,640	\$5,329,751	\$4,626,717	\$3,405,335

Loans Held for Sale

Loans held for sale were \$411,427 at December 31, 2018 compared to \$108,316 at December 31, 2017 and \$177,866 at December 31, 2016. Included in the balance at December 31, 2018 is a portfolio of non-mortgage consumer loans of approximately \$191,578 acquired from Brand. The Company is currently evaluating its long-term plans with

respect to this portfolio.

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The remaining increase in loans held for sale is attributable to mortgage loans held for sale. The acquisition of Brand added \$47,845 to mortgage loans held for sale at the acquisition date. The Company's aforementioned strategy to manage consolidated assets below \$10,000,000 at December 31, 2017 included shortening the holding period of mortgage loans held for sale, which was the primary driver for the decrease in the balance from 2016 to 2017. At the beginning of 2018, the holding period of mortgage loans held for sale reverted to standard practice, which was the primary reason for the remaining increase in the balance from December 31, 2017.

Mortgage loans to be sold are sold either on a "best efforts" basis or under a "mandatory delivery" sales agreement. Under a "best efforts" sales agreement, residential real estate originations are locked in at a contractual rate with third party private investors or directly with government sponsored entities, and the Company is obligated to sell the mortgages to such investors only if the mortgages are closed and funded. The risk we assume is conditioned upon loan underwriting and market conditions in the national mortgage market. Under a "mandatory delivery" sales agreement, the Company commits to deliver a certain principal amount of mortgage loans to an investor at a specified price and delivery date. Penalties are paid to the investor if we fail to satisfy the contract. Gains and losses are realized at the time consideration is received and all other criteria for sales treatment have been met. These loans are typically sold within 30-40 days after the loan is funded. Although loan fees and some interest income are derived from mortgage loans held for sale, the main source of income is gains from the sale of these loans in the secondary market.

Deposits

Noninterest-Bearing Deposits to Total Deposits

2018	2017	2016
22.89%	23.23%	22.12%

The Company relies on deposits as its major source of funds. Total deposits were \$10,128,557, \$7,921,075 and \$7,059,137 at December 31, 2018, 2017 and 2016, respectively. Noninterest-bearing deposits were \$2,318,706, \$1,840,424 and \$1,561,357 at December 31, 2018, 2017 and 2016, respectively, while interest-bearing deposits were \$7,809,851, \$6,080,651 and \$5,497,780 at December 31, 2018, 2017 and 2016, respectively. The increase in deposits in 2018 was primarily attributable to organic growth across our footprint, as discussed below, and the acquisition of Brand, which increased total deposits by \$1,714,177 at the acquisition date, which consisted of \$429,195 and \$1,284,982 of noninterest-bearing and interest-bearing deposits, respectively. The increase in deposits in 2017 was partly due to the acquisition of Metropolitan, which increased total deposits by \$942,084 at the acquisition date. This consisted of noninterest-bearing deposits of \$267,479 and interest-bearing deposits of \$674,605. Management continues to focus on growing and maintaining a stable source of funding, specifically core deposits. Under certain circumstances, however, management may elect to acquire non-core deposits in the form of public fund deposits or time deposits. The source of funds that we select depends on the terms and how those terms assist us in mitigating interest rate risk, maintaining our liquidity position and managing our net interest margin. Accordingly, funds are only acquired when needed and at a rate that is prudent under the circumstances.

Public fund deposits are those of counties, municipalities or other political subdivisions and may be readily obtained based on the Company's pricing bid in comparison with competitors. Since public fund deposits are obtained through a bid process, these deposit balances may fluctuate as competitive and market forces change. The Company has focused on growing stable sources of deposits to reduce reliance on public fund deposits. However, the Company continues to participate in the bidding process for public fund deposits when it is reasonable under the circumstances. Our public fund transaction accounts are principally obtained from municipalities including school boards and utilities. Public fund deposits at December 31, 2018 were \$1,271,139 compared to \$1,000,324 at December 31, 2017 and \$894,321 at December 31, 2016.

Looking at the change in deposits geographically, and excluding deposits assumed in connection with the Brand acquisition, deposits increased \$206,866, \$82,669 and \$101,235 in our Mississippi, Central Region and Georgia markets, respectively, while deposits decreased \$6 in our Tennessee markets when compared to December 31, 2017.

Borrowed Funds

Total borrowings include securities sold under agreements to repurchase, advances from the FHLB, subordinated notes and junior subordinated debentures. Borrowings are classified on the Consolidated Balance Sheets as either

short-term borrowings or long-term debt. Short-term borrowings have original maturities less than one year and typically include securities sold under agreements to repurchase, federal funds purchased and short-term FHLB advances. There was \$387,706 of short-term borrowings on the balance sheet at December 31, 2018, consisting of security repurchase agreements of \$7,706 and short-term borrowings from the FHLB of \$380,000 compared to security repurchase agreements of \$6,814 and short-term borrowings from the FHLB of \$83,000 at December 31, 2017 and security repurchase agreement of \$9,676 and short-term borrowings from the FHLB of \$100,000 at

December 31, 2016. In connection with the Company's aforementioned deleveraging strategy implemented during the fourth quarter of 2017, the Company used the proceeds from the sale of investment securities and the shortening of the holding period of mortgage loans held for sale to pay down short-term borrowings from the FHLB.

At December 31, 2018, long-term debt totaled \$263,618 compared to \$207,546 at December 31, 2017 and \$202,459 at December 31, 2016. Funds are borrowed from the FHLB primarily to match-fund against certain loans, negating interest rate exposure when rates rise. Such match-funded loans are typically large, fixed rate commercial or real estate loans with long-term maturities. Long-term FHLB advances were \$6,690, \$7,493 and \$8,542 at December 31, 2018, December 31, 2017 and December 31, 2016, respectively. At December 31, 2018, there were \$1,759 in long-term FHLB advances outstanding scheduled to mature within twelve months or less. The Company had \$3,301,543 of availability on unused lines of credit with the FHLB at December 31, 2018 compared to \$2,670,141 at December 31, 2017 and \$2,633,543 at December 31, 2016. The average cost of our long-term FHLB advances was 3.29%, 3.40% and 4.02% for 2018, 2017, and 2016, respectively.

The Company owns the outstanding common securities of business trusts that issued corporation-obligated mandatorily redeemable preferred capital securities to third-party investors. The trusts used the proceeds from the issuance of their preferred capital securities and common securities (collectively referred to as "capital securities") to buy floating rate junior subordinated debentures issued by the Company (or by companies that the Company subsequently acquired). The debentures are the trusts' only assets and interest payments from the debentures finance the distributions paid on the capital securities. The Company's junior subordinated debentures totaled \$109,636 at December 31, 2018 compared to \$85,881 at December 31, 2017 and \$95,643 at December 31, 2016. The Company assumed \$23,198 of junior subordinated debentures as a result of the acquisition of Brand. During the first quarter of 2017, the Company prepaid \$10,310 of junior subordinated debentures and incurred a prepayment penalty of \$205. During 2016, the Company completed an underwritten public offering and sale of \$60,000 of its 5.00% fixed-to-floating rate subordinated notes due September 1, 2026, and \$40,000 of its 5.50% fixed-to-floating rate subordinated notes due September 1, 2031. As part of the Brand acquisition, the Company assumed \$30,000 of 8.50% fixed rate subordinated notes due June 27, 2024, and as part of the Metropolitan acquisition, the Company assumed \$15,000 of 6.50% fixed-to-floating rate subordinated notes due July 1, 2026 (collectively, the "Notes"). The Notes, net of unamortized debt issuance costs, totaled \$147,239 at December 31, 2018 compared to \$114,074 at December 31, 2017 and \$98,127 at December 31, 2016. The Company has used, and intends to continue to use, the net proceeds from the Notes offerings for general corporate purposes, which may include providing capital to support the Company's growth organically or through strategic acquisitions, repaying indebtedness and financing investments and capital expenditures, and for investments in the Bank as regulatory capital. The Notes qualify as Tier 2 capital under the current regulatory guidelines.

For more information about the terms and conditions of the Company's junior subordinated debentures and Notes, see Note 13, "Long-Term Debt," in the Notes to the Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data in this report.

Results of Operations

Net Income

Net income for the year ended December 31, 2018 was \$146,920 compared to net income of \$92,188 for the year ended December 31, 2017 and \$90,930 for the year ended December 31, 2016. Basic earnings per share for the year ended December 31, 2018 was \$2.80 as compared to \$1.97 and \$2.18 for the years ended December 31, 2017 and 2016, respectively. Diluted earnings per share for the year ended December 31, 2018 was \$2.79 as compared to \$1.96 and \$2.17 for each of the years ended December 31, 2017 and 2016, respectively.

The Company incurred expenses and charges in connection with certain transactions with respect to which management is unable to accurately predict when these expenses or charges will be incurred or, when incurred, the amount of such charges. The following table presents the impact of these charges on reported earnings per share for the periods presented:

	Twelve Months Ended December 31,		Impact to Diluted EPS	2017		Impact to Diluted EPS	2016		Impact to Diluted EPS
	2018			Pre-tax	After-tax		Pre-tax	After-tax	
Merger and Conversion expenses	\$ 14,246	\$ 11,095	\$ 0.21	\$ 10,378	\$ 6,925	\$ 0.15	\$ 4,023	\$ 2,694	\$ 0.06
Revaluation of net deferred tax assets	—	—	—	—	14,486	0.31	—	—	—
Debt prepayment penalty	—	—	—	205	137	—	2,539	1,700	0.04
Loss share termination	—	—	—	—	—	—	2,053	1,495	0.04

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 73.65% of total net revenue in 2018. Total net revenue consists of net interest income on a fully taxable equivalent basis and noninterest income. The primary concerns in managing net interest income are the volume, mix and repricing of assets and liabilities.

Net interest income increased 17.70% to \$396,525 for 2018 compared to \$336,897 in 2017 and \$300,991 in 2016. On a tax equivalent basis, net interest income increased \$56,683 to \$402,426 in 2018 as compared to \$345,743 and \$308,002 in 2017 and 2016, respectively. Net interest margin was 4.16% for each of 2018 and 2017 as compared to 4.22% for 2016.

Net interest income and net interest margin are influenced by internal and external factors. Internal factors include balance sheet changes on both volume and mix and pricing decisions. External factors include changes in market interest rates, competition and the shape of the interest rate yield curve.

Interest income, on a tax equivalent basis, was \$467,755 for 2018 compared to \$383,596 for 2017, an increase of \$84,159. Interest income, on a tax equivalent basis, was \$336,149 for 2016. The following table presents the percentage of total average earning assets, by type and yield, for 2018, 2017 and 2016:

	Percentage of Total			Yield		
	2018	2017	2016	2018	2017	2016
Loans	84.67 %	82.59 %	80.81 %	5.12 %	4.97 %	5.01 %
Loans held for sale	2.80	2.10	3.25	4.77	4.28	3.58
Securities	10.99	12.96	14.71	3.10	3.09	2.97
Other	1.54	2.35	1.23	2.07	1.19	0.51
Total earning assets	100.00 %	100.00 %	100.00 %	4.84 %	4.62 %	4.61 %

In 2018, loan income, on a tax equivalent basis, increased \$78,275 to \$418,842 from \$340,567 in 2017. Loan income, on a tax equivalent basis, was \$295,333 in 2016. The following table presents reported taxable equivalent yield on loans for the periods presented:

	Twelve months ended December 31,		
	2018	2017	2016
Taxable equivalent interest income on loans, as reported	\$ 418,842	\$ 340,567	\$ 295,333
Average loans	\$ 8,181,587	\$ 6,855,802	\$ 5,895,972
Taxable equivalent loan yield, as reported	5.12 %	4.97 %	5.01 %

The increase in loan income since 2016 is driven by an increase in the average balance of loans as a result of the Brand and Metropolitan acquisitions and organic loan growth in the Company's non purchased loan portfolio as well as an increase in the yield on loans due to replacing maturing loans with loans earning similar or higher rates of interest. The Company's yield on loans that earn a variable rate of interest has also benefited from the Federal Reserve Board's increase to the target federal funds rate on eight separate occasions since December 2016.

The impact from interest income collected on problem loans and purchase accounting adjustments on purchased loans to total interest income on loans, loan yield and net interest margin is shown in the table below for the periods presented:

	Twelve months ended December 31,		
	2018	2017	2016
Net interest income collected on problem loans	\$2,861	\$8,807	\$4,581
Accretable yield recognized on purchased loans ⁽¹⁾	24,333	23,151	29,436
Total impact to interest income on loans	\$27,194	\$31,958	\$34,017

Impact to loan yield	0.33	% 0.47	% 0.58	%
Impact to net interest margin	0.28	% 0.38	% 0.46	%

(1) Includes additional interest income recognized in connection with the acceleration of paydowns and payoffs from purchased loans of \$12,339, \$10,932 and \$14,555 for the twelve months ended December 31, 2018, 2017 and 2016, respectively, which increased loan yield by 15 basis points, 16 basis points and 25 basis points for the same periods, respectively.

In 2018, investment income, on a tax equivalent basis, decreased \$301 to \$32,945 from \$33,246 in 2017. Investment income, on a tax equivalent basis, was \$31,860 in 2016. The following table presents the taxable equivalent yield on securities for the periods presented:

	Twelve months ended December 31,			
	2018	2017	2016	
Taxable equivalent interest income on securities	\$32,945	\$33,246	\$31,860	
Average securities	\$1,061,882	\$1,075,987	\$1,073,611	
Taxable equivalent yield on securities	3.10	% 3.09	% 2.97	%

The average balance in the investment portfolio was down for the year ended December 31, 2018 as compared to the same period in 2017 resulting in the decline in interest income. The decrease in the average balance of the investment portfolio was due to the pace at which we repurchased investment securities following the deleveraging strategy implemented by the Company in the fourth quarter of 2017. However, our ability to repurchase investments with higher yields as we releveraged the balance sheet coupled with rising interest rates and changes in the investment portfolio allocation resulted in an increase to the taxable equivalent yield on securities in 2018 when compared to 2017 and 2016.

Interest expense was \$65,329 in 2018 compared to \$37,853 and \$28,147 in 2017 and 2016, respectively. The following table presents, by type, the Company's funding sources, which consist of total average deposits and borrowed funds, and the total cost of each funding source for each of the years presented:

	Percentage of Total			Cost of Funds		
	2018	2017	2016	2018	2017	2016
Noninterest-bearing demand	21.88	% 21.46	% 20.40	% —	% —	% —
Interest-bearing demand	45.62	44.91	42.96	0.56	0.26	0.19
Savings	6.41	7.06	7.30	0.15	0.07	0.07
Time deposits	21.92	21.35	22.06	1.24	0.85	0.73
Short-term borrowings	1.67	2.71	4.96	2.10	1.22	0.45
Long-term Federal Home Loan Bank advances	0.08	0.10	0.50	3.29	3.40	4.02
Subordinated notes	1.35	1.32	0.49	5.54	5.59	5.45
Other long-term borrowed funds	1.07	1.09	1.33	5.11	5.01	5.56
Total deposits and borrowed funds	100.00%	100.00%	100.00%	0.70%	0.47%	0.39%

Interest expense on deposits was \$49,760, \$24,620 and \$17,856 for 2018, 2017 and 2016, respectively. The cost of total deposits was 0.56%, 0.32%, and 0.27% for the years ending December 31, 2018, 2017, and 2016, respectively.

The cost of interest-bearing deposits was 0.72%, 0.42% and 0.34% for the same periods. The increase in both deposit expense and cost is attributable to both the increase in the average balance of all interest-bearing deposits resulting from the Metropolitan and Brand acquisitions and organic deposit growth as well as an increase in the interest rates on interest-bearing deposits. Although the Company continues to seek changes in the mix of its deposits from higher costing time deposits to lower costing interest-bearing deposits and noninterest-

bearing deposits, rates offered on the Company's interest-bearing deposit accounts, including time deposits, have increased to match competitive market interest rates in order to maintain stable sources of funding.

Interest expense on total borrowings was \$15,569, \$13,233 and \$10,291 for the years ending December 31, 2018, 2017 and 2016, respectively, while the cost of total borrowings was 4.01%, 3.16% and 1.96% for the years ended December 31, 2018, 2017 and 2016, respectively. The Company issued higher costing subordinated notes in 2016, assumed subordinated notes in its acquisitions of Metropolitan and Brand and assumed junior subordinated debentures in its acquisition of Brand, increasing the average balance of borrowings from 2016. Additional interest expense from these issued and assumed notes, coupled with higher interest rates charged on our short-term FHLB advances, resulted in the increase to interest expense and cost of total borrowings from 2016.

A more detailed discussion of the cost of our funding sources is set forth below under the heading "Liquidity and Capital Resources" in this item. Additionally, for more information about our outstanding subordinated notes and junior subordinated debentures, see Note 13, "Long-Term Debt," in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

Noninterest Income

Noninterest Income to Average Assets

(Excludes securities gains/losses)

2018	2017	2016
1.30%	1.39%	1.62%

Total noninterest income includes fees generated from deposit services and other fees and commissions, income from our insurance, wealth management and mortgage banking operations, realized gains on the sale of securities and all other noninterest income. Our focus is to develop and enhance our products that generate noninterest income in order to diversify our revenue sources. Noninterest income as a percentage of total net revenues was 26.35%, 27.65% and 30.85% for 2018, 2017 and 2016.

Noninterest income was \$143,961 for the year ended December 31, 2018, an increase of \$11,821, or 8.95%, as compared to \$132,140 for 2017. Noninterest income was \$137,415 for the year ended December 31, 2016. The increase in noninterest income was primarily driven by the additional income associated with the acquisition of Metropolitan's operations and, to a lesser extent, Brand's operations.

Service charges on deposit accounts include maintenance fees on accounts, per item charges, account enhancement charges for additional packaged benefits and overdraft fees. Service charges on deposit accounts were \$34,660, \$33,224 and \$31,875 for the twelve months ended December 31, 2018, 2017 and 2016, respectively. Overdraft fees, the largest component of service charges on deposits, were \$24,105 for the twelve months ended December 31, 2018 compared to \$23,463 and \$22,869 for the same period in 2017 and 2016, respectively.

Fees and commissions increased to \$23,868 in 2018 as compared to \$21,934 and \$18,814 for the same period in 2017 and 2016, respectively. Fees and commissions include fees related to deposit services, such as ATM fees and interchange fees on debit card transactions. Interchange fees on debit card transactions, the largest component of fees and commissions, were \$20,390 for the twelve months ended December 31, 2018 compared to \$18,149 and \$16,182 for the same period in 2017 and 2016, respectively. Because our total assets exceeded \$10,000,000 at December 31, 2018, beginning on July 1, 2019, we will become subject to the limitations on interchange fees imposed pursuant to §1075 of the Dodd-Frank Act (this provision, which is commonly referred to as the "Durbin Amendment," is discussed in more detail under the heading "Supervision and Regulation" in Item 1, Business.) Management continues to examine this issue and develop strategies to offset the impact of the Durbin Amendment.

Through Renasant Insurance, we offer a range of commercial and personal insurance products through major insurance carriers. Income earned on insurance products was \$8,590, \$8,361 and \$8,508 for the years ended December 31, 2018, 2017 and 2016, respectively. Contingency income is a bonus received from the insurance underwriters and is based both on commission income and claims experience on our clients' policies during the previous year. Increases and decreases in contingency income are reflective of corresponding increases and decreases in the amount of claims paid by insurance carriers. Contingency income, which is included in "Other noninterest income" in the Consolidated Statements of Income, was \$832, \$816 and \$1,177 for 2018, 2017 and 2016, respectively.

Our Wealth Management segment has two primary divisions: Trust and Financial Services. The Trust division operates on a custodial basis which includes administration of benefit plans, as well as accounting and money management for trust accounts. The division manages a number of trust accounts inclusive of personal and corporate benefit accounts, self-directed IRAs, and custodial accounts. Fees for managing these accounts are based on changes in market values of the assets under management in the account, with the amount of the fee depending on the type of account. The Financial Services division provides specialized

products and services to our customers, which include fixed and variable annuities, mutual funds, and stocks offered through a third party provider. Wealth Management revenue was \$13,540 for 2018 compared to \$11,884 for 2017 and \$11,652 for 2016. The market value of assets under management or administration was \$3,307,879, \$3,233,426 and \$3,170,174 at December 31, 2018, 2017 and 2016, respectively.

Mortgage banking income is derived from the origination and sale of mortgage loans and the servicing of mortgage loans that the Company has sold but retained the right to service. Although loan fees and some interest income are derived from mortgage loans held for sale, the main source of income is gains from the sale of these loans in the secondary market. Originations of mortgage loans to be sold totaled \$1,763,246 in 2018, \$1,683,454 in 2017 and \$1,951,144 in 2016. The overall decrease in mortgage loan originations from 2016 is due to a reduction in the refinancing of mortgage loans as mortgage interest rates have increased; however, the Company's recruiting efforts to add producers throughout our footprint has resulted in additional volume to offset the impact from rising rates.

The following table presents the components of mortgage banking income included in noninterest income at December 31:

	2018	2017	2016
Mortgage servicing income, net	\$3,846	\$1,796	\$268
Gain on sales of loans, net	40,318	19,675	31,654
Fees, net	5,978	21,944	17,521
Mortgage banking income, net	\$50,142	\$43,415	\$49,443

BMG contributed \$3,683 to mortgage banking income during 2018 prior to its divestiture.

Noninterest income for the twelve months ended December 31, 2018 includes the Company's net losses on sale of securities of \$16, as the Company sold securities with a carrying value \$2,403 at the time of sale for net proceeds of \$2,387. Gains on sales of securities for the twelve months ended 2017 were \$148, resulting from the sale of approximately \$495,192 in securities. Securities sold during the fourth quarter of 2017 specifically as part of our deleveraging strategy had an aggregate carrying value of \$446,880 on the dates of sale. The Company collected net proceeds of \$446,971 which resulted in a net gain of \$91 on these sales. Gains on sales of securities for 2016 were \$1,186, resulting from the sale of approximately \$2,842 in securities. For more information on securities sold during the three year period ended December 31, 2018, see Note 3, "Securities," in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data, in this report.

Bank-owned life insurance ("BOLI") income is derived from changes in the cash surrender value of the bank-owned life insurance policies and can fluctuate upon the collection of death benefit proceeds. BOLI income increased to \$4,644 in 2018 as compared to \$4,353 for the same period in 2017; BOLI income was \$4,635 for 2016. In connection with the acquisitions of Brand and Metropolitan, the Company acquired BOLI with a cash surrender value of \$40,081 and \$19,283, respectively.

Other noninterest income includes contingency income from our insurance underwriters, income from our SBA banking division, and other miscellaneous income and can fluctuate based on the claims experience in our Insurance agency, production in our SBA banking division, and recognition of other unseasonal income items. Other noninterest income was \$8,533 for 2018 compared to \$8,821 and \$11,302 for 2017 and 2016, respectively.

Noninterest Expense

Noninterest Expense to Average Assets

2018	2017	2016
3.11%	3.17%	3.51%

Noninterest expense was \$345,029, \$301,618 and \$295,099 for 2018, 2017 and 2016, respectively. As mentioned previously, the Company incurred expenses in connection with certain transactions with respect to which management is unable to accurately predict when these expenses will be incurred or, when incurred, the amount of such expenses.

The following table presents these expenses for the periods presented:

	Twelve Months Ended		
	December 31,		
	2018	2017	2016
Merger and Conversion expenses	\$14,246	\$10,378	\$4,023
Debt prepayment penalty	—	205	2,539
Loss share termination	—	—	2,053

Aside from the expenses presented above, the increase in noninterest expense since 2016 was primarily driven by the additional expenses associated with the acquisition of Metropolitan's operations and, to a lesser extent, Brand's operations, as discussed in more detail in the remainder of this section. Included in noninterest expense for the year ended December 31, 2018 is \$4,398 attributable to BMG.

Salaries and employee benefits is the largest component of noninterest expense and represented 62.11%, 61.18% and 58.44% of total noninterest expense at December 31, 2018, 2017 and 2016, respectively. During 2018, salaries and employee benefits increased \$29,754, or 16.12%, to \$214,294 as compared to \$184,540 for 2017. The increase in salaries and employee benefits is primarily attributable to the addition of the Brand operations and the full-year impact of the acquired Metropolitan operations as well as annual merit based pay increases. Mortgage commissions from the increase in production also contributed to the increase in expense from 2017. Salaries and employee benefits increased \$12,092 in 2017 from \$172,448 in 2016. The increase in salaries and employee benefits is primarily attributable to the addition of the Metropolitan operations and was slightly offset by a decrease in mortgage commission expense resulting from the decrease in mortgage production from 2016.

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 \$6,633, \$4,823 and \$2,790 for 2018, 2017 and 2016, respectively. A portion of restricted stock awards in all three years was subject to the satisfaction of performance-based conditions.

Data processing costs increased \$2,153 to \$18,627 in 2018 from \$16,474 in 2017. Data processing costs were \$17,723 in 2016. Increased costs resulting from the acquired operations of Metropolitan and Brand have been slightly offset by cost savings realized through contract renegotiations.

Net occupancy and equipment expense in 2018 was \$42,111, an increase of \$4,355, compared to \$37,756 for 2017. Net occupancy and equipment expense in 2016 was \$34,394. Aside from the increase attributable to the additional locations and assets from Brand and Metropolitan, the increase in net occupancy and equipment expense since 2016 is also attributable to investments in our IT infrastructure in response to banking and governmental regulation and increased global risk from cyber security breaches.

Expenses related to other real estate owned for 2018 were \$1,892, compared to \$2,470 in 2017 and \$5,696 in 2016. Expenses on other real estate owned for 2018 include write downs of \$1,545 of the carrying value to fair value on certain pieces of property held in other real estate owned compared to write downs of \$1,893 and \$3,018 in 2017 and 2016, respectively. Other real estate owned with a cost basis of \$7,127 was sold during 2018, resulting in a net gain of \$423 compared to other real estate owned with a cost basis of \$13,465 sold during 2017 for a net gain of \$405. Other real estate owned with a cost basis of \$17,529 was sold during 2016, resulting in a net loss of \$590.

Professional fees include fees for legal and accounting services. Professional fees were \$8,753 for 2018 as compared to \$7,150 for 2017 and \$7,970 for 2016. Professional fees remain elevated in large part due to additional legal, accounting and consulting fees associated with compliance costs of newly enacted as well as existing banking and governmental regulation.

Advertising and public relations expense was \$9,464 for 2018, an increase of \$1,216 compared to \$8,248 for 2017. Advertising and public relations expense increased \$1,168 for 2017 from \$7,080 for 2016. These year-over-year increases are attributable to advertising and marketing costs associated with the Company's expansion into new markets, an increased focus on digital marketing and branding throughout our footprint as well as an increase in the marketing of the Company's community involvement.

Amortization of intangible assets totaled \$7,179 for 2018 compared to \$6,530 for 2017 and \$6,747 for 2016. This amortization relates to finite-lived intangible assets which are being amortized over the useful lives as determined at acquisition. These finite-lived intangible assets have remaining estimated useful lives ranging from approximately 1.5

years to approximately 10 years.

Communication expenses are those expenses incurred for communication to clients and between employees.

Communication expenses were \$8,318 for 2018 as compared to \$7,578 for 2017 and \$8,329 for 2016. The increased costs as a result of the acquisitions over the last three years was offset in 2017 as the Company transitioned from a traditional telephone system to a Voice over IP phone system, which is more cost efficient.

Efficiency Ratio

	Efficiency Ratio		
	2018	2017	2016
Efficiency ratio (GAAP)	63.15%	63.12%	66.25%
Impact on efficiency ratio from:			
Net gains on sales of securities	—	0.02	0.17
Intangible amortization	(1.32)	(1.37)	(1.52)
Merger and conversion related expenses	(2.61)	(2.18)	(0.90)
Extinguishment of debt	—	(0.04)	(0.57)
Loss share termination	—	—	(0.46)
Adjusted efficiency ratio (Non-GAAP)	59.22%	59.55%	62.97%

The efficiency ratio is one measure of productivity in the banking industry. This ratio is calculated to measure the cost of generating one dollar of revenue. That is, the ratio is designed to reflect the percentage of one dollar which must be expended to generate that dollar of revenue. The Company calculates this ratio by dividing noninterest expense by the sum of net interest income on a fully tax equivalent basis and noninterest income. The table above shows the impact on the efficiency ratio of expenses that (1) the Company does not consider to be part of our normal operations, such as amortization of intangibles, or (2) the Company incurred in connection with certain transactions where management is unable to accurately predict when these expenses will be incurred or, when incurred, the amount of such expenses, such as merger and conversion related expenses and debt prepayment penalties. We remain committed to aggressively managing our costs within the framework of our business model. We expect the efficiency ratio to continue to improve from levels currently reported as a result of revenue growth while at the same time controlling noninterest expenses.

Income Taxes

Income tax expense for 2018, 2017 and 2016 was \$41,727, \$67,681 and \$44,847, respectively. The effective tax rates for those years were 22.12%, 42.34% and 33.03%, respectively. Although taxable income has continued to increase from 2016, the decreased effective tax rate in 2018 as compared to 2017 and 2016 is a result of the lower corporate tax rate that resulted from the enactment of the Tax Cut and Jobs Act which became effective January 1, 2018. The legislation was enacted in December 2017, and as a result, the Company revalued its deferred tax assets based on the reduction in the overall future tax benefit expected to be realized at the lower tax rate implemented by the new legislation. Included in income tax expense for 2017 is \$14,486 attributable to the revaluation of deferred tax assets. Excluding this revaluation, the adjusted effective tax rate for 2017 was 33.27%.

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. The Company’s credit quality remained strong in 2018, and the Company continues to see the lowest levels of charge-offs and nonperforming loans since the 2008-2009 recession. This improvement is due in part to the pace of the economic recovery, declining unemployment levels, improved labor participation rate, improved performance of the housing market, and the Company’s continued efforts to bring problem credits to resolution.

Management of Credit Risk. Credit risk is monitored and managed on an ongoing basis by a credit administration department, a loss management committee and the Board of Directors loan committee. Credit quality, adherence to policies and loss mitigation are major concerns of credit administration and these committees. The Company’s central appraisal review department reviews and approves third-party appraisals obtained by the Company on real estate collateral and monitors loan maturities to ensure updated appraisals are obtained. This department is managed by a State Certified General Real Estate Appraiser and employs two additional State Certified General Real Estate Appraisers, one Appraisal Intern and three real estate evaluators.

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 loss management committees and the Board of Directors loan committee. In addition, we maintain a loan review staff to independently monitor loan quality and lending practices, which reports directly to the audit committee of the Board of Directors. Loan review personnel monitor and, if necessary, adjust the grades assigned to loans through periodic examination, focusing their review on commercial and real estate loans rather than consumer and small balance consumer mortgage loans, such as 1-4 family mortgage loans.

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

For commercial and commercial real estate secured loans, risk-rating grades are assigned by lending, credit administration or loan review personnel, based on an analysis of the financial and collateral strength and other credit attributes underlying each loan. Loan grades range from 1 to 9, with 1 being loans with the least credit risk. Allowance factors established by management are applied to the total balance of loans in each grade to determine the amount needed in the allowance for loan losses. The allowance factors are established based on historical loss ratios experienced by the Company for these loan types, as well as the credit quality criteria underlying each grade, adjusted for trends and expectations about losses inherent in our existing portfolios. In making these adjustments to the allowance factors, management takes into consideration factors which it believes are causing, or are likely in the future to cause, losses within our loan portfolio but that may not be fully reflected in our historical loss ratios. For portfolio balances of consumer, small balance consumer mortgage loans, such as 1-4 family mortgage loans, and certain other similar loan types, allowance factors are determined based on historical loss ratios by portfolio for the preceding eight quarters and may be adjusted by other qualitative criteria.

The loss management committee and the Board of Directors’ loan committee monitor loans that are past due or those that have been downgraded and placed on the Company’s internal watch list due to a decline in the collateral value or cash flow of the debtor; the committees then adjust loan grades accordingly. This information is used to assist management in monitoring credit quality.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Impairment is measured on a loan-by-loan basis for problem loans of \$500 or greater by, as applicable, the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent. For real estate collateral, the fair market value of the collateral is based upon a recent appraisal by a qualified and licensed appraiser of the underlying collateral. When the ultimate collectability of a loan's principal is in doubt, wholly or partially, the loan is placed on nonaccrual.

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

The Company's practice is to charge off estimated losses as soon as such loss is identified and reasonably quantified. Net charge-offs for 2018 were \$3,995, or 0.05% as a percentage of average loans, compared to net charge-offs of \$4,076, or 0.06%, for 2017 and \$7,230, or 0.12%, for 2016. The charge-offs in 2018 were fully reserved for in the Company's allowance for loan losses and resulted in no additional provision for loan loss expense.

Allowance for Loan Losses; Provision for Loan Losses. The allowance for loan losses is available to absorb probable credit losses inherent in the entire loan portfolio. The appropriate level of the allowance is based on an ongoing analysis of the loan portfolio and represents the amount that management deems adequate to provide for inherent losses, including collective impairment as recognized under ASC 450, in our loan portfolio. Collective impairment is calculated based on loans grouped by grade. Another component of the allowance is losses on loans assessed as impaired under ASC 310. The balance of these loans and their related allowance is included in management's estimation and analysis of the allowance for loan losses.

The allowance for loan losses is established after input from management, loan review and the loss management committee. Factors considered by management in evaluating the adequacy of the allowance, which occurs on a quarterly basis, include the internal risk rating of individual credits, loan segmentation, historical and current trends in net charge-offs, trends in nonperforming loans, trends in past due loans, trends in the market values of underlying collateral securing loans and the unemployment rate and other current economic conditions in the markets in which we operate. In addition, on a regular basis, management and the Board of Directors review loan ratios. These ratios include the allowance for loan losses as a percentage of total loans, net charge-offs as a percentage of average loans, the provision for loan losses as a percentage of average loans, nonperforming loans as a percentage of total loans and the allowance coverage on nonperforming loans. Also, management reviews past due ratios by officer, community bank and the Company as a whole. The allowance for loan losses was \$49,026, \$46,211 and \$42,737 at December 31, 2018, 2017 and 2016, respectively.

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

	2018		2017		2016		2015		2014	
	Balance	% of Total	Balance	% of Total	Balance	% of Total	Balance	% of Total	Balance	% of Total
Commercial, financial, agricultural	\$8,269	16.87 %	\$5,542	11.99 %	\$5,486	12.84 %	\$4,186	9.86 %	\$3,305	7.82 %
Real estate – construction	4,755	9.70 %	3,428	7.42 %	2,380	5.57 %	1,852	4.36 %	1,415	3.35 %
Real estate – 1-4 family mortgage	10,139	20.68 %	12,009	25.99 %	14,294	33.45 %	13,908	32.77 %	13,549	32.04 %
Real estate – commercial mortgage	24,492	49.96 %	23,384	50.60 %	19,059	44.60 %	21,111	49.75 %	22,759	53.82 %
Installment loans to individuals ⁽¹⁾	1,371	2.79 %	1,848	4.00 %	1,518	3.54 %	1,380	3.26 %	1,261	2.97 %
Total	\$49,026	100.00 %	\$46,211	100.00 %	\$42,737	100.00 %	\$42,437	100.00 %	\$42,289	100.00 %

(1) Includes lease financing receivables.

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

	2018	2017	2016	2015	2014
Specific reserves for impaired loans	\$1,514	\$2,674	\$4,141	\$7,600	\$10,256
Allocated reserves for remaining portfolio	44,960	41,760	35,776	33,131	30,308
Purchased with deteriorated credit quality	2,552	1,777	2,820	1,706	1,725
Total	\$49,026	\$46,211	\$42,737	\$42,437	\$42,289

The provision for loan losses is a charge to operating expense in the amount that management determines is necessary to maintain the allowance at the level considered adequate by management to meet the inherent risks of losses in our loan portfolio. Although the Company has experienced lower levels of classified loans and nonperforming loans over the last five years, as illustrated in the nonperforming loan tables later in this section, and while our other credit quality measures have also improved, the growth in non purchased loans over such period has dictated that we maintain an increased level of the provision for loan losses in order to maintain the allowance for loan losses at an acceptable level in light of the increased size of our non purchased loan portfolio. The provision for loan losses was \$6,810, \$7,550 and \$7,530 for 2018, 2017 and 2016, respectively.

Provision for Loan

Losses to Average

Loans

2018 2017 2016

0.08% 0.11% 0.13%

For a purchased loan, as part of the acquisition we establish a "Day 1 Fair Value," which equals the outstanding customer balance of a purchased loan on the acquisition date less any credit and/or yield discount applied against the purchased loan. A purchased loan will either meet or exceed the performance expectations established in determining the Day 1 Fair Values or deteriorate from such expected performance. If the purchased loan's performance deteriorates from expectations established in determining the Day 1 Fair Values or since our most recent review of such portfolio's performance, then the Company provides for such loan in the provision for loan losses and may ultimately partially or fully charge-off the carrying value of such purchased loan. If performance expectations are exceeded, then the Company reverses any previous provision for such loan. If the purchased loan continues to exceed expectations subsequent to the reversal of previously-established provision, then an adjustment to accretable yield is warranted, which has a positive impact on interest income.

Certain loans purchased are accounted for under ASC 310-30 and are carried at their Day 1 Fair Values, adjusted for any subsequent discount accretion. The fair value of loans accounted for in accordance with ASC 310-30 was \$222,254, \$227,260 and \$271,758 at December 31, 2018, 2017 and 2016, respectively. The Company continually monitors these loans as part of our normal credit review and monitoring procedures for changes in the estimated future cash flows. The period end amount of our allowance for loan losses allocated to loans accounted for under ASC 310-30 totaled \$2,552, \$1,777 and \$2,820 during 2018, 2017 and 2016, respectively.

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

	2018	2017	2016	2015	2014	
Balance at beginning of year	\$46,211	\$42,737	\$42,437	\$42,289	\$47,665	
Provision for loan losses	6,810	7,550	7,530	4,750	6,167	
Charge-offs						
Commercial, financial, agricultural	2,415	2,874	2,725	943	1,516	
Lease financing	202	87	—	419	—	
Real estate – construction	51	—	—	26	—	
Real estate – 1-4 family mortgage	2,023	1,713	3,906	2,173	5,662	
Real estate – commercial mortgage	1,197	1,791	2,123	2,613	6,186	
Installment loans to individuals	540	543	717	602	495	
Total charge-offs	6,428	7,008	9,471	6,776	13,859	
Recoveries						
Commercial, financial, agricultural	618	422	331	361	455	
Lease financing	—	—	—	—	—	
Real estate – construction	13	105	47	26	33	
Real estate – 1-4 family mortgage	573	733	997	1,064	1,325	
Real estate – commercial mortgage	1,108	1,565	757	614	436	
Installment loans to individuals	121	107	109	109	67	
Total recoveries	2,433	2,932	2,241	2,174	2,316	
Net charge-offs	3,995	4,076	7,230	4,602	11,543	
Balance at end of year	\$49,026	\$46,211	\$42,737	\$42,437	\$42,289	
Net charge-offs to average loans	0.05	% 0.06	% 0.12	% 0.10	% 0.29	%
Net charge-offs to allowance for loan losses	8.15	% 8.82	% 16.92	% 10.84	% 27.30	%
Allowance for loan losses to loans	0.54	% 0.61	% 0.69	% 0.78	% 1.06	%
Allowance for loan losses to loans ⁽¹⁾	0.77	% 0.83	% 0.91	% 1.11	% 1.29	%
Allowance for loan losses to nonperforming loans ⁽¹⁾	379.96	% 348.37	% 320.08	% 283.46	% 209.49	%

⁽¹⁾ Excludes loans and nonperforming loans purchased in previous acquisitions (for additional information, see the information in footnote 3 to the table in Item 6, Selected Financial Data).

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

	2018	2017	2016	2015	2014
Real estate – construction:					
Residential	\$38	\$(105)	\$(45)	\$5	\$(33)
Commercial	—	—	—	—	—
Condominiums	—	—	(2)	(5)	—
Total real estate – construction	38	(105)	(47)	—	(33)
Real estate – 1-4 family mortgage:					
Primary	351	1,058	941	1,141	953
Home equity	823	221	210	68	878
Rental/investment	(54)	(131)	121	179	702
Land development	330	(168)	1,637	(279)	1,804
Total real estate – 1-4 family mortgage	1,450	980	2,909	1,109	4,337
Real estate – commercial mortgage:					
Owner-occupied	162	335	522	1,976	1,649
Non-owner occupied	134	184	439	177	2,981
Land development	(207)	(293)	405	(154)	1,120
Total real estate – commercial mortgage	89	226	1,366	1,999	5,750
Total net charge-offs of loans secured by real estate	\$1,577	\$1,101	\$4,228	\$3,108	\$10,054

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

Other real estate owned consists of properties acquired through foreclosure or acceptance of a deed in lieu of foreclosure. These properties are carried at the lower of cost or fair market value based on appraised value less estimated selling costs. Losses arising at the time of foreclosure of properties are charged against the allowance for loan losses. Reductions in the carrying value subsequent to acquisition are charged to earnings and are included in "Other real estate owned" in the Consolidated Statements of Income.

Investment securities may be transferred to nonaccrual status where the recognition of investment interest is discontinued. A number of qualitative factors, including but not limited to the financial condition of the underlying issuer and current and projected deferrals or defaults, are considered by management in the determination of whether an investment security should be transferred to nonaccrual status. The interest on these nonaccrual investment securities is accounted for on the cash-basis method until qualifying for return to accrual status. There were no nonaccruing investment securities available-for-sale held in our portfolio at December 31, 2018 and 2017, while at December 31, 2016 one of the Company's investments in pooled trust preferred securities was on nonaccrual status. This security was sold in 2017. For more information about the Company's trust preferred securities, see Note 3, "Securities," in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

The following table provides details of the Company's nonperforming assets that are non purchased and nonperforming assets that have been purchased in one of the Company's previous acquisitions as of the dates presented.

	Non Purchased	Purchased	Total	
December 31, 2018				
Nonaccruing loans	\$ 10,218	\$ 5,836	\$ 16,054	
Accruing loans past due 90 days or more	2,685	7,232	9,917	
Total nonperforming loans	12,903	13,068	25,971	
Other real estate owned	4,853	6,187	11,040	
Total nonperforming loans and OREO	17,756	19,255	37,011	
Nonaccruing securities available-for-sale, at fair value	—	—	—	
Total nonperforming assets	\$ 17,756	\$ 19,255	\$ 37,011	
Nonperforming loans to total loans			0.29	%
Nonperforming assets to total assets			0.29	%
December 31, 2017				
Nonaccruing loans	\$ 10,250	\$ 4,424	\$ 14,674	
Accruing loans past due 90 days or more	3,015	5,731	8,746	
Total nonperforming loans	13,265	10,155	23,420	
Other real estate owned	4,410	11,524	15,934	
Total nonperforming loans and OREO	17,675	21,679	39,354	
Nonaccruing securities available-for-sale, at fair value	—	—	—	
Total nonperforming assets	\$ 17,675	\$ 21,679	\$ 39,354	
Nonperforming loans to total loans			0.31	%
Nonperforming assets to total assets			0.40	%
December 31, 2016				
Nonaccruing loans	\$ 11,273	\$ 11,347	\$ 22,620	
Accruing loans past due 90 days or more	2,079	10,815	12,894	
Total nonperforming loans	13,352	22,162	35,514	
Other real estate owned	5,929	17,370	23,299	
Total nonperforming loans and OREO	19,281	39,532	58,813	
Nonaccruing securities available-for-sale, at fair value	9,645	—	9,645	
Total nonperforming assets	\$ 28,926	\$ 39,532	\$ 68,458	
Nonperforming loans to total loans			0.57	%
Nonperforming assets to total assets			0.79	%

The recent acquisition of Brand added \$3,893 of purchased nonperforming loans at December 31, 2018. Excluding the purchased nonperforming loans from the Company's acquisitions, nonperforming loans decreased \$362, or 2.73%, from December 31, 2017 and decreased \$449, or 3.36%, from December 31, 2016.

The following table presents nonperforming loans by loan category at December 31 for each of the years presented.

	2018	2017	2016	2015	2014
Commercial, financial, agricultural	\$2,461	\$2,921	\$3,709	\$1,504	\$1,838
Lease financing	89	159	138	—	—
Real estate – construction:					
Residential	68	—	466	176	201
Commercial	—	—	—	—	—
Condominiums	—	—	—	—	—
Total real estate – construction	68	—	466	176	201
Real estate – 1-4 family mortgage:					
Primary	10,102	6,221	6,179	9,764	7,535
Home equity	2,047	2,701	2,777	1,900	2,460
Rental/investment	757	395	2,292	5,142	4,600
Land development	980	1,078	1,656	2,091	1,153
Total real estate – 1-4 family mortgage	13,886	10,395	12,904	18,897	15,748
Real estate – commercial mortgage:					
Owner-occupied	3,779	5,473	8,282	9,177	12,810
Non-owner occupied	3,933	3,087	6,821	8,372	12,025
Land development	958	1,090	2,757	7,139	12,397
Total real estate – commercial mortgage	8,670	9,650	17,860	24,688	37,232
Installment loans to individuals	797	295	437	162	91
Total nonperforming loans	\$25,971	\$23,420	\$35,514	\$45,427	\$55,110

The decrease in the level of nonperforming loans, relative to our total loans and our total assets, as shown in the above two tables is a reflection of the Company's continued strategy to aggressively manage problem loans and assets. The Company continues its efforts to bring problem credits to resolution. The Company's coverage ratio, or its allowance for loan losses as a percentage of nonperforming loans, was 188.77% as of December 31, 2018 as compared to 197.31% as of December 31, 2017 and 120.34% as of December 31, 2016. The coverage ratio for non purchased, nonperforming loans was 379.96% as of December 31, 2018 as compared to 348.37% as of December 31, 2017 and 320.08% as of December 31, 2016.

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, 2018.

Management also continually monitors past due loans for potential credit quality deterioration. Total loans 30-89 days past due were \$36,597 at December 31, 2018 as compared to \$27,738 at December 31, 2017. The recent acquisition of Brand added \$11,156 of purchased, loans 30-89 days past due at December 31, 2018.

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

As shown below, restructured loans totaled \$12,820 at December 31, 2018 compared to \$14,553 at December 31, 2017. At December 31, 2018, loans restructured through interest rate concessions represented 27% of total restructured loans, while loans restructured by a concession in payment terms represented the remainder. The following table provides further details of the Company's restructured loans at December 31, 2018 and 2017:

	2018	2017
Commercial, financial, agricultural	\$337	\$331
Real estate – 1-4 family mortgage:		
Primary	6,261	6,213
Home equity	186	282
Rental/investment	2,005	2,247
Land development	1	4
Total real estate – 1-4 family mortgage	8,453	8,746
Real estate – commercial mortgage:		
Owner-occupied	3,189	3,503
Non-owner occupied	722	1,466
Land development	56	440
Total real estate – commercial mortgage	3,967	5,409
Installment loans to individuals	63	67
Total restructured loans	\$12,820	\$14,553

Changes in the Company's restructured loans are set forth in the table below for the periods presented.

	2018	2017
Balance as of January 1	\$14,553	\$11,475
Additional loans with concessions	2,573	7,156
Reclassified as performing	730	1,021
Reductions due to:		
Reclassified as nonperforming	(1,868)	(1,639)
Paid in full	(2,300)	(1,488)
Charge-offs	—	(267)
Paydowns	(868)	(681)
Lapse of concession period	—	(1,024)
Balance as of December 31	\$12,820	\$14,553

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

	2018	2017	2016	2015	2014	
Nonaccruing loans	\$16,054	\$14,674	\$22,620	\$29,034	\$44,396	
Accruing loans past due 90 days or more	9,917	8,746	12,894	16,393	10,713	
Total nonperforming loans	25,971	23,420	35,514	45,427	55,109	
Restructured loans	12,820	14,553	11,475	13,453	14,337	
Total nonperforming and restructured loans	\$38,791	\$37,973	\$46,989	\$58,880	\$69,446	
Nonperforming loans to loans	0.29	% 0.31	% 0.57	% 0.84	% 1.38	%

The following table provides details of the Company's other real estate owned as of December 31, 2018 and 2017:

	2018	2017
Residential real estate	\$2,333	\$2,441
Commercial real estate	4,297	5,938
Residential land development	1,099	1,881
Commercial land development	3,311	5,674
Total other real estate owned	\$11,040	\$15,934

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

	2018	2017
Balance as of January 1	\$15,934	\$23,299
Purchased OREO	—	1,203
Transfers of loans	3,826	6,699
Impairments	(1,545)	(1,893)
Dispositions	(7,127)	(13,465)
Other	(48)	91
Balance as of December 31	\$11,040	\$15,934

We realized net gains of \$423 and \$405 on dispositions of other real estate owned during 2018 and 2017, respectively.

Interest Rate Risk

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

Because of the impact of interest rate fluctuations on our profitability, the Board of Directors and management actively monitor and manage 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 reports to the Investment Committee of the Board of Directors. 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. The ALCO uses an asset/liability model as the primary quantitative tool in measuring the amount of interest rate risk associated with changing market rates. The model is used to perform both net interest income forecast simulations for multiple year horizons, and economic value of equity ("EVE") analyses, under various interest rate scenarios.

Net interest income forecast simulations measure the short and medium-term earnings exposure from changes in market interest rates in a rigorous and explicit fashion. Our current financial position is combined with assumptions regarding future business to calculate net interest income under varying hypothetical rate scenarios. EVE measures our long-term earnings exposure from changes in market rates of interest. EVE is defined as the present value of assets minus the present value of liabilities at a point in time for a given set of market rate assumptions. An increase in EVE due to a specified rate change indicates an improvement 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 table presents the projected impact of a change in interest rates on (1) static EVE and (2) earnings at risk (that is, net interest income) for the 1-12 and 13-24 month periods commencing January 1, 2019, in each case as compared to the result under rates present in the market on December 31, 2018. The changes in interest rates assume an instantaneous and parallel shift in the yield curve and does not take into account changes in the slope of the yield curve.

Immediate Change in Rates of:	Percentage Change In:		
	Economic Value Equity (EVE) Static	Earning at Risk (EAR) (Net Interest Income)	
		1-12 Months	13-24 Months
+400	10.85%	4.84%	7.79%
+300	9.48%	3.63%	5.85%
+200	7.21%	2.43%	3.90%
+100	4.00%	1.26%	2.00%
-100	(4.87)%	(1.79)%	(2.70)%

The rate shock results for the EVE and net interest income simulations for the next 24 months produce an asset sensitive position at December 31, 2018. These results are within the parameters set by the Board of Directors. The Company's interest rate risk strategy is to remain in an asset sensitive position with a focus on increasing variable rate loan production and generating deposits that are less sensitive to increases in interest rates.

The preceding measures assume no change in the size or asset/liability compositions of the balance sheet. Thus, the measures do not reflect actions the ALCO may undertake in response to such changes in interest rates. The scenarios assume instantaneous movements in interest rates in increments of plus 100, 200, 300 and 400 basis points and minus 100 basis points. As interest rates are adjusted over a period of time, it is our strategy to proactively change the volume and mix of our balance sheet in order to mitigate our interest rate risk. The computation of the prospective effects of hypothetical interest rate changes requires numerous assumptions regarding characteristics of new business and the behavior of existing positions. These business assumptions are based upon our experience, business plans and published industry experience. Key assumptions employed in the model include asset prepayment speeds, competitive factors, the relative price sensitivity of certain assets and liabilities and the expected life of non-maturity deposits. Because these assumptions are inherently uncertain, actual results will differ from simulated results.

The Company utilizes derivative financial instruments, including interest rate contracts such as swaps, caps and/or floors, forward commitments, and interest rate lock commitments, as part of its ongoing efforts to mitigate its interest rate risk exposure. For more information about the Company's derivative financial instruments, see the "Off-Balance Sheet Transactions" section below and Note 15, "Derivative Instruments," in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

Liquidity and Capital Resources

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

Core deposits, which are deposits excluding time deposits and public fund deposits, are a major source of funds used by Renasant Bank to meet cash flow needs. Maintaining the ability to acquire these funds as needed in a variety of markets is the key to assuring Renasant Bank's liquidity. Management continually monitors the liquidity and non-core dependency ratios to ensure compliance with targets established by the Asset/Liability Management Committee. Our investment portfolio is another alternative for meeting liquidity needs. These assets generally have readily available markets that offer conversions to cash as needed. Within the next twelve months the securities portfolio is forecasted to generate cash flow through principal payments and maturities equal to 17.41% of the carrying value of the total securities portfolio. Securities within our investment portfolio are also used to secure certain deposit types and short-term borrowings. At December 31, 2018, securities with a carrying value of \$637,607 were pledged to secure government, public, trust, and other deposits and as collateral for short-term borrowings and derivative instruments as compared to \$243,755 at December 31, 2017.

Other sources available for meeting liquidity needs include federal funds purchased and short-term and long-term advances from the FHLB. Interest is charged at the prevailing market rate on federal funds purchased and FHLB advances. Federal funds are short term borrowings, generally overnight borrowings, between financial institutions that are used to maintain reserve requirements at the Federal Reserve Bank. There were no federal funds purchased outstanding at December 31, 2018 or 2017. The balance of short-term borrowing from the FHLB (i.e. advances with original maturities less than one year) at December 31, 2018 was \$380,000, as compared to \$83,000 at December 31, 2017. Long-term funds obtained from the FHLB are used primarily to match-fund fixed

rate loans in order to minimize interest rate risk and may also be used to meet day to day liquidity needs, particularly when the cost of such borrowing compares favorably to the rates that we would be required to pay to attract deposits. At December 31, 2018, the balance of our outstanding long-term advances with the FHLB was \$6,690 as compared to \$7,493 at December 31, 2017. The total amount of the remaining credit available to us from the FHLB at December 31, 2018 was \$3,301,543. We also maintain lines of credit with other commercial banks totaling \$150,000. These are unsecured, uncommitted lines of credit maturing at various times within the next twelve months. There were no amounts outstanding under these lines of credit at December 31, 2018 or 2017.

In connection with the acquisition of Brand, the Company assumed \$30,000 aggregate principal amount of 8.50% fixed rate subordinated notes due June 27, 2024. In 2017, as part of the Metropolitan acquisition, the Company assumed \$15,000 aggregate principal amount of 6.50% fixed-to-floating rate subordinated notes due July 1, 2026. Additionally, in 2016, we accessed the equity and debt capital markets to generate liquidity. For more information, please refer to the discussion of the offering of our subordinated notes under the heading “Financial Condition, Borrowings” above and the discussion of our common stock offering under the heading “Shareholders’ Equity and Regulatory Matters” below.

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

	Percentage of Total			Cost of Funds		
	2018	2017	2016	2018	2017	2016
Noninterest-bearing demand	21.88 %	21.46 %	20.40 %	— %	— %	— %
Interest-bearing demand	45.62	44.91	42.96	0.56	0.26	0.19
Savings	6.41	7.06	7.30	0.15	0.07	0.07
Time deposits	21.92	21.35	22.06	1.24	0.85	0.73
Short-term borrowings	1.67	2.71	4.96	2.10	1.22	0.45
Long-term Federal Home Loan Bank advances	0.08	0.10	0.50	3.29	3.40	4.02
Subordinated notes	1.35	1.32	0.49	5.54	5.59	5.45
Other long-term borrowings	1.07	1.09	1.33	5.11	5.01	5.56
Total deposits and borrowed funds	100.00%	100.00%	100.00%	0.70%	0.47%	0.39%

Our strategy in choosing funds is focused on minimizing cost along with considering our balance sheet composition and interest rate risk position. Accordingly, management targets growth of non-interest bearing deposits. While we do not control the types of deposit instruments our clients choose, we do influence those choices with the rates and the deposit specials we offer. We constantly monitor our funds position and evaluate the effect that various funding sources have on our financial position.

Cash and cash equivalents were \$569,111 at December 31, 2018, compared to \$281,453 at December 31, 2017 and \$306,224 at December 31, 2016. Cash used in investing activities for the year ended December 31, 2018 was \$498,581 compared to cash provided by investing activities of \$75,142 in 2017 and cash used in investing activities of \$351,993 in 2016. Proceeds from the sale, maturity or call of securities within our investment portfolio were \$163,090 for 2018 compared to \$680,667 for 2017 and \$281,792 in 2016. The large increase in proceeds from the sale, maturity or call of securities in 2017 was related to our deleveraging strategy. As is discussed above under the heading “Financial Condition,” the majority of these proceeds were used to pay down certain wholesale funding sources. The remainder of these proceeds from the investment portfolio were primarily reinvested back into the securities portfolio or used to fund loan growth. Purchases of investment securities were \$686,887 for 2018 compared to \$210,190 for 2017 and \$155,400 for 2016. The large increase in the purchases of investment securities in 2018 is related to the releveraging of the balance sheet.

Cash provided by financing activities for the year ended December 31, 2018 was \$708,833 compared to cash used in financing activities of \$301,474 and provided by financing activities of \$282,849 for the years ended December 31, 2017 and 2016, respectively. Overall deposits, excluding deposits acquired during each year, increased \$496,404 for the year ended December 31, 2018 compared to a decrease of \$77,129 for the same period in 2017 and an increase of \$489,089 for the year end 2016.

Restrictions on Bank Dividends, Loans and Advances

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

with earned surplus in excess of three times capital stock may pay a dividend, subject to the approval of the Mississippi Department of Banking and Consumer Finance. In addition, the FDIC has the authority to prohibit the Bank from engaging in business practices that the FDIC considers to be unsafe or unsound, which, depending on the financial condition of the Bank, could include the payment of dividends.

Federal Reserve regulations also limit the amount the Bank may loan to the Company unless such loans are collateralized by specific obligations. At December 31, 2018, the maximum amount available for transfer from the Bank to the Company in the form of loans was \$133,162. The Company maintains a line of credit collateralized by cash with the Bank totaling \$3,052. There were no amounts outstanding under this line of credit at December 31, 2018. These restrictions did not have any impact on the Company's ability to meet its cash obligations, nor does management expect such restrictions to materially impact the Company's ability to meet its currently-anticipated cash obligations.

Off-Balance Sheet Transactions

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

Loan commitments and standby letters of credit do not necessarily represent future cash requirements of the Company in that while the borrower has the ability to draw upon these commitments at any time, these commitments often expire without being drawn upon. The Company's unfunded loan commitments and standby letters of credit outstanding at December 31, 2018, 2017 and 2016 were as follows:

	2018	2017	2016
Loan commitments	\$2,068,749	\$1,619,022	\$1,263,059
Standby letters of credit	104,664	68,946	44,086

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

The Company utilizes derivative financial instruments, including interest rate contracts such as swaps, caps and/or floors, as part of its ongoing efforts to mitigate its interest rate risk exposure and to facilitate the needs of its customers. The Company enters into derivative instruments that are not designated as hedging instruments to help its commercial customers manage their exposure to interest rate fluctuations. To mitigate the interest rate risk associated with these customer contracts, the Company enters into an offsetting derivative contract position with other financial institutions. The Company manages its credit risk, or potential risk of default by its commercial customers, through credit limit approval and monitoring procedures. At December 31, 2018, the Company had notional amounts of \$196,049 on interest rate contracts with corporate customers and \$196,049 in offsetting interest rate contracts with other financial institutions to mitigate the Company's rate exposure on its corporate customers' contracts.

Additionally, the Company enters into interest rate lock commitments with its customers to mitigate the interest rate risk associated with the commitments to fund fixed-rate residential mortgage loans and also enters into forward commitments to sell residential mortgage loans to secondary market investors.

The Company has also entered into forward interest rate swap contracts on FHLB borrowings, as well as interest rate swap agreements on junior subordinated debentures that are all accounted for as cash flow hedges. Under each of these contracts, the Company pays a fixed rate of interest and receives a variable rate of interest based on the three-month LIBOR plus a predetermined spread.

For more information about the Company's off-balance sheet transactions, see Note 15, "Derivative Instruments" and Note 22, "Commitments, Contingent Liabilities and Financial Instruments with Off-Balance Sheet Risk," in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

Contractual Obligations

The following table presents, as of December 31, 2018, significant fixed and determinable contractual obligations to third parties by payment date. The Note Reference below refers to the applicable footnote in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

	Note Reference	Payments Due In:					Total
		Less Than One Year	One to Three Years	Three to Five Years	Over Five Years		
Operating leases	7	\$9,389	\$14,538	\$8,640	\$12,592	\$45,159	
Deposits without a stated maturity ⁽¹⁾	11	7,765,773	—	—	—	7,765,773	
Time deposits ⁽¹⁾	11	1,389,489	877,317	93,697	2,281	2,362,784	
Short-term borrowings	12	387,706	—	—	—	387,706	
Federal Home Loan Bank advances	13	1,759	452	1,340	3,139	6,690	
Junior subordinated debentures	13	—	—	—	109,636	109,636	
Subordinated notes	13	—	—	—	147,239	147,239	
Other long-term debt	13	53	—	—	—	53	
Total contractual obligations		\$9,554,169	\$892,307	\$103,677	\$274,887	\$10,825,040	

(1) Excludes interest.

Shareholders' Equity and Regulatory Matters

Total shareholders' equity of the Company was \$2,043,913 and \$1,514,983 at December 31, 2018 and 2017, respectively. Book value per share was \$34.91 and \$30.72 at December 31, 2018 and 2017, respectively. The growth in shareholders' equity was attributable to the acquisition of Brand as well as earnings retention offset by dividends declared and changes in accumulated other comprehensive income.

The Company maintains a shelf registration statement with the SEC. The shelf registration statement, which was effective upon filing, allows the Company to raise capital from time to time through the sale of common stock, preferred stock, debt securities, warrants and units, or a combination thereof, subject to market conditions. Specific terms and prices will be determined at the time of any offering under a separate prospectus supplement that the Company will be required to file with the SEC at the time of the specific offering. The proceeds of the sale of securities, if and when offered, will be used for general corporate purposes as described in any prospectus supplement and could include the expansion of the Company's banking, insurance and wealth management operations as well as other business opportunities. As discussed above under the heading "Financial Condition, Borrowings," in August 2016 the Company completed its underwritten public offering of subordinated notes pursuant to this registration statement. In December 2016 the Company completed its underwritten public offering of 2,135,000 shares of the Company's common stock pursuant to this registration statement at a public offering price of \$41.50 per share.

The Company announced a \$50 million stock repurchase program in October 2018. During the fourth quarter of 2018, the Company repurchased \$7.1 million of common stock at a weighted average price of \$35.48. The plan will remain in effect until the earlier of October 2019 or the repurchase of the entire amount of common stock authorized to be repurchased by the Board of Directors.

The Company has junior subordinated debentures with a carrying value of \$109,636 at December 31, 2018, of which \$106,045 are included in the Company's Tier 1 capital. Federal Reserve guidelines limit the amount of securities that, similar to our junior subordinated debentures, are includable in Tier 1 capital, but these guidelines did not impact the amount of debentures we include in Tier 1 capital. Although our existing junior subordinated debentures are currently unaffected by these Federal Reserve guidelines, on account of changes enacted as part of the Dodd-Frank Act, any new trust preferred securities are not includable in Tier 1 capital. Further, if as a result of an acquisition we exceed \$15,000,000 in assets, or if we make any acquisition after we have exceeded \$15,000,000 in assets, we will lose Tier 1 treatment of our junior subordinated debentures.

The Company has subordinated notes with a carrying value of \$147,239 at December 31, 2018, of which \$143,452 are included in the Company's Tier 2 capital.

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

Capital Tiers	Tier 1 Capital to Average Assets (Leverage)	Common Equity Tier 1 to Risk - Weighted Assets	Tier 1 to Total Capital to Risk - Weighted Assets	Tier 1 Capital to Total Capital to Risk - Weighted Assets
Well capitalized	5% or above	6.5% or above	8% or above	10% or above
Adequately capitalized	4% or above	4.5% or above	6% or above	8% or above
Undercapitalized	Less than 4%	Less than 4.5%	Less than 6%	Less than 8%
Significantly undercapitalized	Less than 3%	Less than 3%	Less than 4%	Less than 6%
Critically undercapitalized	Tangible Equity / Total Assets less than 2%			

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

	Actual		Minimum Capital Requirement to be Well Capitalized		Minimum Capital Requirement to be Adequately Capitalized (including the phase-in of the Capital Conservation Buffer)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2018						
Renasant Corporation:						
Tier 1 leverage ratio	\$ 1,188,412	10.11 %	\$ 587,939	5.00 %	\$ 470,352	4.00 %
Common equity tier 1 capital ratio	1,085,751	11.05 %	638,468	6.50 %	626,189	6.375 %
Tier 1 risk-based capital ratio	1,188,412	12.10 %	785,806	8.00 %	773,528	7.875 %
Total risk-based capital ratio	1,386,507	14.12 %	982,258	10.00 %	969,979	9.875 %
Renasant Bank:						
Tier 1 leverage ratio	\$ 1,276,976	10.88 %	\$ 587,090	5.00 %	\$ 469,672	4.00 %
Common equity tier 1 capital ratio	1,276,976	13.02 %	637,552	6.50 %	625,291	6.375 %
Tier 1 risk-based capital ratio	1,276,976	13.02 %	784,679	8.00 %	772,418	7.875 %
Total risk-based capital ratio	1,331,619	13.58 %	980,849	10.00 %	968,588	9.875 %
December 31, 2017						
Renasant Corporation:						
Tier 1 leverage ratio	\$ 979,604	10.18 %	\$ 481,086	5.00 %	\$ 384,968	4.00 %
Common equity tier 1 capital ratio	896,733	11.34 %	513,827	6.50 %	454,539	5.75 %
Tier 1 risk-based capital ratio	979,604	12.39 %	632,402	8.00 %	573,114	7.25 %
Total risk-based capital ratio	1,142,926	14.46 %	790,503	10.00 %	731,215	9.25 %
Renasant Bank:						
Tier 1 leverage ratio	\$ 1,000,715	10.42 %	\$ 480,353	5.00 %	\$ 384,282	4.00 %
Common equity tier 1 capital ratio	1,000,715	12.69 %	512,570	6.50 %	453,427	5.75 %
Tier 1 risk-based capital ratio	1,000,715	12.69 %	630,856	8.00 %	571,713	7.25 %
Total risk-based capital ratio	1,050,751	13.32 %	788,569	10.00 %	729,427	9.25 %

For a detailed discussion of the capital adequacy guidelines applicable to the Company and the Bank, please refer to the information under the heading “Capital Adequacy Guidelines” in the “Supervision and Regulation-Supervision and Regulation of Renasant Corporation” sections and the “Supervision and Regulation-Supervision and Regulation of Renasant Bank” section in Item 1, Business.

Non-GAAP Financial Measures

In addition to results presented in accordance with generally accepted accounting principles in the United States of America ("GAAP"), this document contains certain non-GAAP financial measures, namely, return on average tangible shareholders' equity, return on average tangible assets, the ratio of tangible equity to tangible assets and an adjusted efficiency ratio. These non-GAAP financial measures adjust GAAP financial measures to exclude intangible assets and certain charges (such as merger and conversion expenses, debt prepayment penalties and loss share termination expense) with respect to which the Company is unable to accurately predict when these charges will be incurred or, when incurred, the amount thereof. Management uses these measures to evaluate capital utilization and adequacy. In addition, the Company believes that these non-GAAP financial measures facilitate the making of period-to-period comparisons and are meaningful indicators of its operating performance, particularly because these measures are widely used by industry analysts for companies with merger and acquisition activities. Also, because intangible assets such as goodwill and the core deposit intangible and charges such as merger and conversion expenses can vary extensively from company to company and, as to intangible assets, are excluded from the calculation of a financial institution's regulatory capital, the Company believes that the presentation of this non-GAAP financial information allows readers to more easily compare the Company's results to information provided in other regulatory reports and the results of other companies. The reconciliations from GAAP to non-GAAP for these financial measures are below.

	2018	2017	2016	2015	2014	
Return on average tangible shareholders' equity and Return on average tangible assets						
Net income (GAAP)	\$146,920	\$92,188	\$90,930	\$68,014	\$59,582	
Amortization of intangibles, net of tax	5,591	4,358	4,518	4,137	3,889	
Tangible net income (non-GAAP)	152,511	96,546	95,448	72,151	63,471	
Average shareholders' equity (GAAP)	1,701,334	1,380,950	1,116,038	876,915	691,802	
Intangibles	747,008	565,507	491,530	379,469	301,104	
Average tangible shareholders' equity (non-GAAP)	954,326	815,443	624,508	497,446	390,698	
Average total assets (GAAP)	11,104,567	9,509,308	8,416,510	6,874,982	5,816,517	
Intangibles	747,008	565,507	491,530	379,469	301,104	
Average tangible assets (non-GAAP)	10,357,559	8,943,801	7,924,980	6,495,513	5,515,413	
Return on (average) shareholders' equity (GAAP)	8.64	% 6.68	% 8.15	% 7.76	% 8.61	%
Effect of adjustment for intangible assets	7.34	% 5.16	% 7.13	% 6.74	% 7.64	%
Return on average tangible shareholders' equity (non-GAAP)	15.98	% 11.84	% 15.28	% 14.50	% 16.25	%
Return on (average) assets (GAAP)	1.32	% 0.97	% 1.08	% 0.99	% 1.02	%
Effect of adjustment for intangible assets	0.15	% 0.11	% 0.12	% 0.12	% 0.13	%
Return on average tangible assets (non-GAAP)	1.47	% 1.08	% 1.20	% 1.11	% 1.15	%

Tangible common equity ratio (Tangible shareholders' equity to tangible assets)

	2018	2017	2016	2015	2014
Actual shareholders' equity (GAAP)	\$2,043,913	\$1,514,983	\$1,232,883	\$1,036,818	\$711,651
Intangibles	977,793	635,556	494,608	474,682	297,330
Actual tangible shareholders' equity (non-GAAP)	1,066,120	879,427	738,275	562,136	414,321
Actual total assets (GAAP)	12,934,878	9,829,981	8,699,851	7,926,496	5,805,129
Intangibles	977,793	635,556	494,608	474,682	297,330
Actual tangible assets (non-GAAP)	11,957,085	9,194,425	8,205,243	7,451,814	5,507,799

Tangible Common Equity Ratio

Shareholders' equity to actual assets (GAAP)	15.80	% 15.41	% 14.17	% 13.08	% 12.26	%
Effect of adjustment for intangible assets	6.88	% 5.85	% 5.17	% 5.54	% 4.74	%
Tangible shareholders' equity to tangible assets (non-GAAP)	8.92	% 9.56	% 9.00	% 7.54	% 7.52	%

Return on average tangible shareholders' equity and Return on average tangible assets with exclusions

	2018	2017	2016	
Net income (GAAP)	\$146,920	\$92,188	\$90,930	
Merger and conversion expense, net of tax	11,095	6,925	2,694	
Debt prepayment penalties, net of tax	—	137	1,700	
Loss share termination, net of tax	—	—	1,495	
Revaluation of net deferred tax assets	—	14,486	—	
Net income with exclusions (non-GAAP)	158,015	113,736	96,819	
Amortization of intangibles, net of tax	5,591	4,358	4,518	
Tangible net income with exclusions (non-GAAP)	163,606	118,094	101,337	
Average shareholders' equity (GAAP)	1,701,334	1,380,950	1,116,038	
Intangibles	747,008	565,507	491,530	
Average tangible shareholders' equity (non-GAAP)	954,326	815,443	624,508	
Average total assets (GAAP)	11,104,567	9,509,308	8,416,510	
Intangibles	747,008	565,507	491,530	
Average tangible assets (non-GAAP)	10,357,559	8,943,801	7,924,980	
Return on average shareholders' equity with exclusions (non-GAAP)	9.29	% 8.24	% 8.68	%
Effect of adjustment for intangible assets	7.85	% 6.24	% 7.55	%
Return on average tangible shareholders' equity with exclusions (non-GAAP)	17.14	% 14.48	% 16.23	%
Return on average assets with exclusions (non-GAAP)	1.42	% 1.20	% 1.15	%
Effect of adjustment for intangible assets	0.16	% 0.12	% 0.13	%
Return on average tangible assets with exclusions(non-GAAP)	1.58	% 1.32	% 1.28	%

Adjusted Efficiency Ratio

	2018	2017	2016		
Interest income (fully tax equivalent basis)	\$467,755	\$383,596	\$336,149		
Interest expense	65,329	37,853	28,147		
Net interest income (fully tax equivalent basis)	402,426	345,743	308,002		
Total noninterest income	143,961	132,140	137,415		
Net gains on sales of securities	(16)	148	1,186		
Adjusted noninterest income	143,977	131,992	136,229		
Total noninterest expense	345,029	301,618	295,099		
Intangible amortization	7,179	6,530	6,747		
Merger and conversion related expenses	14,246	10,378	4,023		
Extinguishment of debt	—	205	2,539		
Loss share termination	—	—	2,053		
Adjusted noninterest expense	323,604	284,505	279,737		
Efficiency Ratio (GAAP)	63.15	% 63.12	% 66.25	%	
Adjusted Efficiency Ratio (non-GAAP)	59.22	% 59.55	% 62.97	%	

None of the non-GAAP financial measures the Company has included in this document is intended to be considered in isolation or as a substitute for any measure prepared in accordance with GAAP. Readers of this Form 10-K should note that, because there are no standard definitions for how to calculate the non-GAAP financial measures that we use as well as the results, the Company's calculations may not be comparable to similarly titled measures presented by other companies. Also, there may be limits in the usefulness of these measures to readers of this document. As a result, the Company encourages readers to consider its consolidated financial statements and footnotes thereto in their entirety and not to rely on any single financial measure.

SEC Form 10-K

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

RENASANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2018, 2017 and 2016

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Report on Management’s Assessment of Internal Control over Financial Reporting

Renasant Corporation (the “Company”) is responsible for the preparation, integrity and fair presentation of the consolidated financial statements included in this annual report. The consolidated financial statements and notes included in this annual report have been prepared in conformity with accounting principles generally accepted in the United States and necessarily include some amounts that are based on management’s best estimates and judgments. Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. The Company’s internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of any unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

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

Management, with the participation of the Company’s principal executive officer and principal financial officer, conducted an assessment of the effectiveness of the Company’s system of internal control over financial reporting as of December 31, 2018, based on criteria for effective internal control over financial reporting described in the “Internal Control - Integrated Framework,” (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as of December 31, 2018, the Company’s system of internal control over financial reporting is effective and meets the criteria of the “Internal Control – Integrated Framework.” HORNE LLP, the Company’s independent registered public accounting firm that has audited the Company’s financial statements included in this annual report, has issued an attestation report on the Company’s internal control over financial reporting which is included herein.

C. Mitchell Waycaster	Kevin D. Chapman
President and	Executive Vice President and
Chief Executive Officer	Chief Financial and Operating Officer

February 27, 2019

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Renasant Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Renasant Corporation and its subsidiaries (the “Company”) as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes to the consolidated financial statements (collectively, referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (the “PCAOB”), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated February 27, 2019, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ HORNE LLP

We have served as the Company's auditor since 2005.

Memphis, Tennessee
February 27, 2019

Report of Independent Registered Public Accounting Firm
To the Shareholders and Board of Directors of Renasant Corporation
Opinion on the Internal Control Over Financial Reporting

We have audited Renasant Corporation and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2018, based on criteria established in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria for effective internal control over financial reporting described in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (the "PCAOB"), the consolidated financial statements of the Company as of December 31, 2018 and our report dated February 27, 2019 expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Report on Management's Assessment of Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

deteriorate.

/s/ HORNE LLP
Memphis, Tennessee
February 27, 2019

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

	December 31,	
	2018	2017
Assets		
Cash and due from banks	\$ 198,515	\$ 187,838
Interest-bearing balances with banks	370,596	93,615
Cash and cash equivalents	569,111	281,453
Securities available for sale, at fair value	1,250,777	671,488
Loans held for sale (\$219,848 and \$108,316 carried at fair value at December 31, 2018 and 2017, respectively)	411,427	108,316
Loans, net of unearned income:		
Non purchased loans and leases	6,389,712	5,588,556
Purchased loans	2,693,417	2,031,766
Total loans, net of unearned income	9,083,129	7,620,322
Allowance for loan losses	(49,026	) (46,211)
Loans, net	9,034,103	7,574,111
Premises and equipment, net	209,168	183,254
Other real estate owned:		
Non purchased	4,853	4,410
Purchased	6,187	11,524
Total other real estate owned, net	11,040	15,934
Goodwill	932,928	611,046
Other intangible assets, net	44,865	24,510
Bank-owned life insurance	220,608	175,863
Mortgage servicing rights	48,230	39,339
Other assets	202,621	144,667
Total assets	\$ 12,934,878	\$ 9,829,981
Liabilities and shareholders' equity		
Liabilities		
Deposits		
Noninterest-bearing	\$ 2,318,706	\$ 1,840,424
Interest-bearing	7,809,851	6,080,651
Total deposits	10,128,557	7,921,075
Short-term borrowings	387,706	89,814
Long-term debt	263,618	207,546
Other liabilities	111,084	96,563
Total liabilities	10,890,965	8,314,998
Shareholders' equity		
Preferred stock, \$.01 par value – 5,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$.05 par value – 150,000,000 shares authorized; 59,296,725 and 49,990,248 shares issued, respectively; 58,546,480 and 49,321,231 shares outstanding, respectively	296,483	249,951
Treasury stock, at cost, 750,245 and 669,017 shares, respectively	(24,245	) (19,906)
Additional paid-in capital	1,288,911	898,095
Retained earnings	500,660	397,354
Accumulated other comprehensive loss, net of taxes	(17,896	) (10,511)

Total shareholders' equity	2,043,913	1,514,983
Total liabilities and shareholders' equity	\$12,934,878	\$9,829,981

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2018	2017	2016
Interest income			
Loans	\$428,374	\$344,472	\$302,314
Securities			
Taxable	23,948	18,531	16,551
Tax-exempt	6,456	9,433	9,814
Other	3,076	2,314	459
Total interest income	461,854	374,750	329,138
Interest expense			
Deposits	49,760	24,620	17,856
Borrowings	15,569	13,233	10,291
Total interest expense	65,329	37,853	28,147
Net interest income	396,525	336,897	300,991
Provision for loan losses	6,810	7,550	7,530
Net interest income after provision for loan losses	389,715	329,347	293,461
Noninterest income			
Service charges on deposit accounts	34,660	33,224	31,875
Fees and commissions	23,868	21,934	18,814
Insurance commissions	8,590	8,361	8,508
Wealth management revenue	13,540	11,884	11,652
Mortgage banking income	50,142	43,415	49,443
Net (losses) gains on sales of securities	(16	) 148	1,186
BOLI income	4,644	4,353	4,635
Other	8,533	8,821	11,302
Total noninterest income	143,961	132,140	137,415
Noninterest expense			
Salaries and employee benefits	214,294	184,540	172,448
Data processing	18,627	16,474	17,723
Net occupancy and equipment	42,111	37,756	34,394
Other real estate owned	1,892	2,470	5,696
Professional fees	8,753	7,150	7,970
Advertising and public relations	9,464	8,248	7,080
Intangible amortization	7,179	6,530	6,747
Communications	8,318	7,578	8,329
Merger and conversion related expenses	14,246	10,378	4,023
Extinguishment of debt	—	205	2,539
Loss share termination	—	—	2,053
Other	20,145	20,289	26,097
Total noninterest expense	345,029	301,618	295,099
Income before income taxes	188,647	159,869	135,777
Income taxes	41,727	67,681	44,847
Net income	\$146,920	\$92,188	\$90,930
Basic earnings per share	\$2.80	\$1.97	\$2.18
Diluted earnings per share	\$2.79	\$1.96	\$2.17
Cash dividends per common share	\$0.80	\$0.73	\$0.71

See Notes to Consolidated Financial Statements.

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Renasant Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
(In Thousands)

	Year Ended December 31,		
	2018	2017	2016
Net income	\$146,920	\$92,188	\$90,930
Other comprehensive income, net of tax:			
Securities available for sale:			
Unrealized holding losses on securities	(8,315)	(2,218)	(6,206)
Reclassification adjustment for losses (gains) realized in net income	12	(91)	(727)
Unrealized holding gains on securities transferred from held to maturity to available for sale	—	8,108	—
Amortization of unrealized holding gains on securities transferred to the held to maturity category	—	(173)	(61)
Total securities available for sale	(8,303)	5,626	(6,994)
Derivative instruments:			
Unrealized holding gains on derivative instruments	365	536	527
Total derivative instruments	365	536	527
Defined benefit pension and post-retirement benefit plans:			
Net gain arising during the period	308	1,028	31
Amortization of net actuarial loss recognized in net periodic pension cost	245	249	302
Reclassification adjustment for net settlement gain realized in net income	—	—	(235)
Total defined benefit pension and post-retirement benefit plans	553	1,277	98
Other comprehensive (loss) income, net of tax	(7,385)	7,439	(6,369)
Comprehensive income	\$139,535	\$99,627	\$84,561

See Notes to Consolidated Financial Statements.

Renasant Corporation and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
(In Thousands, Except Share Data)

	Common Stock		Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Total Income (Loss)	
	Shares	Amount					
Balance at January 1, 2016	40,293,291	\$206,460	\$(22,385)	\$585,938	\$276,340	\$ (9,535)	\$1,036,818
Net income					90,930		90,930
Other comprehensive income (loss)						(6,369)	(6,369)
Comprehensive income							84,561
Cash dividends (\$0.71 per share)					(29,734)		(29,734)
Common stock issued in connection with an acquisition	1,680,021	8,400		46,890			55,290
Common stock issued in public offering	2,135,000	10,675		73,430			84,105
Issuance of common stock for stock-based compensation awards	223,961		693	(2,345)			(1,652)
Stock-based compensation expense				3,117			3,117
Other, net				378	—		378
Balance at December 31, 2016	44,332,273	\$225,535	\$(21,692)	\$707,408	\$337,536	\$ (15,904)	\$1,232,883
Net income					92,188		92,188
Other comprehensive income						7,439	7,439
Comprehensive income							99,627
Reclassification of the income tax effects of the Tax Cuts and Jobs Act to Retained earnings					2,046	(2,046)	—
Cash dividends (\$0.73 per share)					(34,416)		(34,416)
Common stock issued in connection with an acquisition	4,883,182	24,416		189,174			213,590
Issuance of common stock for stock-based compensation awards	105,776		1,786	(3,976)			(2,190)
Stock-based compensation expense				5,293			5,293
Other, net				196			196
Balance at December 31, 2017	49,321,231	\$249,951	\$(19,906)	\$898,095	\$397,354	\$ (10,511)	\$1,514,983
Net income					146,920		146,920
						(7,385)	(7,385)

Other comprehensive income (loss)								
Comprehensive income								139,535
Repurchase of shares in connection with stock repurchase program	(199,065)		(7,062)					(7,062)
Cash dividends (\$0.80 per share)						(43,614)		(43,614)
Common stock issued in connection with an acquisition	9,306,477	46,532		387,987				434,519
Repurchase of shares in connection with acquisition related to stock-based compensation awards	(2,000)		(93)					(93)
Issuance of common stock for stock-based compensation awards	119,837		2,816	(4,679)				(1,863)
Stock-based compensation expense				7,251				7,251
Other, net				257				257
Balance at December 31, 2018	58,546,480	\$296,483	\$(24,245)	\$1,288,911	\$500,660	\$(17,896)		\$2,043,913

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2018	2017	2016
Operating activities			
Net income	\$146,920	\$92,188	\$90,930
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	6,810	7,550	7,530
Depreciation, amortization and accretion	3,496	4,832	3,091
Deferred income tax expense	16,444	23,461	11,037
Revaluation of net deferred tax assets due to changes in tax law	—	14,486	—
Funding of mortgage loans held for sale	(1,763,246)	(1,683,454)	(1,951,144)
Proceeds from sales of mortgage loans held for sale	1,698,141	1,775,450	2,031,036
Gains on sales of mortgage loans held for sale	(40,318)	(19,675)	(31,654)
Losses (gains) on sales of securities	16	(148)	(1,186)
Loss on extinguishment of debt	—	205	2,539
(Gains) losses on sales of premises and equipment	(198)	565	115
Stock-based compensation	7,251	5,293	3,117
Decrease in FDIC loss share indemnification asset, net of accretion and amortization	—	—	2,891
Loss on termination of FDIC loss share agreements	—	—	2,053
Decrease (increase) in other assets	44,044	(6,620)	10,136
Decrease in other liabilities	(41,954)	(12,572)	(16,694)
Net cash provided by operating activities	77,406	201,561	163,797
Investing activities			
Purchases of securities available for sale	(686,887)	(210,190)	(140,133)
Proceeds from sales of securities available for sale	2,387	495,340	4,028
Proceeds from call/maturities of securities available for sale	160,703	169,445	158,359
Purchases of securities held to maturity	—	—	(15,267)
Proceeds from call/maturities of securities held to maturity	—	15,882	119,405
Net increase in loans	(115,208)	(440,205)	(504,640)
Purchases of premises and equipment	(22,360)	(13,047)	(13,560)
Proceeds from sales of premises and equipment	921	2,101	2,462
Proceeds from sales of other assets	8,361	14,131	16,939
Payment made to FDIC to terminate loss share agreements	—	—	(4,849)
Net cash received in acquisition	153,502	41,685	25,263
Net cash (used in) provided by investing activities	(498,581)	75,142	(351,993)
Financing activities			
Net increase in noninterest-bearing deposits	49,087	11,588	209,943
Net increase (decrease) in interest-bearing deposits	447,317	(88,717)	279,146
Net increase (decrease) in short-term borrowings	263,753	(19,862)	(314,952)
Proceeds from long-term debt	—	—	98,385
Repayment of long-term debt	(849)	(170,240)	(47,230)
Cash paid for dividends	(43,614)	(34,416)	(29,734)
Repurchase of shares in connection with stock repurchase program	(7,062)	—	—
Cash received on exercise of stock options	201	173	415
Excess tax benefits from exercise of stock options	—	—	2,771
Proceeds from equity offering	—	—	84,105

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Net cash provided by (used in) financing activities	708,833	(301,474)	282,849
Net increase (decrease) in cash and cash equivalents	287,658	(24,771)	94,653
Cash and cash equivalents at beginning of year	281,453	306,224	211,571
Cash and cash equivalents at end of year	\$569,111	\$281,453	\$306,224

See Notes to Consolidated Financial Statements. 81

Renasant Corporation and Subsidiaries
Consolidated Statements of Cash Flows (continued)

	Year Ended December 31,		
	2018	2017	2016
Supplemental disclosures			
Cash paid for interest	\$66,706	\$36,888	\$25,871
Cash paid for income taxes	\$24,520	\$32,556	\$22,731
Noncash transactions:			
Transfers of loans to other real estate	\$3,826	\$6,699	\$8,870
Financed sales of other real estate owned	\$531	\$773	\$2,070
Transfers of loans held for sale to loan portfolio	\$1,732	\$563	\$17,838
Common stock issued in acquisition of businesses	\$434,519	\$213,590	\$55,290
See Notes to Consolidated Financial Statements.			

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 1 – Significant Accounting Policies

(Dollar amounts in thousands)

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

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

Consolidation: The accompanying Consolidated Financial Statements and these Notes to Consolidated Financial Statements include the accounts of the Company and its consolidated subsidiaries, all of which are wholly-owned. All intercompany balances and transactions have been eliminated. Certain prior year amounts have been reclassified to conform to the current year presentation.

Cash and Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Securities: Debt securities are classified as held to maturity when purchased if management has the positive intent and ability to hold the securities to maturity. Held to maturity securities are stated at amortized cost. Presently, the Company has no intention of establishing a trading classification. Securities not classified as held to maturity or trading are classified as available for sale. Available for sale securities are stated at fair value, with the unrealized gains and losses, net of tax, reported in accumulated other comprehensive income within shareholders’ equity.

The amortized cost of securities, regardless of classification, is adjusted for amortization of premiums and accretion of discounts. Such amortization and accretion is included in interest income from securities, as is dividend income.

Realized gains and losses on sales of securities are reflected under the line item “Net gains on sales of securities” on the Consolidated Statements of Income. The cost of securities sold is based on the specific identification method.

The Company evaluates its investment portfolio for other-than-temporary-impairment (“OTTI”) on a quarterly basis in accordance with ASC 320, “Investments - Debt and Equity Securities.” Impairment is assessed at the individual security level. The Company considers an investment security impaired if the fair value of the security is less than its cost or amortized cost basis. Impairment is considered to be other-than-temporary if the Company intends to sell the investment security or if the Company does not expect to recover the entire amortized cost basis of the security before the Company is required to sell the security or the security’s maturity. When impairment of an equity security is considered to be other-than-temporary, the security is written down to its fair value and an impairment loss is recorded as a loss within noninterest income in the Consolidated Statements of Income. When impairment of a debt security is considered to be other-than-temporary, the security is written down to its fair value. The amount of OTTI recorded as a loss within noninterest income depends on whether an entity intends to sell the debt security and whether it is more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis. If an entity intends to, or has decided to, sell the debt security or more likely than not will be required to sell the security before recovery of its amortized cost basis, OTTI must be recognized in earnings in an amount equal to the entire difference between the security’s amortized cost basis and its fair value. If an entity does not intend to sell the debt security and it is not more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis, OTTI is separated into the amount representing credit loss and the amount related to all other market factors. The amount related to credit loss is recognized in earnings and is calculated as the difference between the estimate of discounted future cash flows and the amortized cost basis of the security. A number of qualitative and quantitative factors, including but not limited to the financial condition of the underlying issuer and current and projected deferrals or defaults, are considered by management in the estimate of the discounted future cash flows. The remaining difference between the fair value and the amortized cost basis of the security is considered the amount

related to other market factors and is recognized in other comprehensive income, net of applicable taxes. Debt securities may be transferred to nonaccrual status where the recognition of investment interest is discontinued. A number of qualitative factors, including but not limited to the financial condition of the underlying issuer and current and projected deferrals or defaults, are considered by management in the determination of whether the debt security should be transferred to nonaccrual status. The interest on nonaccrual investment securities is accounted for on the cash-basis method until the debt security qualifies for return to accrual status. See Note 3, "Securities," for further details regarding the Company's securities portfolio.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements
Note 1 – Significant Accounting Policies (continued)

Securities Sold Under Agreements to Repurchase: Securities sold under agreements to repurchase are accounted for as collateralized financing transactions and are recorded at the amounts at which the securities were sold. Securities, generally U.S. government and federal agency securities, pledged as collateral under these financing arrangements cannot be sold or repledged by the secured party.

Loans Held for Sale: Residential mortgage loans held for sale are included in the line item “Loans held for sale” on the Company’s Consolidated Balance Sheet. The Company has elected to carry these loans at fair value as permitted under the guidance in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 825, “Financial Instruments” (“ASC 825”). Gains and losses are realized at the time consideration is received and all other criteria for sales treatment have been met. These realized and unrealized gains and losses are classified under the line item “Mortgage banking income” on the Consolidated Statements of Income.

In connection with the acquisition of Brand, the Company acquired a portfolio of non-mortgage consumer loans, which are also included in the line item “Loans held for sale” on the Company’s Consolidated Balance Sheet as of December 31, 2018. The Company is currently evaluating its long-term plans with respect to this portfolio. In accordance with ASC Topic 850, “Business Combinations”, these loans were measured at fair value as of the acquisition date. Subsequent to the acquisition date, these loans are carried at the lower of amortized cost or fair value.

Loans and the Allowance for Loan Losses: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances, adjusted for charge-offs, the allowance for loan losses and any deferred fees or costs on originated loans. Renasant Bank defers certain nonrefundable loan origination fees as well as the direct costs of originating or acquiring loans. The deferred fees and costs are then amortized over the term of the note for all loans with payment schedules. Loans with no payment schedule are amortized using the interest method. The amortization of these deferred fees is presented as an adjustment to the yield on loans. Interest income is accrued on the unpaid principal balance.

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

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

Restructured loans are those for which concessions have been granted to the borrower due to a deterioration of the borrower’s financial condition and are performing in accordance with the new terms. Such concessions may include

reduction in interest rates or deferral of interest or principal payments. In evaluating whether to restructure a loan, management analyzes the long-term financial condition of the borrower, including guarantor and collateral support, to determine whether the proposed concessions will increase the likelihood of repayment of principal and interest.

Restructured loans that are not performing in accordance with their restructured terms that are either contractually 90 days past due or have been placed on nonaccrual status are reported as nonperforming loans.

The allowance for loan losses is maintained at a level believed adequate by management to absorb probable credit losses inherent in the entire loan portfolio. The appropriate level of the allowance is based on an ongoing analysis of the loan portfolio and represents an amount that management deems adequate to provide for inherent losses, including collective impairment as recognized

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

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

See Note 4, "Non Purchased Loans," Note 5, "Purchased Loans," and Note 6, "Allowance for Loan Losses" for disclosures regarding the Company's past due and nonaccrual loans, impaired loans and restructured loans and its allowance for loan losses.

Business Combinations, Accounting for Credit-Deteriorated Purchased Loans and Related Assets: Business combinations are accounted for by applying the acquisition method in accordance with ASC 805, "Business Combinations." Under the acquisition method, identifiable assets acquired and liabilities assumed and any non-controlling interest in the acquiree at the acquisition date are measured at their fair values as of that date and are recognized separately from goodwill. Results of operations of the acquired entities are included in the Consolidated Statements of Income from the date of acquisition. Acquisition costs incurred by the Company are expensed as incurred.

Loans purchased in business combinations with evidence of credit deterioration since origination and for which it is probable that all contractually required payments will not be collected are considered to be credit-impaired. Purchased credit deteriorated loans are accounted for in accordance with ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality" ("ASC 310-30"), and initially measured at fair value, which includes estimated future credit losses expected to be incurred over the life of the loans. Increases in expected cash flows to be collected on these loans are recognized as an adjustment of the loan's yield over its remaining life, while decreases in expected cash flows are recognized as an impairment.

FDIC-Assisted Acquisitions:

During 2010 and 2011, the Bank acquired in FDIC-assisted acquisitions substantially all of the assets and assumed substantially all of the deposits and certain other liabilities of the following two failed financial institutions:

• **Crescent Bank and Trust Company (Jasper, GA), July 2010**

- American Trust Bank (Roswell, GA), February 2011

In connection with the July 2015 acquisition of Heritage Financial Group, Inc. ("Heritage") and its wholly-owned subsidiary HeritageBank of the South ("HeritageBank"), the Bank assumed two additional loss share agreements that HeritageBank had entered into in connection with its acquisition in FDIC-assisted acquisitions of substantially all of the assets and assumption of substantially all of the deposits and certain other liabilities of the following two failed financial institutions:

• **Citizens Bank of Effingham (Springfield, GA), February 2011**

• **First Southern National Bank (Statesboro, GA), August 2011**

A significant portion of the loans and foreclosed assets acquired in each of these FDIC-assisted acquisitions were subject to loss share agreements with the Federal Deposit Insurance Corporation (the "FDIC") whereby the Company was indemnified against a portion of the losses on such loans and foreclosed assets.

On December 8, 2016, the Bank entered into an agreement with the FDIC that terminated all of the Bank's loss share agreements, resulting in a payment by the Company to the FDIC of \$4,849. All rights and obligations of the parties under these loss share agreements, including the claw-back provisions, terminated effective December 8, 2016. As a result, after such date all recoveries, gains, charge-offs, losses and expenses related to assets previously covered under loss share are recognized entirely by the Company. Notwithstanding the termination of loss share with the FDIC, the terms of the purchase and assumption agreements for each of these FDIC-assisted acquisitions continue to require the FDIC to indemnify the Company against certain claims, including claims with respect to assets, liabilities or any affiliate not acquired or otherwise assumed by the Bank and with respect to claims based on any action by directors, officers or employees of the relevant failed financial institutions.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements
Note 1 – Significant Accounting Policies (continued)

Premises and Equipment: Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily by use of the straight-line method for furniture, fixtures, equipment, autos and premises. The annual provisions for depreciation have been computed primarily using estimated lives of forty years for premises, seven years for furniture and equipment and three to five years for computer equipment and autos. Leasehold improvements are expensed over the period of the leases or the estimated useful life of the improvements, whichever is shorter.

Other Real Estate Owned: Other real estate owned consists of properties acquired through foreclosure or acceptance of a deed in lieu of foreclosure. These properties are initially recorded into other real estate at fair market value less cost to sell and are subsequently carried at the lower of cost or fair market value based on appraised value less estimated selling costs. Losses arising at the time of foreclosure of properties are charged against the allowance for loan losses. Reductions in the carrying value subsequent to acquisition are charged to earnings and are included under the line item “Other real estate owned” in the Consolidated Statements of Income.

Mortgage Servicing Rights: The Company retains the right to service certain mortgage loans that it sells to secondary market investors. These mortgage servicing rights are recognized as a separate asset on the date the corresponding mortgage loan is sold. Mortgage servicing rights are amortized in proportion to and over the period of estimated net servicing income. These servicing rights are carried at the lower of amortized cost or fair value. Fair value is determined using an income approach with various assumptions including expected cash flows, prepayment speeds, market discount rates, servicing costs, mortgage interest rates and other factors. Mortgage servicing rights were carried at amortized cost at December 31, 2018 and 2017, respectively. Impairment losses on mortgage servicing rights are recognized to the extent by which the unamortized cost exceeds fair value. Changes to the fair value of the mortgage servicing rights are recorded as part of Mortgage banking income in the Consolidated Statements of Income.

Goodwill and Other Intangible Assets: Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Other intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights. Intangibles with finite lives are amortized over their estimated useful lives. Goodwill and other intangible assets are subject to impairment testing annually or more frequently if events or circumstances indicate possible impairment. Goodwill is assigned to the Company’s reporting segments. In determining the fair value of the Company’s reporting units, management uses the market approach. Other intangible assets, consisting of core deposit intangibles and customer relationship intangibles, are reviewed for events or circumstances which could impact the recoverability of the intangible asset, such as a loss of core deposits, increased competition or adverse changes in the economy. No impairment was identified for the Company’s goodwill or its other intangible assets as a result of the testing performed during 2018, 2017 or 2016.

Bank-Owned Life Insurance: Bank-owned life insurance (“BOLI”) is an institutionally-priced insurance product that is specifically designed for purchase by insured depository institutions. The Company has purchased such insurance policies on certain employees, with Renasant Bank being listed as the primary beneficiary. The carrying value of BOLI is recorded at the cash surrender value of the policies, net of any applicable surrender charges. In connection with the acquisitions of Brand and Metropolitan (each as defined below in Note 2, “Mergers and Acquisitions”), the Company acquired BOLI with a cash surrender value of \$40,081 and \$19,283, respectively, at the acquisition date. Changes in the value of the cash surrender value of the policies are reflected under the line item “BOLI income” on the Consolidated Statements of Income.

Insurance Agency Revenues: Renasant Insurance, Inc. is a full-service insurance agency offering all lines of commercial and personal insurance through major third-party insurance carriers. Commissions and fees are recognized when earned based on contractual terms and conditions of insurance policies with the insurance carriers. These commissions and fees are classified under the line item “Insurance commissions” on the Consolidated Statements of Income. Contingency fee income paid by the insurance carriers is recognized upon receipt and classified under the line item “Other noninterest income” on the Consolidated Statements of Income.

Trust and Wealth Management Revenues: The Company offers trust services as well as various investment products, including annuities and mutual funds. Trust revenues are recognized on the accrual basis in accordance with the contractual terms of the trust. Commissions and fees from the sale of annuities, mutual funds and other investment products are recognized when earned based on contractual terms with the third party broker-dealer. These commissions and fees are classified under the line item “Wealth management revenue” on the Consolidated Statements of Income.

Income Taxes: Income taxes are accounted for under the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. It is the Company’s policy to recognize interest and penalties, if incurred, related to unrecognized tax benefits in income tax expense. The Company and its subsidiaries

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

file a consolidated federal income tax return. Renasant Bank provides for income taxes on a separate-return basis and remits to the Company amounts determined to be currently payable.

Deferred income taxes, included in "Other assets" on the Consolidated Balance Sheets, reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Realization of deferred tax assets is dependent upon the generation of a sufficient level of future taxable income and recoverable taxes paid in prior years. Although realization is not assured, management believes that the Company and its subsidiaries will realize a substantial majority of the deferred tax assets. A valuation allowance, if needed, reduces deferred tax assets to the expected amount most likely to be realized through a charge to income tax expense.

Fair Value Measurements: ASC 820, "Fair Value Measurements and Disclosures," provides guidance for using fair value to measure assets and liabilities and also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to a valuation based on quoted prices in active markets for identical assets and liabilities (Level 1), moderate priority to a valuation based on quoted prices in active markets for similar assets and liabilities and/or based on assumptions that are observable in the market (Level 2), and the lowest priority to a valuation based on assumptions that are not observable in the market (Level 3). See Note 18, "Fair Value Measurements," for further details regarding the Company's methods and assumptions used to estimate the fair values of the Company's financial assets and liabilities.

Derivative Instruments and Hedging Activities: The Company utilizes derivative financial instruments as part of its ongoing efforts to manage its interest rate risk exposure. Derivative financial instruments are included in the Consolidated Balance Sheets line item "Other assets" or "Other liabilities" at fair value in accordance with ASC 815, "Derivatives and Hedging."

Cash flow hedges are utilized to mitigate the exposure to variability in expected future cash flows or other types of forecasted transactions. For the Company's derivatives designated as cash flow hedges, changes in the fair value of cash flow hedges are, to the extent that the hedging relationship is effective, recorded as other comprehensive income and are subsequently recognized in earnings at the same time that the hedged item is recognized in earnings. The ineffective portions of the changes in fair value of the hedging instruments are immediately recognized in earnings. The assessment of the effectiveness of the hedging relationship is evaluated under the hypothetical derivative method. The Company also utilizes derivative instruments that are not designated as hedging instruments. The Company enters into interest rate cap and/or floor agreements with its customers and then enters into an offsetting derivative contract position with other financial institutions to mitigate the interest rate risk associated with these customer contracts. Because these derivative instruments are not designated as hedging instruments, changes in the fair value of the derivative instruments are recognized currently in earnings.

The Company enters into interest rate lock commitments on certain residential mortgage loans with its customers to mitigate the interest rate risk associated with the commitments to fund fixed-rate mortgage loans. Under such commitments, interest rates for a mortgage loan are typically locked in for up to 45 days with the customer. These interest rate lock commitments are recorded at fair value in the Company's Consolidated Balance Sheets. Gains and losses arising from changes in the valuation of the commitments are recognized currently in earnings and are reflected under the line item "Mortgage banking income" on the Consolidated Statements of Income.

The Company utilizes two methods to deliver mortgage loans to be sold to an investor. Under a "best efforts" sales agreement, the Company enters into a sales agreement with an investor in the secondary market to sell the loan when an interest rate lock commitment is entered into with a customer, as described above. Under a "best efforts" sales agreement, the Company is obligated to sell the mortgage loan to the investor only if the loan is closed and funded. Thus, the Company will not incur any liability to an investor if the mortgage loan commitment in the pipeline fails to close. Under a "mandatory delivery" sales agreement, the Company commits to deliver a certain principal amount of mortgage loans to an investor at a specified price and delivery date. Penalties are paid to the investor should the Company fail to satisfy the contract. These types of mortgage loan commitments are recorded at fair value in the Company's Consolidated Balance Sheets. Gains and losses arising from changes in the valuation of these commitments

are recognized currently in earnings and are reflected under the line item “Mortgage banking income” on the Consolidated Statements of Income.

Treasury Stock: Treasury stock is recorded at cost. Shares held in treasury are not retired.

Retirement Plans: The Company sponsors a noncontributory pension plan and provides retiree medical benefits for certain employees. The Company’s independent actuary firm prepares actuarial valuations of pension cost and obligation under ASC 715, “Compensation – Retirement Benefits” (“ASC 715”), using assumptions and estimates derived in accordance with the guidance set forth in ASC 715. Expense related to the plans is included under the line item “Salaries and employee benefits” on the

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements
Note 1 – Significant Accounting Policies (continued)

Consolidated Statements of Income. Actuarial gains and losses are recognized in accumulated other comprehensive income, net of tax, until they are amortized as a component of plan expense. See Note 14, “Employee Benefit and Deferred Compensation Plans,” for further details regarding the Company’s retirement plans.

Stock-Based Compensation: The Company recognizes compensation expense for all share-based payments to employees in accordance with ASC 718, “Compensation - Stock Compensation.” Compensation expense for option grants and restricted stock awards is determined based on the estimated fair value of the stock options and restricted stock on the applicable grant or award date and is recognized over the respective awards’ vesting period. The Company has elected to account for forfeitures in compensation cost when they occur as permitted under the guidance in ASC 718, “Compensation - Stock Compensation” (“ASC 718”). Expense associated with the Company’s stock-based compensation is included under the line item “Salaries and employee benefits” on the Consolidated Statements of Income. See Note 14, “Employee Benefit and Deferred Compensation Plans,” for further details regarding the Company’s stock-based compensation.

Earnings Per Common Share: Basic net income per common share is calculated by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted net income per common share reflects the pro forma dilution of shares outstanding, assuming outstanding stock options were exercised into common shares and nonvested restricted stock awards, whose vesting is subject to future service requirements, were outstanding common shares as of the awards’ respective grant dates, calculated in accordance with the treasury method. See Note 21, “Net Income Per Common Share,” for the reconciliation of the numerators and denominators of the basic and diluted earnings per share computations.

Subsequent Events: The Company has evaluated, for consideration of recognition or disclosure, subsequent events that have occurred through the date of issuance of its financial statements, and has determined that no significant events occurred after December 31, 2018 but prior to the issuance of these financial statements that would have a material impact on its Consolidated Financial Statements.

Impact of Recently-Issued Accounting Standards and Pronouncements:

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09 (“ASU 2014-09”), which is an update to FASB Accounting Standards Codification (“ASC”) 606, “Revenue from Contracts with Customers” (“ASC 606”). ASU 2014-09 provides guidance that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. For a majority of the Company’s income streams, including interest income earned on loans and leases, the recognition of revenue is governed by other accounting standards and is specifically excluded from the coverage of ASC 606. In addition, the Company’s revenue that is covered by ASC 606, the most significant of which is service charges on deposit accounts, is generally based on day-to-day contracts with Company customers and, as a result, is not impacted by the new guidance. The Company adopted ASU 2014-09 in the first quarter of 2018, and there was no impact to the financial statements at the time of adoption. The Company has included newly applicable revenue disclosures in this filing in Note 27, “Revenue Recognition.”

In January 2016, FASB issued ASU 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU 2016-01”). ASU 2016-01 revises the accounting for the classification and measurement of investments in equity securities and revises the presentation of certain fair value changes for financial liabilities measured at fair value. For equity securities, the guidance in ASU 2016-01 requires equity investments to be measured at fair value with changes in fair value recognized in net income. For financial liabilities that are measured at fair value in accordance with the fair value option, the guidance requires presenting, in other comprehensive income, the change in fair value that relates to a change in instrument-specific credit risk. ASU 2016-01 also eliminates the disclosure assumptions used to estimate fair value for financial instruments measured at amortized cost and requires disclosure of an exit price notion in determining the fair value of financial instruments measured at amortized cost. The Company used an entry price notion in determining the fair value of certain financial instruments prior to its

changing to the exit price notion upon adoption of this standard in the first quarter of 2018. This ASU did not have any other impact on the Company at the time of adoption.

In February 2016, FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). ASU 2016-02 amends the accounting model and disclosure requirements for leases. The prior accounting model for leases distinguished between capital leases, which were recognized on-balance sheet, and operating leases, which were not. Under the new standard, lease classifications are defined as finance leases, which are similar to capital leases under prior GAAP, and operating leases. Further, a lessee recognizes a lease liability and a right-of-use asset for all leases with a term greater than 12 months on its balance sheet regardless of the lease's classification, which will increase reported assets and liabilities. The accounting model and disclosure requirements for lessors remains substantially unchanged from prior GAAP. This standard became effective on January 1, 2019. The Company will record a right-of-use asset and a lease liability of approximately \$55,000 as of the effective date of the standard. The guidance will not

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

have a material impact on the Company's statement of income. The Company will include newly required disclosures beginning in the quarterly reporting for the first quarter of 2019.

In June 2016, FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). The update will significantly change the way entities recognize impairment on many financial assets by requiring immediate recognition of estimated credit losses expected to occur over the asset's remaining life. FASB describes this impairment recognition model as the current expected credit loss ("CECL") model and believes the CECL model will result in more timely recognition of credit losses since the CECL model incorporates expected credit losses versus incurred credit losses. The scope of FASB's CECL model would include loans, held-to-maturity debt instruments, lease receivables, loan commitments and financial guarantees that are not accounted for at fair value. For public companies, this update becomes effective for interim and annual periods beginning after December 15, 2019. The Company has formed an implementation committee comprised of both accounting and credit employees to guide Renasant Bank through the implementation of ASU 2016-13. The Company has also engaged a third party to act as a consultant and software provider to assist in the implementation of the CECL model. The implementation committee and the consultant have established the CECL blueprint for Renasant Bank, which includes the selected methodology, proper pool segmentation and loan data validation. Currently, the CECL committee is working with the consultant to build the CECL model and expects to run a preliminary CECL calculation in the second quarter of 2019.

In August 2016, FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"). ASU 2016-15 is intended to reduce the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows, including (1) debt prepayment or debt extinguishment costs, (2) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, (3) contingent consideration payments made after a business combination, (4) proceeds from the settlement of insurance claims, (5) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, (6) distributions received from equity method investees, (7) beneficial interests in securitization transactions and (8) separately identifiable cash flows and application of the predominance principle. This update became effective January 1, 2018 and did not have a material impact on the Company's financial statements.

In March 2017, FASB issued ASU 2017-07, "Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" ("ASU 2017-07"). ASU 2017-07 requires employers to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. These amendments also allow only the service cost component to be eligible for capitalization when applicable. This update became effective January 1, 2018 and did not have a material impact on the Company's financial statements.

In March 2017, FASB issued ASU 2017-08, "Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities" ("ASU 2017-08"). ASU 2017-08 requires the amortization period for certain callable debt securities held at a premium to be the earliest call date. ASU 2017-08 will be effective for interim and annual periods beginning after December 15, 2018. This update became effective January 1, 2019 and did not have a material impact on the Company's financial statements.

In August 2017, FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities" ("ASU 2017-12"). ASU 2017-12 is intended to simplify hedge accounting by eliminating the requirement to separately measure and report hedge effectiveness. ASU 2017-12 also seeks to expand the application of hedge accounting by modifying current requirements to include hedge accounting on partial-term hedges, the hedging of prepayable financial instruments and other strategies. This update became effective January 1, 2019 and did not have a material impact on the Company's financial statements.

In August 2018, FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement” (“ASU 2018-13”). ASU 2018-13 is intended to improve the disclosures on fair value measurements by eliminating, amending and adding certain disclosure requirements. These changes are intended to reduce costs for preparers while providing more useful information for financial statement users. ASU 2018-13 will be effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the effect that ASU 2018-13 will have on its financial position and results of operations and its financial statement disclosures.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 2 – Mergers and Acquisitions

(Dollar amounts in thousands)

Acquisition of Brand Group Holdings, Inc.

Effective September 1, 2018, the Company completed its acquisition by merger of Brand Group Holdings, Inc. (“Brand”), the parent company of The Brand Banking Company (“Brand Bank”), in a transaction valued at approximately \$474,453. The Company issued 9,306,477 shares of common stock and paid approximately \$21,879 to Brand shareholders, excluding cash paid for fractional shares, and paid approximately \$17,157, net of tax benefit, to Brand stock option holders for 100% of the voting equity interest in Brand. At closing, Brand merged with and into the Company, with the Company the surviving corporation in the merger; immediately thereafter, Brand Bank merged with and into Renasant Bank, with Renasant Bank the surviving banking corporation in the merger. On September 1, 2018, Brand operated thirteen banking locations throughout the greater Atlanta market.

The Company recorded approximately \$349,416 in intangible assets which consist of goodwill of \$321,882 and a core deposit intangible of \$27,534. Goodwill resulted from a combination of revenue enhancements from expansion in existing markets and efficiencies resulting from operational synergies. The fair value of the core deposit intangible is being amortized over the estimated useful life, currently expected to be approximately 10 years. The goodwill is not deductible for income tax purposes. The following table summarizes the allocation of purchase price to assets and liabilities acquired in connection with the Company’s acquisition of Brand based on their fair values on September 1, 2018.

Purchase Price:

Shares issued to common shareholders	9,306,477	
Purchase price per share	\$46.69	
Value of stock paid		\$434,519
Cash consideration paid		21,879
Cash paid for fractional shares		4
Cash settlement for stock options, net of tax benefit		17,157
Deal charges paid on behalf of Brand		894
Total Purchase Price		\$474,453

Net Assets Acquired:

Stockholders’ equity at acquisition date	\$ 138,896	
Increase (decrease) to net assets as a result of fair value adjustments to assets acquired and liabilities assumed:		
Securities	(231)	
Loans, including loans held for sale	(20,926)	
Premises and equipment	910	
Intangible assets	27,534	
Other assets	(3,304)	
Deposits	(1,367)	
Borrowings	(3,236)	
Other liabilities	13,338	
Deferred income taxes	957	
Total Net Assets Acquired		152,571
Goodwill resulting from merger ⁽¹⁾		\$321,882

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

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements
Note 2 - Mergers and Acquisitions (continued)

The following table summarizes the estimated fair value on September 1, 2018 of assets acquired and liabilities assumed on that date in connection with the merger with Brand. These estimates are subject to change pending the finalization of all valuations.

Cash and cash equivalents	\$ 193,436
Securities	71,246
Loans, including loans held for sale	1,589,254
Premises and equipment	20,070
Intangible assets	349,416
Other assets	112,050
Total assets	2,335,472

Deposits	1,714,177
Borrowings	90,912
Other liabilities	55,930
Total liabilities	1,861,019

As part of the merger agreement, Brand agreed to divest the operations of its subsidiary Brand Mortgage Group, LLC (“BMG”), which transaction was completed as of October 31, 2018. As a result, the balance sheet and results of operations of BMG, which the Company considers to be immaterial to the overall results of the Company, were included in the Company’s balance sheet and consolidated results of operations from September 1, 2018 to October 31, 2018. The following table summarizes the significant assets acquired and liabilities assumed from BMG:

(in thousands)	September 1, 2018
Loans held for sale	48,100
Borrowings	34,139

The following table summarizes the results of operations for BMG included in the Company’s Consolidated Statements of Income for the twelve months ended December 31, 2018:

(in thousands)	
Interest income	\$357
Interest expense	279
Net interest income	78
Noninterest income	4,043
Noninterest expense	4,398
Net income before taxes	\$(277)

Acquisition of Metropolitan BancGroup, Inc.

Effective July 1, 2017, the Company completed its acquisition of Metropolitan BancGroup, Inc. (“Metropolitan”), the parent company of Metropolitan Bank, in a transaction valued at approximately \$219,461. The Company issued 4,883,182 shares of common stock and paid approximately \$4,764 to Metropolitan stock option holders for 100% of the voting equity interest in Metropolitan. At closing, Metropolitan merged with and into the Company, with the Company the surviving corporation in the merger; immediately thereafter, Metropolitan Bank merged with and into Renasant Bank, with Renasant Bank the surviving banking corporation in the merger. On July 1, 2017, Metropolitan

operated eight banking locations in Nashville and Memphis, Tennessee and the Jackson, Mississippi Metropolitan Statistical Area.

The Company recorded approximately \$147,478 in intangible assets which consist of goodwill of \$140,512 and a core deposit intangible of \$6,966. Goodwill resulted from a combination of revenue enhancements from expansion in existing markets and efficiencies resulting from operational synergies. The fair value of the core deposit intangible is being amortized on an accelerated basis over the estimated useful life, currently expected to be approximately 10 years. The goodwill is not deductible for income tax purposes.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements
Note 2 - Mergers and Acquisitions (continued)

The following table summarizes the allocation of purchase price to assets and liabilities acquired in connection with the Company's acquisition of Metropolitan based on their fair values on July 1, 2017.

Purchase Price:	
Shares issued to common shareholders	4,883,182
Purchase price per share	\$43.74
Value of stock paid	\$213,590
Cash paid for fractional shares	5
Cash settlement for stock options	4,764
Deal charges paid on behalf of Metropolitan	1,102
Total Purchase Price	\$219,461
Net Assets Acquired:	
Stockholders' equity at acquisition date	\$ 89,253
Increase (decrease) to net assets as a result of fair value adjustments to assets acquired and liabilities assumed:	
Securities	(731)
Mortgage loans held for sale	30
Loans	(13,071)
Premises and equipment	(4,629)
Intangible assets, net of Metropolitan's existing intangibles	2,340
Other real estate owned	(1,251)
Other assets	2,731
Deposits	(3,603)
Borrowings	(1,294)
Other liabilities	3,930
Deferred income taxes	5,244
Total Net Assets Acquired	78,949
Goodwill resulting from merger ⁽¹⁾	\$140,512

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

The following table summarizes the fair value on July 1, 2017 of assets acquired and liabilities assumed at acquisition date in connection with the merger with Metropolitan.

Cash and cash equivalents	\$ 47,556
Securities	108,697
Loans, including mortgage loans held for sale	967,804
Premises and equipment	8,576
Other real estate owned	1,203
Intangible assets	147,478
Other assets	69,567
Total assets	1,350,881
Deposits	942,084
Borrowings	174,522
Other liabilities	20,685
Total liabilities	1,137,291

Renasant Corporation and Subsidiaries
 Notes to Consolidated Financial Statements
 Note 2 - Mergers and Acquisitions (continued)

Supplemental Pro Forma Combined Condensed Results of Operations

The following unaudited pro forma combined condensed consolidated financial information presents the results of operations for the twelve months ended December 31, 2018 and 2017 of the Company as though the Brand and Metropolitan mergers had been completed as of January 1, 2017. The unaudited estimated pro forma information combines the historical results of Brand and Metropolitan with the Company's historical consolidated results and includes certain adjustments reflecting the estimated impact of certain fair value adjustments for the periods presented. The pro forma information is not necessarily indicative of what would have occurred had the acquisitions taken place on January 1, 2017. The pro forma information does not include the effect of any cost-saving or revenue-enhancing strategies. Merger expenses are reflected in the period in which they were incurred.

	Twelve Months Ended December 31,	
	2018	2017
Net interest income - pro forma (unaudited)	\$455,513	\$450,353
Noninterest income - pro forma (unaudited)	\$153,850	\$176,699
Noninterest expense - pro forma (unaudited)	\$452,699	\$422,700
Net income - pro forma (unaudited)	\$115,646	\$105,729
Earnings per share - pro forma (unaudited):		
Basic	\$1.97	\$1.80
Diluted	\$1.97	\$1.80

Due to the timing of the respective system conversions and the integration of operations into the Company's existing operations, historical reporting for acquired operations is impracticable, and, therefore, disclosure of the amounts of revenue and expenses of the acquired institutions since the acquisition dates is impracticable.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 3 – Securities
(In Thousands, Except Number of Securities)

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2018				
Obligations of other U.S. Government agencies and corporations	\$2,536	\$ 13	\$(38)	\$2,511
Obligations of states and political subdivisions	200,798	3,038	(567)	203,269
Residential mortgage backed securities:				
Government agency mortgage backed securities	621,690	719	(9,126)	613,283
Government agency collateralized mortgage obligations	332,697	274	(5,982)	326,989
Commercial mortgage backed securities:				
Government agency mortgage backed securities	21,957	257	(384)	21,830
Government agency collateralized mortgage obligations	28,446	24	(135)	28,335
Trust preferred securities	12,359	—	(1,726)	10,633
Other debt securities	44,046	192	(311)	43,927
	\$1,264,529	\$ 4,517	\$(18,269)	\$1,250,777
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2017				
Obligations of other U.S. Government agencies and corporations	\$3,554	\$ 40	\$(30)	\$3,564
Obligations of states and political subdivisions	228,589	6,161	(269)	234,481
Residential mortgage backed securities:				
Government agency mortgage backed securities	196,121	888	(3,059)	193,950
Government agency collateralized mortgage obligations	180,258	133	(3,752)	176,639
Commercial mortgage backed securities:				
Government agency mortgage backed securities	31,015	389	(234)	31,170
Government agency collateralized mortgage obligations	5,019	1	(14)	5,006
Trust preferred securities	12,442	—	(3,054)	9,388
Other debt securities	17,106	260	(76)	17,290
	\$674,104	\$ 7,872	\$(10,488)	\$671,488

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements
Note 3 - Securities (continued)

Securities sold were as follows for the periods presented:

	Carrying Value	Net Proceeds	Gain/(Loss)
Twelve months ended December 31, 2018			
Obligations of states and political subdivisions	\$ 901	\$ 893	\$ (8)
Residential mortgage backed securities:			
Government agency mortgage backed securities	943	942	(1)
Government agency collateralized mortgage obligations	559	552	(7)
	\$ 2,403	\$ 2,387	\$ (16)
	Carrying Value	Net Proceeds	Gain/(Loss)
Twelve months ended December 31, 2017			
Obligations of other U.S. Government agencies and corporations	\$11,088	\$10,974	\$ (114)
Obligations of states and political subdivisions	110,019	112,199	2,180
Residential mortgage backed securities:			
Government agency mortgage backed securities	264,924	263,217	(1,707)
Government agency collateralized mortgage obligations	72,153	71,781	(372)
Commercial mortgage backed securities:			
Government agency mortgage backed securities	14,104	14,082	(22)
Government agency collateralized mortgage obligations	6,289	6,289	—
Trust preferred securities	9,346	9,403	57
Other debt securities	7,269	7,395	126
	\$495,192	\$495,340	\$ 148

	Carrying Value	Net Proceeds	Gain/(Loss)
Twelve months ended December 31, 2016			
Other equity securities	\$ 2,842	\$ 4,028	\$ 1,186
	\$ 2,842	\$ 4,028	\$ 1,186

Included in the table above for the twelve months ended December 31, 2017 are certain securities acquired from Metropolitan sold shortly after acquisition. These securities had an aggregate carrying value of \$36,021 at the time of sale, and the Company received net proceeds of \$36,021, resulting in no gain or loss on the sale.

Also included in the table above for the twelve months ended December 31, 2017 are certain securities sold by the Company during the fourth quarter of 2017 in an effort to manage its consolidated assets below \$10,000,000 at December 31, 2017, in order to delay the adverse impact of the Durbin Amendment to the Dodd-Frank Act, which applies to banking institutions with assets over \$10,000,000 at year-end. Securities sold to achieve this strategy had an aggregate carrying value of \$446,880 on the dates of sale, and the Company collected net proceeds of \$446,971, resulting in a \$91 net gain on the sales.

Gross realized gains and gross realized losses on sales of securities available for sale were as follows for the periods presented:

	Year Ended December 31,		
	2018	2017	2016
Gross gains on sales of securities available for sale	\$11	\$2,497	\$1,257
Gross losses on sales of securities available for sale	(27)	(2,349)	(71)
Gain on sales of securities available for sale, net	\$(16)	\$148	\$1,186

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements
Note 3 - Securities (continued)

At December 31, 2018 and 2017, securities with a carrying value of approximately \$619,308 and \$217,867, respectively, were pledged to secure government, public, trust, and other deposits. Securities with a carrying value of \$18,299 and \$25,888 were pledged as collateral for short-term borrowings and derivative instruments at December 31, 2018 and 2017, respectively.

The amortized cost and fair value of securities at December 31, 2018 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because issuers may call or prepay obligations with or without call or prepayment penalties.

	Available for Sale	
	Amortized Cost	Fair Value
Due within one year	\$39,310	\$39,649
Due after one year through five years	44,304	44,788
Due after five years through ten years	81,825	82,781
Due after ten years	59,051	58,001
Residential mortgage backed securities:		
Government agency mortgage backed securities	621,690	613,283
Government agency collateralized mortgage obligations	332,697	326,989
Commercial mortgage backed securities:		
Government agency mortgage backed securities	21,957	21,830
Government agency collateralized mortgage obligations	28,446	28,335
Other debt securities	35,249	35,121
	\$1,264,529	\$1,250,777

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements
Note 3 - Securities (continued)

The following table presents the gross unrealized losses and fair value of investment securities, aggregated by investment category and the length of time the investments have been in a continuous unrealized loss position, as of the dates presented:

	Less than 12 Months			12 Months or More			Total		
	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses
Available for Sale:									
December 31, 2018									
Obligations of other U.S.									
Government agencies and corporations	0	\$—	\$—	2	\$1,480	\$(38)	2	\$1,480	\$(38)
Obligations of states and political subdivisions	34	22,159	(193)	26	16,775	(374)	60	38,934	(567)
Residential mortgage backed securities:									
Government agency mortgage backed securities	91	354,731	(3,945)	73	125,757	(5,181)	164	480,488	(9,126)
Government agency collateralized mortgage obligations	24	97,451	(840)	60	140,076	(5,142)	84	237,527	(5,982)
Commercial mortgage backed securities:									
Government agency mortgage backed securities	5	6,506	(74)	4	7,468	(310)	9	13,974	(384)
Government agency collateralized mortgage obligations	2	9,950	(23)	1	4,888	(112)	3	14,838	(135)
Trust preferred securities	0	—	—	2	10,633	(1,726)	2	10,633	(1,726)
Other debt securities	12	19,011	(88)	3	5,621	(223)	15	24,632	(311)
Total	168	\$509,808	\$(5,163)	171	\$312,698	\$(13,106)	339	\$822,506	\$(18,269)
December 31, 2017									
Obligations of other U.S.									
Government agencies and corporations	1	\$497	\$(3)	2	\$1,999	\$(27)	3	\$2,496	\$(30)
Obligations of states and political subdivisions	23	11,860	(59)	12	7,728	(210)	35	19,588	(269)
Residential mortgage backed securities:									
Government agency mortgage backed securities	29	64,595	(659)	44	89,414	(2,400)	73	154,009	(3,059)
Government agency collateralized mortgage obligations	33	102,509	(1,470)	29	62,406	(2,282)	62	164,915	(3,752)
Commercial mortgage backed securities:									
Government agency mortgage backed securities	2	5,629	(17)	3	5,872	(217)	5	11,501	(234)

Government agency collateralized mortgage obligations	1	4,986	(14	)	0	—	—	1	4,986	(14)	
Trust preferred securities	0	—	—		2	9,388	(3,054	)	2	9,388	(3,054)
Other debt securities	2	756	(12	)	2	6,308	(64	)	4	7,064	(76)
Total	91	\$190,832	\$ (2,234	)	94	\$183,115	\$ (8,254	)	185	\$373,947	\$ (10,488)

The Company does not intend to sell any of the securities in an unrealized loss position, and it is not more likely than not that the Company will be required to sell any such security prior to the recovery of its amortized cost basis, which may be maturity. Furthermore, even though a number of these securities have been in a continuous unrealized loss position for a period greater than twelve months, the Company is collecting principal and interest payments from the respective issuers as scheduled. As such, the Company did not record any other-than-temporary impairment for the years ended December 31, 2018 or 2017.

The Company holds investments in pooled trust preferred securities that had a cost basis of \$12,359 and \$12,442 and a fair value of \$10,633 and \$9,388 at December 31, 2018 and 2017, respectively. One investment in pooled trust preferred securities with a carrying value of \$9,346 was sold in 2017 for a gain of \$57. As of December 31, 2018, the investments in pooled trust preferred securities consisted of two securities representing interests in various tranches of trusts collateralized by debt issued by over 160 financial institutions. Management's determination of the fair value of each of its holdings in pooled trust preferred securities is based on the current credit ratings, the known deferrals and defaults by the underlying issuing financial institutions and the degree to which future deferrals and defaults would be required to occur before the cash flow for the Company's tranches is negatively

Renasant Corporation and Subsidiaries
 Notes to Consolidated Financial Statements
 Note 3 - Securities (continued)

impacted. In addition, management continually monitors key credit quality and capital ratios of the issuing institutions. This determination is further supported by quarterly valuations, which are performed by third parties, of each security obtained by the Company. At December 31, 2018, management did not, and does not currently, believe such securities will be settled at a price less than the amortized cost of the investment, but the Company previously concluded that it was probable that there had been an adverse change in estimated cash flows for both trust preferred securities and recognized credit related impairment losses on these securities in 2010 and 2011. For the years ended December 31, 2018, 2017 and 2016, the Company determined the pooled trust preferred securities and their estimated cash flow were fairly valued, and no additional impairment was recognized during these periods.

The following table provides information regarding the Company's investments in pooled trust preferred securities at December 31, 2018:

Name	Single/ Pooled	Class/ Tranche	Amortized Cost	Fair Value	Unrealized Loss	Lowest Credit Rating	Issuers Currently in Deferral or Default
XXIII	Pooled	B-2	\$ 8,292	\$6,956	\$(1,336)	BB	16%
XXVI	Pooled	B-2	4,067	3,677	(390)	B	19%
			\$ 12,359	\$10,633	\$(1,726)		

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

	2018	2017
Balance		
at	\$(261)	\$(3,337)
January		
1		
Additions		
related		
to		
credit		
losses		
for		
which	—	
OTTI		
was		
not		
previously		
recognized		
Increases—		
in		
credit		
loss		
for		
which		
OTTI		
was		
previously		

recognized
Reductions
for
securities
sold 3,076
during
the
period
Balance
at
\$(261), \$(261)
December
31

98

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 4 – Non Purchased Loans

(In Thousands, Except Number of Loans)

“Purchased” loans are those loans acquired in any of the Company’s previous acquisitions, including FDIC-assisted acquisitions. “Non purchased” loans include all of the Company’s other loans, other than loans held for sale.

For purposes of this Note 4, all references to “loans” mean non purchased loans.

The following is a summary of non purchased loans and leases at December 31:

	2018	2017
Commercial, financial, agricultural	\$875,649	\$763,823
Lease financing	64,992	57,354
Real estate – construction	635,519	547,658
Real estate – 1-4 family mortgage	2,087,890	1,729,534
Real estate – commercial mortgage	2,628,365	2,390,076
Installment loans to individuals	100,424	103,452
Gross loans	6,392,839	5,591,897
Unearned income	(3,127)	(3,341)
Loans, net of unearned income	\$6,389,712	\$5,588,556

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements
Note 4 - Non Purchased Loans (continued)

Past Due and Nonaccrual Loans

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

	Accruing Loans				Nonaccruing Loans				
	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans	Total Loans
December 31, 2018									
Commercial, financial, agricultural	\$3,397	\$ 267	\$870,457	\$874,121	\$—	\$1,356	\$ 172	\$1,528	\$875,649
Lease financing	607	89	64,296	64,992	—	—	—	—	64,992
Real estate – construction	887	—	634,632	635,519	—	—	—	—	635,519
Real estate – 1-4 family mortgage	10,378	2,151	2,071,401	2,083,930	238	2,676	1,046	3,960	2,087,890
Real estate – commercial mortgage	1,880	13	2,621,902	2,623,795	—	2,974	1,596	4,570	2,628,365
Installment loans to individuals	368	165	99,731	100,264	3	157	—	160	100,424
Unearned income	—	—	(3,127)	(3,127)	—	—	—	—	(3,127)
Total	\$17,517	\$ 2,685	\$6,359,292	\$6,379,494	\$241	\$7,163	\$2,814	\$10,218	\$6,389,712
December 31, 2017									
Commercial, financial, agricultural	\$2,722	\$ 22	\$759,143	\$761,887	\$205	\$1,033	\$ 698	\$1,936	\$763,823
Lease financing	47	—	57,148	57,195	—	159	—	159	57,354
Real estate – construction	50	—	547,608	547,658	—	—	—	—	547,658
Real estate – 1-4 family mortgage	11,810	2,194	1,712,982	1,726,986	—	1,818	730	2,548	1,729,534
Real estate – commercial mortgage	1,921	727	2,381,871	2,384,519	—	2,877	2,680	5,557	2,390,076
Installment loans to individuals	429	72	102,901	103,402	1	28	21	50	103,452
Unearned income	—	—	(3,341)	(3,341)	—	—	—	—	(3,341)
Total	\$16,979	\$ 3,015	\$5,558,312	\$5,578,306	\$206	\$5,915	\$4,129	\$10,250	\$5,588,556

Restructured loans that are not performing in accordance with their restructured terms that are either contractually 90 days or more past due or placed on nonaccrual status are reported as nonperforming loans. There was one restructured loan totaling \$41 that was contractually 90 days past due or more and still accruing at December 31, 2018. There were four restructured loans totaling \$649 that were contractually 90 days past due or more and still accruing at December 31, 2017. The outstanding balance of restructured loans on nonaccrual status was \$3,128 and \$2,673 at December 31, 2018 and 2017, respectively.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements
Note 4 - Non Purchased Loans (continued)

Impaired Loans

Impaired loans recognized in conformity with ASC 310, segregated by class, were as follows as of the dates and for the periods presented:

	As of December 31, 2018			Year Ended December 31, 2018	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a related allowance recorded:					
Commercial, financial, agricultural Lease financing	\$1,834	\$2,280	\$ 163	\$2,079	\$ 35
Real estate – construction	7,302	7,302	63	7,180	162
Real estate – 1-4 family mortgage	9,077	9,767	61	9,212	191
Real estate – commercial mortgage	4,609	5,765	689	4,889	72
Installment loans to individuals	223	232	1	239	2
Total	\$23,045	\$25,346	\$ 977	\$23,599	\$ 462
With no related allowance recorded:					
Commercial, financial, agricultural Lease financing	\$—	\$—	\$ —	\$—	\$ —
Real estate – construction	2,165	2,165	—	2,165	55
Real estate – 1-4 family mortgage	—	—	—	—	—
Real estate – commercial mortgage	1,238	2,860	—	1,316	32
Installment loans to individuals	—	—	—	—	—
Total	\$3,403	\$5,025	\$ —	\$3,481	\$ 87
Totals	\$26,448	\$30,371	\$ 977	\$27,080	\$ 549

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements
Note 4 - Non Purchased Loans (continued)

	As of December 31, 2017			Year Ended December 31, 2017	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Interest Recorded Investment	Interest Recognized
With a related allowance recorded:					
Commercial, financial, agricultural	\$2,365	\$3,043	\$ 138	\$2,861	\$ 47
Lease financing	159	159	2	159	—
Real estate – construction	578	578	4	526	29
Real estate – 1-4 family mortgage	8,169	9,315	561	8,295	259
Real estate – commercial mortgage	9,652	12,463	1,861	9,316	206
Installment loans to individuals	117	121	1	130	3
Total	\$21,040	\$25,679	\$ 2,567	\$21,287	\$ 544
With no related allowance recorded:					
Commercial, financial, agricultural	\$—	\$—	\$ —	\$—	\$ —
Lease financing	—	—	—	—	—
Real estate – construction	—	—	—	—	—
Real estate – 1-4 family mortgage	703	703	—	711	29
Real estate – commercial mortgage	—	—	—	—	—
Installment loans to individuals	—	—	—	—	—
Total	\$703	\$703	\$ —	\$711	\$ 29
Totals	\$21,743	\$26,382	\$ 2,567	\$21,998	\$ 573

The average recorded investment in impaired loans for the year ended December 31, 2016 was \$23,209. Interest income recognized on impaired loans for the year ended December 31, 2016 was \$624.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements
Note 4 - Non Purchased Loans (continued)

Restructured Loans

At December 31, 2018, 2017 and 2016, there were \$5,325, \$5,588 and \$7,447, respectively, of restructured loans. The following table illustrates the impact of modifications classified as restructured loans held on the Consolidated Balance Sheets and still performing in accordance with their restructured terms at period end, segregated by class, as of the periods presented.

	Number of	Pre-Modification	Post-Modification
	Loans	Outstanding	Outstanding
		Recorded	Recorded
		Investment	Investment
December 31, 2018			
Commercial, financial, agricultural	—	\$ —	\$ —
Lease financing	—	—	—
Real estate – construction	—	—	—
Real estate – 1-4 family mortgage	9	1,764	1,763
Real estate – commercial mortgage	2	94	89
Installment loans to individuals	—	—	—
Total	11	\$ 1,858	\$ 1,852
December 31, 2017			
Commercial, financial, agricultural	2	\$ 331	\$ 330
Lease financing	—	—	—
Real estate – construction	—	—	—
Real estate – 1-4 family mortgage	8	598	586
Real estate – commercial mortgage	3	683	313
Installment loans to individuals	1	4	3
Total	14	\$ 1,616	\$ 1,232
December 31, 2016			
Commercial, financial, agricultural	—	\$ —	\$ —
Lease financing	—	—	—
Real estate – construction	1	510	518
Real estate – 1-4 family mortgage	11	1,188	1,167
Real estate – commercial mortgage	—	—	—
Installment loans to individuals	—	—	—
Total	12	\$ 1,698	\$ 1,685

At December 31, 2017 the Company had \$184 in troubled debt restructurings that subsequently defaulted within twelve months of the restructuring. There were no such occurrences for the years ended December 31, 2018 and December 31, 2016.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements
Note 4 - Non Purchased Loans (continued)

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

	Number of Recorded	
	Loans	Investment
Totals at January 1, 2017	53	\$ 7,447
Additional loans with concessions	16	1,453
Reclassified as performing	2	183
Reductions due to:		
Reclassified as nonperforming	(7)	(853)
Paid in full	(8)	(1,165)
Charge-offs	(1)	(250)
Principal paydowns	—	(304)
Lapse of concession period	(1)	(923)
Totals at December 31, 2017	54	\$ 5,588
Additional loans with concessions	11	1,861
Reclassified as performing	3	295
Reductions due to:		
Reclassified as nonperforming	(8)	(639)
Paid in full	(9)	(1,556)
Principal paydowns	—	(224)
Totals at December 31, 2018	51	\$ 5,325

The allocated allowance for loan losses attributable to restructured loans was \$34 and \$85 at December 31, 2018 and 2017, respectively. The Company had \$42 remaining availability under commitments to lend additional funds on these restructured loans at December 31, 2018 and \$18 in remaining availability under commitments to lend additional funds on these restructured loans at December 31, 2017.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements
Note 4 - Non Purchased Loans (continued)

Credit Quality

For commercial and commercial real estate secured loans, internal risk-rating grades are assigned by lending, credit administration or loan review personnel, based on an analysis of the financial and collateral strength and other credit attributes underlying each loan. Management analyzes the resulting ratings, as well as other external statistics and factors such as delinquency, to track the migration performance of the portfolio balances of commercial and commercial real estate secured loans. Loan grades range between 1 and 9, with 1 being loans with the least credit risk. Loans within the “Pass” grade (historically, those with a risk rating between 1 and 4) generally have a lower risk of loss and therefore a lower risk factor applied to the loan balances. In 2018, management has established more granular rating categories to better identify heightened credit risk as loans migrate downward in the risk rating system. The “Pass” grade is now reserved for loans with a risk rating between 1 and 4A, and the “Watch” grade (those with a risk rating of 4B and 4E) is utilized on a temporary basis for “Pass” grade loans where a significant adverse risk-modifying action is anticipated in the near term. Loans that migrate toward the “Substandard” grade (those with a risk rating between 5 and 9) generally have a higher risk of loss and therefore a higher risk factor applied to those related loan balances. The following table presents the Company’s loan portfolio by risk-rating grades as of the dates presented:

	Pass	Watch	Substandard	Total
December 31, 2018				
Commercial, financial, agricultural	\$615,803	\$18,326	\$6,973	\$641,102
Real estate – construction	558,494	2,317	8,157	568,968
Real estate – 1-4 family mortgage	321,564	4,660	4,260	330,484
Real estate – commercial mortgage	2,210,100	54,579	24,144	2,288,823
Installment loans to individuals	—	—	—	—
Total	\$3,705,961	\$79,882	\$43,534	\$3,829,377
December 31, 2017				
Commercial, financial, agricultural	\$554,943	\$11,496	\$4,402	\$570,841
Real estate – construction	483,498	662	81	484,241
Real estate – 1-4 family mortgage	254,643	505	8,697	263,845
Real estate – commercial mortgage	1,983,750	50,428	24,241	2,058,419
Installment loans to individuals	921	—	—	921
Total	\$3,277,755	\$63,091	\$37,421	\$3,378,267

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements
Note 4 - Non Purchased Loans (continued)

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

	Performing	Non-Performing	Total
December 31, 2018			
Commercial, financial, agricultural	\$233,046	\$ 1,501	\$234,547
Lease financing	61,776	89	61,865
Real estate – construction	66,551	—	66,551
Real estate – 1-4 family mortgage	1,751,994	5,412	1,757,406
Real estate – commercial mortgage	338,367	1,175	339,542
Installment loans to individuals	100,099	325	100,424
Total	\$2,551,833	\$ 8,502	\$2,560,335
December 31, 2017			
Commercial, financial, agricultural	\$191,473	\$ 1,509	\$192,982
Lease financing	53,854	159	54,013
Real estate – construction	63,417	—	63,417
Real estate – 1-4 family mortgage	1,462,347	3,342	1,465,689
Real estate – commercial mortgage	330,441	1,216	331,657
Installment loans to individuals	102,409	122	102,531
Total	\$2,203,941	\$ 6,348	\$2,210,289

Related Party Loans

Certain executive officers and directors of Renasant Bank and their associates are customers of and have other transactions with Renasant Bank. Related party loans and commitments are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with persons not related to the Company or the Bank and do not involve more than a normal risk of collectability or present other unfavorable features. A summary of the changes in related party loans follows:

Loans at December 31, 2017	\$24,363
New loans and advances	2,249
Loans to directors assumed in acquisition ⁽¹⁾	100
Payments received	(3,860)
Changes in related parties	(627)
Loans at December 31, 2018	\$22,225

(1)Loans to directors assumed in acquisition are included in the tables in Note 5, "Purchased Loans."

No related party loans were classified as past due, nonaccrual, impaired or restructured at December 31, 2018 or 2017. Unfunded commitments to certain executive officers and directors and their associates totaled \$6,982 and \$9,333 at December 31, 2018 and 2017, respectively.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 5 – Purchased Loans

(In Thousands, Except Number of Loans)

For purposes of this Note 5, all references to “loans” mean purchased loans.

The following is a summary of purchased loans at December 31:

	2018	2017
Commercial, financial, agricultural	\$420,263	\$275,570
Lease financing	—	—
Real estate – construction	105,149	85,731
Real estate – 1-4 family mortgage	707,453	614,187
Real estate – commercial mortgage	1,423,144	1,037,454
Installment loans to individuals	37,408	18,824
Gross loans	2,693,417	2,031,766
Unearned income	—	—
Loans, net of unearned income	\$2,693,417	\$2,031,766

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Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements
Note 5 – Purchased Loans (continued)

Past Due and Nonaccrual Loans

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

	Accruing Loans				Nonaccruing Loans				
	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans	Total Loans
December 31, 2018									
Commercial, financial, agricultural	\$1,811	\$97	\$417,786	\$419,694	\$—	\$477	\$92	\$569	\$420,263
Lease financing	—	—	—	—	—	—	—	—	—
Real estate – construction	1,235	68	103,846	105,149	—	—	—	—	105,149
Real estate – 1-4 family mortgage	8,981	4,455	690,697	704,133	202	1,881	1,237	3,320	707,453
Real estate – commercial mortgage	5,711	2,410	1,413,346	1,421,467	—	1,401	276	1,677	1,423,144
Installment loans to individuals	1,342	202	35,594	37,138	2	24	244	270	37,408
Unearned income	—	—	—	—	—	—	—	—	—
Total	\$19,080	\$7,232	\$2,661,269	\$2,687,581	\$204	\$3,783	\$1,849	\$5,836	\$2,693,417
December 31, 2017									
Commercial, financial, agricultural	\$1,119	\$532	\$273,488	\$275,139	\$—	\$199	\$232	\$431	\$275,570
Lease financing	—	—	—	—	—	—	—	—	—
Real estate – construction	415	—	85,316	85,731	—	—	—	—	85,731
Real estate – 1-4 family mortgage	6,070	2,280	602,464	610,814	385	879	2,109	3,373	614,187
Real estate – commercial mortgage	2,947	2,910	1,031,141	1,036,998	191	99	166	456	1,037,454
Installment loans to individuals	208	9	18,443	18,660	59	—	105	164	18,824
Unearned income	—	—	—	—	—	—	—	—	—
Total	\$10,759	\$5,731	\$2,010,852	\$2,027,342	\$635	\$1,177	\$2,612	\$4,424	\$2,031,766

Restructured loans that are not performing in accordance with their restructured terms that are either contractually 90 days or more past due or placed on nonaccrual status are reported as nonperforming loans. There were eight restructured loans totaling \$413 that were contractually 90 days past due or more and still accruing at December 31, 2018. There were three restructured loans totaling \$128 that were contractually 90 days past due or more and still accruing at December 31, 2017. The outstanding balance of restructured loans on nonaccrual status was \$1,868 and \$523 at December 31, 2018 and 2017, respectively.

Renasant Corporation and Subsidiaries
 Notes to Consolidated Financial Statements
 Note 5 – Purchased Loans (continued)

Impaired Loans

Non credit deteriorated loans that were subsequently impaired and recognized in conformity with ASC 310, segregated by class, were as follows as of the dates and for the periods presented:

	As of December 31, 2018		Year Ended December 31, 2018		
	Recorded Investment Balance	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a related allowance recorded:					
Commercial, financial, agricultural	\$600	\$ 658	\$ 173	\$614	\$ 10
Lease financing	—	—	—	—	—
Real estate – construction	576	576	5	576	