# Section 1: 10-Q (10-Q)

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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

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## FORM 10-Q

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**(Mark One)**

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

**For the quarterly period ended March 31, 2019**

**Or**

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

**For the transition period from __________ to __________**

**Commission file number: 001-13253**

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# RENASANT CORPORATION

**(Exact name of registrant as specified in its charter)**

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| | |
|---|---|
| **Mississippi** | **64-0676974** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **209 Troy Street, Tupelo, Mississippi** | **38804-4827** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**(662) 680-1001**
**(Registrant's telephone number, including area code)**

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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 (§232.405 of this chapter) 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 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. ☐

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

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common stock, $5.00 par value per share | RNST | The NASDAQ Stock Market LLC |

As of April 30, 2019, 58,628,340 shares of the registrant’s common stock, $5.00 par value per share, were outstanding.

Renasant Corporation and Subsidiaries

Form 10-Q

For the Quarterly Period Ended March 31, 2019

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**PART I. FINANCIAL INFORMATION**
**Item 1. FINANCIAL STATEMENTS**

Renasant Corporation and Subsidiaries
Consolidated Balance Sheets

*(In Thousands, Except Share Data)*

| | (Unaudited) March 31, 2019 | December 31, 2018 |
|---|---|---|
| **Assets** | | |
| Cash and due from banks | $ 208,740 | $ 198,515 |
| Interest-bearing balances with banks | 353,326 | 370,596 |
| Cash and cash equivalents | 562,066 | 569,111 |
| Securities available for sale, at fair value | 1,255,353 | 1,250,777 |
| Loans held for sale ($195,807 and $219,848 carried at fair value at March 31, 2019 and December 31, 2018, respectively) | 318,563 | 411,427 |
| Loans, net of unearned income: | | |
| Non purchased loans and leases | 6,565,599 | 6,389,712 |
| Purchased loans | 2,522,694 | 2,693,417 |
| Total loans, net of unearned income | 9,088,293 | 9,083,129 |
| Allowance for loan losses | (49,835) | (49,026) |
| Loans, net | 9,038,458 | 9,034,103 |
| Premises and equipment, net | 267,447 | 209,168 |
| Other real estate owned: | | |
| Non purchased | 4,223 | 4,853 |
| Purchased | 5,932 | 6,187 |
| Total other real estate owned, net | 10,155 | 11,040 |
| Goodwill | 932,971 | 932,928 |
| Other intangible assets, net | 42,755 | 44,865 |
| Bank-owned life insurance | 221,973 | 220,608 |
| Mortgage servicing rights | 48,973 | 48,230 |
| Other assets | 163,681 | 202,621 |
| **Total assets** | $ 12,862,395 | $ 12,934,878 |
| **Liabilities and shareholders' equity** | | |
| **Liabilities** | | |
| Deposits | | |
| Noninterest-bearing | $ 2,366,223 | $ 2,318,706 |
| Interest-bearing | 7,902,689 | 7,809,851 |
| Total deposits | 10,268,912 | 10,128,557 |
| Short-term borrowings | 87,590 | 387,706 |
| Long-term debt | 263,269 | 263,618 |
| Other liabilities | 153,747 | 111,084 |
| **Total liabilities** | 10,773,518 | 10,890,965 |
| **Shareholders' equity** | | |
| Preferred stock, $.01 par value – 5,000,000 shares authorized; no shares issued and outstanding | — | — |
| Common stock, $5.00 par value – 150,000,000 shares authorized; 59,296,725 shares issued; 58,633,630 and 58,546,480 shares outstanding, respectively | 296,483 | 296,483 |
| Treasury stock, at cost – 663,095 and 750,245 shares, respectively | (21,590) | (24,245) |
| Additional paid-in capital | 1,288,106 | 1,288,911 |
| Retained earnings | 533,328 | 500,660 |
| Accumulated other comprehensive loss, net of taxes | (7,450) | (17,896) |
| **Total shareholders' equity** | 2,088,877 | 2,043,913 |
| **Total liabilities and shareholders' equity** | $ 12,862,395 | $ 12,934,878 |

*See Notes to Consolidated Financial Statements.*

Renasant Corporation and Subsidiaries
Consolidated Statements of Income (Unaudited)

*(In Thousands, Except Share Data)*

| | Three Months Ended March 31, 2019 | Three Months Ended March 31, 2018 |
|---|---|---|
| **Interest income** | | |
| Loans | $ 126,302 | $ 94,118 |
| Securities | | |
| Taxable | 7,925 | 3,994 |
| Tax-exempt | 1,409 | 1,685 |
| Other | 1,458 | 583 |
| **Total interest income** | 137,094 | 100,380 |
| **Interest expense** | | |
| Deposits | 19,772 | 8,059 |
| Borrowings | 4,175 | 3,081 |
| **Total interest expense** | 23,947 | 11,140 |
| **Net interest income** | 113,147 | 89,240 |
| Provision for loan losses | 1,500 | 1,750 |
| **Net interest income after provision for loan losses** | 111,647 | 87,490 |
| **Noninterest income** | | |
| Service charges on deposit accounts | 9,102 | 8,473 |
| Fees and commissions | 6,471 | 5,685 |
| Insurance commissions | 2,116 | 2,005 |
| Wealth management revenue | 3,324 | 3,262 |
| Mortgage banking income | 10,401 | 10,960 |
| Net gain on sales of securities | 13 | — |
| BOLI income | 1,407 | 945 |
| Other | 3,051 | 2,623 |
| **Total noninterest income** | 35,885 | 33,953 |
| **Noninterest expense** | | |
| Salaries and employee benefits | 57,350 | 48,784 |
| Data processing | 4,906 | 4,244 |
| Net occupancy and equipment | 11,835 | 9,822 |
| Other real estate owned | 1,004 | 657 |
| Professional fees | 2,454 | 2,138 |
| Advertising and public relations | 2,866 | 2,203 |
| Intangible amortization | 2,110 | 1,651 |
| Communications | 1,895 | 1,969 |
| Merger and conversion related expenses | — | 900 |
| Other | 4,412 | 5,576 |
| **Total noninterest expense** | 88,832 | 77,944 |
| Income before income taxes | 58,700 | 43,499 |
| Income taxes | 13,590 | 9,673 |
| **Net income** | $ 45,110 | $ 33,826 |
| **Basic earnings per share** | $ 0.77 | $ 0.69 |
| **Diluted earnings per share** | $ 0.77 | $ 0.68 |
| **Cash dividends per common share** | $ 0.21 | $ 0.19 |

*See Notes to Consolidated Financial Statements.*

Renasant Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income (Unaudited)

*(In Thousands)*

| | Three Months Ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| Net income | $ 45,110 | $ 33,826 |
| Other comprehensive income (loss), net of tax: | | |
| Securities available for sale: | | |
| Unrealized holding gains (losses) on securities | 11,317 | (7,909) |
| Reclassification adjustment for gains realized in net income | (10) | — |
| Total securities | 11,307 | (7,909) |
| Derivative instruments: | | |
| Unrealized holding (losses) gains on derivative instruments | (915) | 858 |
| Total derivative instruments | (915) | 858 |
| Defined benefit pension and post-retirement benefit plans: | | |
| Amortization of net actuarial loss recognized in net periodic pension cost | 54 | 66 |
| Total defined benefit pension and post-retirement benefit plans | 54 | 66 |
| Other comprehensive income (loss), net of tax | 10,446 | (6,985) |
| Comprehensive income | $ 55,556 | $ 26,841 |

*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 Income (Loss) | Total |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | | | |
| **Balance at January 1, 2019** | 58,546,480 | $ 296,483 | $ (24,245) | $ 1,288,911 | $ 500,660 | $ (17,896) | $ 2,043,913 |
| Net income | | | | | 45,110 | | 45,110 |
| Other comprehensive income (loss) | | | | | | 10,446 | 10,446 |
| Comprehensive income | | | | | | | 55,556 |
| Cash dividends ($0.21 per share) | | | | | (12,442) | | (12,442) |
| Issuance of common stock for stock-based compensation awards | 87,150 | | 2,655 | (3,442) | | | (787) |
| Stock-based compensation expense | | | | 2,637 | | | 2,637 |
| **Balance at March 31, 2019** | 58,633,630 | $ 296,483 | $ (21,590) | $ 1,288,106 | $ 533,328 | $ (7,450) | $ 2,088,877 |
| | | | | | | | |
| **Balance at January 1, 2018** | 49,321,231 | $ 249,951 | $ (19,906) | $ 898,095 | $ 397,354 | $ (10,511) | $ 1,514,983 |
| Net income | | | | | 33,826 | | 33,826 |
| Other comprehensive income (loss) | | | | | | (6,985) | (6,985) |
| Comprehensive income | | | | | | | 26,841 |
| Cash dividends ($0.19 per share) | | | | | (9,455) | | (9,455) |
| Issuance of common stock for stock-based compensation awards | 71,747 | | 1,610 | (3,092) | | | (1,482) |
| Stock-based compensation expense | | | | 1,858 | | | 1,858 |
| Other, net | | | | 20 | | | 20 |
| **Balance at March 31, 2018** | 49,392,978 | $ 249,951 | $ (18,296) | $ 896,881 | $ 421,725 | $ (17,496) | $ 1,532,765 |

*See Notes to Consolidated Financial Statements.*

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| **Operating activities** | | |
| Net income | $ 45,110 | $ 33,826 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Provision for loan losses | 1,500 | 1,750 |
| Depreciation, amortization and accretion | 409 | 650 |
| Deferred income tax expense | 5,949 | 1,990 |
| Funding of mortgage loans held for sale | (384,103) | (362,803) |
| Proceeds from sales of mortgage loans held for sale | 416,032 | 275,445 |
| Gains on sales of mortgage loans held for sale | (7,888) | (8,798) |
| Gains on sales of securities | (13) | — |
| (Gains) losses on sales of premises and equipment | (89) | 8 |
| Stock-based compensation expense | 2,637 | 1,858 |
| Payments on and proceeds from sales of other loans held for sale | 70,375 | — |
| Decrease in other assets | 5,982 | 9,623 |
| Increase in other liabilities | (15,794) | (14,720) |
| **Net cash provided by (used in) operating activities** | 140,107 | (61,171) |
| **Investing activities** | | |
| Purchases of securities available for sale | (49,577) | (317,922) |
| Proceeds from sales of securities available for sale | 10,611 | — |
| Proceeds from call/maturities of securities available for sale | 48,509 | 29,335 |
| Net increase in loans | (808) | (74,344) |
| Purchases of premises and equipment | (7,242) | (4,384) |
| Proceeds from sales of premises and equipment | 135 | — |
| Proceeds from sales of FHLB stock | 10,441 | — |
| Proceeds from sales of other assets | 12,965 | 2,085 |
| Other, net | (104) | — |
| **Net cash provided by (used in) investing activities** | 24,930 | (365,230) |
| **Financing activities** | | |
| Net increase in noninterest-bearing deposits | 47,517 | 20,712 |
| Net increase in interest-bearing deposits | 93,175 | 416,759 |
| Net decrease in short-term borrowings | (300,116) | (32,061) |
| Repayment of long-term debt | (216) | (230) |
| Cash paid for dividends | (12,442) | (9,455) |
| Net stock-based compensation transactions | — | 201 |
| **Net cash (used in) provided by financing activities** | (172,082) | 395,926 |
| **Net decrease in cash and cash equivalents** | (7,045) | (30,475) |
| **Cash and cash equivalents at beginning of period** | 569,111 | 281,453 |
| **Cash and cash equivalents at end of period** | $ 562,066 | $ 250,978 |
| **Supplemental disclosures** | | |
| Cash paid for interest | $ 23,887 | $ 12,656 |
| Cash paid for income taxes | $ 5,325 | $ 6,280 |
| Noncash transactions: | | |
| Transfers of loans to other real estate owned | $ 885 | $ 1,154 |
| Financed sales of other real estate owned | $ 120 | $ 418 |
| Transfers of loans held for sale to loans held for investment | $ — | $ 442 |
| Recognition of operating right-of-use assets | $ 54,338 | $ — |
| Recognition of operating lease liabilities | $ 57,857 | $ — |

*See Notes to Consolidated Financial Statements.*

**Note 1 – Summary of Significant Accounting Policies**

*(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. ("Renasant Insurance"). The Company offers a diversified range of financial, wealth management and insurance services to its retail and commercial customers through its subsidiaries and full service offices located throughout north and central Mississippi, Tennessee, Georgia, Alabama and north Florida.

Basis of Presentation: The accompanying unaudited consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain prior year amounts have been reclassified to conform to the current year presentation. For further information regarding the Company's significant accounting policies, refer to the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed with the Securities and Exchange Commission on February 28, 2019.

Business Combinations: The Company completed its acquisition of Brand Group Holdings, Inc. ("Brand") on September 1, 2018. The acquired institution's financial condition and results of operations are included in the Company's financial condition and results of operations as of the acquisition date. Due to the timing of the system conversion 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 institution since the acquisition date is impracticable.

In connection with the acquisition of Brand, the Company acquired a portfolio of non-mortgage consumer loans, which is included in the line item "Loans held for sale" on the Company's Consolidated Balance Sheet with a balance of $122,756 as of March 31, 2019. In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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.

Use of Estimates: The preparation of financial statements in conformity with 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, and such differences may be material.

Impact of Recently-Issued Accounting Standards and Pronouncements:

In February 2016, FASB issued Accounting Standards Update ("ASU") 2016-02, *"Leases (Topic 842)"*, which amends the accounting model and disclosure requirements for leases. Topic 842 was subsequently amended by the following updates: ASU 2018-01, *"Land Easement Practical Expedient for Transition to Topic 842"*, ASU 2018-10, *"Codification Improvements to Topic 842, Leases"*, and ASU 2018-11, *"Targeted Improvements"* (collectively, "ASC 842"). The current accounting model for leases distinguishes between capital leases, which are recognized on the balance sheet, and operating leases, which are not. Under the new standard, the lease classifications are defined as finance leases, which are similar to capital leases under current GAAP, and operating leases. Further, a lessee will recognize 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 may significantly increase reported assets and liabilities. The accounting model and disclosure requirements for lessors remains substantially unchanged from current GAAP. This standard became effective on January 1, 2019. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. The Company chose to use the effective date approach and, as such, all periods presented after January 1, 2019 are in accordance with ASC 842 whereas periods presented prior to January 1, 2019 are in accordance with prior lease accounting. Financial information was not updated, and the disclosures required under ASC 842, were not provided for dates and periods before January 1, 2019. The Company recorded a right-of-use asset in the amount of $53,042 and a corresponding lease liability in the amount of $56,562. The Company has included newly applicable lease disclosures in this filing in Note 19, "Leases."

In June 2016, FASB issued ASU 2016-13, *"Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"* ("ASU 2016-13"). This 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 includes 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 is 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 January 2017, FASB issued ASU No. 2017-04, *"Intangibles - Goodwill and Other (Topic 350)"* ("ASU 2017-04"). ASU 2017-04 will amend and simplify current goodwill impairment testing by eliminating certain testing under the current provisions. Under the new guidance, an entity should perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying value and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. An entity still has the option to perform the quantitative assessment for a reporting unit to determine if a quantitative impairment test is necessary. ASU 2017-04 will be effective for interim and annual periods beginning after December 15, 2019 and is not expected to 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 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.

In March 2019, FASB issued ASU 2019-01, *"Leases (Topic 842): Codification Improvements"* ("ASU 2019-01"). ASU 2019-01 is intended to clarify potential implementation questions related to ASC 842. This includes clarification on the determination of fair value of underlying assets by lessors that are not manufacturers or dealers, cash flow presentation of sales-type and direct financing leases and transition disclosures related to accounting changes and error corrections. ASU 2019-01 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 2019-01 will have on its financial position and results of operations and its financial statement disclosures.

**Note 2 – Mergers and Acquisitions**
*(Dollar Amounts In Thousands, Except Share Data)*

*Acquisition of Brand Group Holdings, Inc.*

Effective September 1, 2018, the Company completed its acquisition by merger of 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 $349,459 in intangible assets which consist of goodwill of $321,925 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 | | 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 | (20,969) | |
| 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** | | 152,528 |
| **Goodwill resulting from merger**(1) | | $ 321,925 |

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

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 | 1,589,195 |
| Premises and equipment | 20,070 |
| Intangible assets | 349,459 |
| Other assets | 112,066 |
| 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 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 results of operations from September 1, 2018 to October 31, 2018. The following table summarizes the significant assets acquired and liabilities assumed from BMG:

| | September 1, 2018 |
|---|---|
| Loans held for sale | $ 48,100 |
| Borrowings | 34,139 |

*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 three months ended March 31, 2019 and 2018 of the Company as though the Brand merger had been completed as of January 1, 2018. The unaudited pro forma information combines the historical results of Brand 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 acquisition taken place on January 1, 2018. 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.

| | (Unaudited) Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Net interest income - pro forma | $ 113,147 | $ 111,618 |
| Noninterest income - pro forma | $ 35,885 | $ 42,497 |
| Noninterest expense - pro forma | $ 88,832 | $ 99,774 |
| Net income - pro forma | $ 45,110 | $ 40,296 |
| Earnings per share - pro forma: | | |
| Basic | $ 0.77 | $ 0.69 |
| Diluted | $ 0.77 | $ 0.69 |

**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 |
|---|---|---|---|---|
| **March 31, 2019** | | | | |
| Obligations of other U.S. Government agencies and corporations | $ 2,532 | $ 16 | $ (23) | $ 2,525 |
| Obligations of states and political subdivisions | 179,758 | 4,064 | (60) | 183,762 |
| Residential mortgage backed securities: | | | | |
| Government agency mortgage backed securities | 622,056 | 3,783 | (3,773) | 622,066 |
| Government agency collateralized mortgage obligations | 321,088 | 1,093 | (2,734) | 319,447 |
| Commercial mortgage backed securities: | | | | |
| Government agency mortgage backed securities | 21,816 | 362 | (180) | 21,998 |
| Government agency collateralized mortgage obligations | 46,095 | 273 | (38) | 46,330 |
| Trust preferred securities | 12,259 | — | (2,013) | 10,246 |
| Other debt securities | 48,335 | 766 | (122) | 48,979 |
| | $ 1,253,939 | $ 10,357 | $ (8,943) | $ 1,255,353 |

| | 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 |

Securities sold were as follows for the period presented:

| | Carrying Value | Net Proceeds | Gain/(Loss) |
|---|---|---|---|
| **Three months ended March 31, 2019** | | | |
| Obligations of states and political subdivisions | $ 10,368 | $ 10,384 | $ 16 |
| Residential mortgage backed securities: | | | |
| Government agency mortgage backed securities | 230 | 227 | $ (3) |
| | $ 10,598 | $ 10,611 | $ 13 |

There were no securities sold during the three months ended March 31, 2018.

Gross realized gains and losses on sales of securities available for sale for three months ended March 31, 2019 and 2018, respectively, were as follows:

| | Three Months Ended March 31, 2019 | Three Months Ended March 31, 2018 |
|---|---|---|
| Gross gains on sales of securities available for sale | $ 45 | $ — |
| Gross losses on sales of securities available for sale | (32) | — |
| Gains on sales of securities available for sale, net | $ 13 | $ — |

At March 31, 2019 and December 31, 2018, securities with a carrying value of $553,451 and $619,308, respectively, were pledged to secure government, public and trust deposits. Securities with a carrying value of $19,629 and $18,299 were pledged as collateral for short-term borrowings and derivative instruments at March 31, 2019 and December 31, 2018, respectively.

The amortized cost and fair value of securities at March 31, 2019 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 | $ 36,647 | $ 36,919 |
| Due after one year through five years | 40,168 | 40,856 |
| Due after five years through ten years | 74,651 | 76,630 |
| Due after ten years | 51,868 | 50,926 |
| Residential mortgage backed securities: | | |
| Government agency mortgage backed securities | 622,056 | 622,066 |
| Government agency collateralized mortgage obligations | 321,088 | 319,447 |
| Commercial mortgage backed securities: | | |
| Government agency mortgage backed securities | 21,816 | 21,998 |
| Government agency collateralized mortgage obligations | 46,095 | 46,330 |
| Other debt securities | 39,550 | 40,181 |
| | $ 1,253,939 | $ 1,255,353 |

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

| | Less than 12 Months | | | 12 Months or More | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | # | Fair Value | Unrealized Losses | # | Fair Value | Unrealized Losses | # | Fair Value | Unrealized Losses |
| **Available for Sale:** | | | | | | | | | |
| **March 31, 2019** | | | | | | | | | |
| Obligations of other U.S. Government agencies and corporations | 0 | $ — | $ — | 2 | $ 1,494 | $ (23) | 2 | $ 1,494 | $ (23) |
| Obligations of states and political subdivisions | 1 | 855 | (1) | 10 | 7,309 | (59) | 11 | 8,164 | (60) |
| Residential mortgage backed securities: | | | | | | | | | |
| Government agency mortgage backed securities | 10 | 28,824 | (72) | 96 | 242,222 | (3,701) | 106 | 271,046 | (3,773) |
| Government agency collateralized mortgage obligations | 3 | 16,043 | (41) | 64 | 159,212 | (2,693) | 67 | 175,255 | (2,734) |
| Commercial mortgage backed securities: | | | | | | | | | |
| Government agency mortgage backed securities | 0 | — | — | 4 | 7,543 | (180) | 4 | 7,543 | (180) |
| Government agency collateralized mortgage obligations | 0 | — | — | 1 | 4,962 | (38) | 1 | 4,962 | (38) |
| Trust preferred securities | 0 | — | — | 2 | 10,246 | (2,013) | 2 | 10,246 | (2,013) |
| Other debt securities | 8 | 5,763 | (34) | 3 | 5,752 | (88) | 11 | 11,515 | (122) |
| Total | 22 | $ 51,485 | $ (148) | 182 | $ 438,740 | $ (8,795) | 204 | $ 490,225 | $ (8,943) |
| **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) |

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

The Company does not intend to sell any securities in an unrealized loss position that it holds, 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 at 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 OTTI for the three months ended March 31, 2019 or 2018.

The Company holds investments in pooled trust preferred securities that had an amortized cost basis of $12,259 and $12,359 and a fair value of $10,246 and $10,633 at March 31, 2019 and December 31, 2018, respectively. At March 31, 2019, the investments in pooled trust preferred securities consisted of two securities representing interests in various tranches of trusts collateralized by debt issued by over 150 financial institutions. Management's determination of the fair value of each of its holdings in pooled trust preferred securities is based on the current credit ratings, the known deferrals and defaults by the underlying issuing financial institutions and the degree to which future deferrals and defaults would be required to occur before the cash flow for the Company's tranches is negatively impacted. In addition, management continually monitors key credit quality and capital ratios of the issuing institutions. This determination is further supported by quarterly valuations, which are performed by third parties, of each security obtained by the Company. The Company does not intend to sell the investments before recovery of the investments' amortized cost, and it is not more likely than not that the Company will be required to sell the investments before recovery of the investments' amortized cost, which may be at maturity. At March 31, 2019, 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 2011. No additional impairment was recognized during the three months ended March 31, 2019.

The following table provides information regarding the Company's investments in pooled trust preferred securities at March 31, 2019:

| Name | Single/ Pooled | Class/ Tranche | Amortized Cost | Fair Value | Unrealized Loss | Lowest Credit Rating | Issuers Currently in Deferral or Default |
|---|---|---|---|---|---|---|---|
| XXIII | Pooled | B-2 | $ 8,233 | $ 6,593 | $ (1,640) | BB | 17% |
| XXVI | Pooled | B-2 | 4,026 | 3,653 | (373) | B | 20% |
| | | | $ 12,259 | $ 10,246 | $ (2,013) | | |

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:

| | 2019 | 2018 |
|---|---|---|
| Balance at January 1 | $ (261) | $ (261) |
| 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 during the period | — | — |
| Balance at March 31 | $ (261) | $ (261) |

**Note 4 – Non Purchased Loans**

*(In Thousands, Except Number of Loans)*

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 as of the dates presented:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Commercial, financial, agricultural | $ 921,081 | $ 875,649 |
| Lease financing | 61,539 | 64,992 |
| Real estate – construction | 651,119 | 635,519 |
| Real estate – 1-4 family mortgage | 2,114,908 | 2,087,890 |
| Real estate – commercial mortgage | 2,726,186 | 2,628,365 |
| Installment loans to individuals | 93,654 | 100,424 |
| Gross loans | 6,568,487 | 6,392,839 |
| Unearned income | (2,888) | (3,127) |
| Loans, net of unearned income | $ 6,565,599 | $ 6,389,712 |

*Past Due and Nonaccrual Loans*

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Generally, the recognition of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Consumer and other retail loans are typically charged-off no later than the time the loan is 120 days past due. In all cases, loans are placed on nonaccrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful. Loans may be placed on nonaccrual status 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 status 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 status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

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 |
| **March 31, 2019** | | | | | | | | | |
| Commercial, financial, agricultural | $ 3,117 | $ 78 | $ 913,608 | $ 916,803 | $ 953 | $ 3,145 | $ 180 | $ 4,278 | $ 921,081 |
| Lease financing | 440 | — | 61,009 | 61,449 | — | 90 | — | 90 | 61,539 |
| Real estate – construction | 419 | — | 650,700 | 651,119 | — | — | — | — | 651,119 |
| Real estate – 1-4 family mortgage | 16,333 | 1,044 | 2,093,721 | 2,111,098 | 1,056 | 1,466 | 1,288 | 3,810 | 2,114,908 |
| Real estate – commercial mortgage | 2,394 | 13 | 2,719,516 | 2,721,923 | — | 2,349 | 1,914 | 4,263 | 2,726,186 |
| Installment loans to individuals | 392 | 57 | 93,139 | 93,588 | 2 | 64 | — | 66 | 93,654 |
| Unearned income | — | — | (2,888) | (2,888) | — | — | — | — | (2,888) |
| Total | $ 23,095 | $ 1,192 | $6,528,805 | $6,553,092 | $ 2,011 | $ 7,114 | $ 3,382 | $ 12,507 | $6,565,599 |
| **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 |

*Impaired Loans*

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Impairment is measured on a loan-by-loan basis for commercial, consumer and construction loans of $500 or more 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, the loan is placed on nonaccrual status and 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.

Loans accounted for under FASB ASC 310-20, "Nonrefundable Fees and Other Cost" ("ASC 310-20"), and which are impaired loans recognized in conformity with ASC 310, "Receivables" ("ASC 310"), segregated by class, were as follows as of the dates presented:

| | Unpaid Contractual Principal Balance | Recorded Investment With Allowance | Recorded Investment With No Allowance | Total Recorded Investment | Related Allowance |
|---|---|---|---|---|---|
| **March 31, 2019** | | | | | |
| Commercial, financial, agricultural | $ 4,886 | $ 4,581 | $ — | $ 4,581 | $ 983 |
| Lease financing | 90 | 90 | — | 90 | 1 |
| Real estate – construction | 8,485 | 6,320 | 2,165 | 8,485 | 56 |
| Real estate – 1-4 family mortgage | 8,739 | 8,415 | — | 8,415 | 113 |
| Real estate – commercial mortgage | 9,800 | 5,819 | 1,198 | 7,017 | 723 |
| Installment loans to individuals | 136 | 129 | — | 129 | 1 |
| Total | $ 32,136 | $ 25,354 | $ 3,363 | $ 28,717 | $ 1,877 |
| **December 31, 2018** | | | | | |
| Commercial, financial, agricultural | $ 2,280 | $ 1,834 | $ — | $ 1,834 | $ 163 |
| Lease financing | — | — | — | — | — |
| Real estate – construction | 9,467 | 7,302 | 2,165 | 9,467 | 63 |
| Real estate – 1-4 family mortgage | 9,767 | 9,077 | — | 9,077 | 61 |
| Real estate – commercial mortgage | 8,625 | 4,609 | 1,238 | 5,847 | 689 |
| Installment loans to individuals | 232 | 223 | — | 223 | 1 |
| Totals | $ 30,371 | $ 23,045 | $ 3,403 | $ 26,448 | $ 977 |

The following table presents the average recorded investment and interest income recognized on loans accounted for under ASC 310-20 and which are impaired loans for the periods presented:

| | Three Months Ended March 31, 2019 | | Three Months Ended March 31, 2018 | |
|---|---|---|---|---|
| | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized |
| Commercial, financial, agricultural | $ 4,634 | $ 10 | $ 2,338 | $ 11 |
| Lease financing | 87 | — | 159 | — |
| Real estate – construction | 8,485 | 102 | 150 | 18 |
| Real estate – 1-4 family mortgage | 8,490 | 51 | 8,197 | 67 |
| Real estate – commercial mortgage | 7,030 | 28 | 6,670 | 92 |
| Installment loans to individuals | 149 | 1 | 104 | 1 |
| Total | $ 28,875 | $ 192 | $ 17,618 | $ 189 |

*Restructured Loans*

Restructured loans are those for which concessions have been granted to the borrower due to a deterioration of the borrower's financial condition and which are performing in accordance with the new terms. Such concessions may include reduction in interest rates or deferral of interest or principal payments. In evaluating whether to restructure a loan, management analyzes the long-term financial condition of the borrower, including guarantor and collateral support, to determine whether the proposed concessions will increase the likelihood of repayment of principal and interest.

The tables below illustrate the impact of modifications classified as restructured loans which were made during the periods presented and held on the Consolidated Balance Sheets at the respective period end. There were no newly restructured loans during the three months ended March 31, 2019.

| | Number of Loans | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment |
|---|---|---|---|
| **Three months ended March 31, 2018** | | | |
| Real estate – 1-4 family mortgage | 3 | $ 576 | $ 576 |
| Real estate – commercial mortgage | 1 | 83 | 78 |
| Total | 4 | $ 659 | $ 654 |

With respect to loans that were restructured during the three months ended March 31, 2018, none have subsequently defaulted within twelve months of the restructuring.

Restructured loans 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 no restructured loans contractually 90 days past due or more and still accruing at March 31, 2019 and four restructured loans in the amount of $571 contractually 90 days past due or more and still accruing at March 31, 2018. The outstanding balance of restructured loans on nonaccrual status was $2,976 and $2,570 at March 31, 2019 and March 31, 2018, respectively.

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

| | Number of Loans | Recorded Investment |
|---|---|---|
| Totals at January 1, 2019 | 51 | $ 5,325 |
| Additional advances or loans with concessions | — | 2 |
| Reclassified as performing restructured loan | 1 | 40 |
| Reductions due to: | | |
| Paid in full | (1) | (160) |
| Principal paydowns | — | (45) |
| Totals at March 31, 2019 | 51 | $ 5,162 |

The allocated allowance for loan losses attributable to restructured loans was $32 and $92 at March 31, 2019 and March 31, 2018, respectively. The Company had $44 and $20 in remaining availability under commitments to lend additional funds on these restructured loans at March 31, 2019 and March 31, 2018, respectively.

*Credit Quality*

For commercial and commercial real estate 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 these 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. Management has established more granular risk 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 the 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 |
|---|---|---|---|---|
| **March 31, 2019** | | | | |
| Commercial, financial, agricultural | $ 675,107 | $ 15,523 | $ 11,533 | $ 702,163 |
| Real estate – construction | 570,637 | 5,469 | 8,157 | 584,263 |
| Real estate – 1-4 family mortgage | 319,715 | 4,619 | 3,585 | 327,919 |
| Real estate – commercial mortgage | 2,308,236 | 50,355 | 24,550 | 2,383,141 |
| Installment loans to individuals | — | — | — | — |
| Total | $ 3,873,695 | $ 75,966 | $ 47,825 | $ 3,997,486 |
| **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 |

For portfolio balances of consumer, small balance consumer mortgage loans, such as 1-4 family mortgage loans, and certain other loans originated for other than commercial purposes, allowance factors are determined based on historical loss ratios by portfolio for the preceding eight quarters and may be adjusted by other qualitative criteria. The following table presents the performing status of the Company’s loan portfolio not subject to risk rating as of the dates presented:

| | Performing | Non-Performing | Total |
|---|---|---|---|
| **March 31, 2019** | | | |
| Commercial, financial, agricultural | $ 217,572 | $ 1,346 | $ 218,918 |
| Lease financing | 58,562 | 89 | 58,651 |
| Real estate – construction | 66,856 | — | 66,856 |
| Real estate – 1-4 family mortgage | 1,782,390 | 4,599 | 1,786,989 |
| Real estate – commercial mortgage | 342,170 | 875 | 343,045 |
| Installment loans to individuals | 93,532 | 122 | 93,654 |
| Total | $ 2,561,082 | $ 7,031 | $ 2,568,113 |
| **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 |

**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 as of the dates presented:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Commercial, financial, agricultural | $ 387,376 | $ 420,263 |
| Real estate – construction | 89,954 | 105,149 |
| Real estate – 1-4 family mortgage | 654,265 | 707,453 |
| Real estate – commercial mortgage | 1,357,446 | 1,423,144 |
| Installment loans to individuals | 33,653 | 37,408 |
| Gross loans | 2,522,694 | 2,693,417 |
| Unearned income | — | — |
| Loans, net of unearned income | $ 2,522,694 | $ 2,693,417 |

*Past Due and Nonaccrual Loans*

The Company’s policies with respect to placing loans on nonaccrual status or charging off loans, and its accounting for interest on any such loans, are described above in Note 4, “Non Purchased 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 |
| **March 31, 2019** | | | | | | | | | |
| Commercial, financial, agricultural | $ 5,596 | $ 607 | $ 379,993 | $ 386,196 | $ 311 | $ 523 | $ 346 | $ 1,180 | $ 387,376 |
| Real estate – construction | 2,258 | — | 87,696 | 89,954 | — | — | — | — | 89,954 |
| Real estate – 1-4 family mortgage | 9,631 | 2,653 | 637,630 | 649,914 | 299 | 2,079 | 1,973 | 4,351 | 654,265 |
| Real estate – commercial mortgage | 2,605 | 1,903 | 1,351,020 | 1,355,528 | — | 1,460 | 458 | 1,918 | 1,357,446 |
| Installment loans to individuals | 956 | 273 | 32,045 | 33,274 | 1 | 128 | 250 | 379 | 33,653 |
| Total | $ 21,046 | $ 5,436 | $2,488,384 | $2,514,866 | $ 611 | $ 4,190 | $ 3,027 | $ 7,828 | $2,522,694 |
| **December 31, 2018** | | | | | | | | | |
| Commercial, financial, agricultural | $ 1,811 | $ 97 | $ 417,786 | $ 419,694 | $ — | $ 477 | $ 92 | $ 569 | $ 420,263 |
| 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 |
| Total | $ 19,080 | $ 7,232 | $2,661,269 | $2,687,581 | $ 204 | $ 3,783 | $ 1,849 | $ 5,836 | $2,693,417 |

*Impaired Loans*

The Company's policies with respect to the determination of whether a loan is impaired and the treatment of such loans are described above in Note 4, "Non Purchased Loans."

Loans accounted for under ASC 310-20, and which are impaired loans recognized in conformity with ASC 310, segregated by class, were as follows as of the dates presented:

| | Unpaid Contractual Principal Balance | Recorded Investment With Allowance | Recorded Investment With No Allowance | Total Recorded Investment | Related Allowance |
|---|---|---|---|---|---|
| **March 31, 2019** | | | | | |
| Commercial, financial, agricultural | $ 1,287 | $ 914 | $ 314 | $ 1,228 | $ 198 |
| Real estate – construction | 320 | 320 | — | 320 | 2 |
| Real estate – 1-4 family mortgage | 6,177 | 896 | 4,641 | 5,537 | 14 |
| Real estate – commercial mortgage | 2,718 | 1,858 | 567 | 2,425 | 119 |
| Installment loans to individuals | 409 | 322 | 57 | 379 | 3 |
| Total | $ 10,911 | $ 4,310 | $ 5,579 | $ 9,889 | $ 336 |
| **December 31, 2018** | | | | | |
| Commercial, financial, agricultural | $ 671 | $ 600 | $ 11 | $ 611 | $ 173 |
| Real estate – construction | 576 | 576 | — | 576 | 5 |
| Real estate – 1-4 family mortgage | 5,787 | 1,381 | 3,780 | 5,161 | 18 |
| Real estate – commercial mortgage | 2,266 | 2,066 | 146 | 2,212 | 338 |
| Installment loans to individuals | 280 | 246 | 24 | 270 | 3 |
| Totals | $ 9,580 | $ 4,869 | $ 3,961 | $ 8,830 | $ 537 |

The following table presents the average recorded investment and interest income recognized on loans accounted for under ASC 310-20 and which are impaired loans for the periods presented:

| | Three Months Ended March 31, 2019 | | Three Months Ended March 31, 2018 | |
|---|---|---|---|---|
| | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized |
| Commercial, financial, agricultural | $ 1,242 | $ 3 | $ 363 | $ 3 |
| Real estate – construction | 320 | — | 252 | 1 |
| Real estate – 1-4 family mortgage | 5,577 | 42 | 6,320 | 40 |
| Real estate – commercial mortgage | 2,630 | 12 | 1,642 | 18 |
| Installment loans to individuals | 397 | — | 160 | — |
| Total | $ 10,166 | $ 57 | $ 8,737 | $ 62 |

Loans accounted for under ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality" ("ASC 310-30"), and which are impaired loans recognized in conformity with ASC 310, segregated by class, were as follows as of the dates presented:

| | Unpaid Contractual Principal Balance | Recorded Investment With Allowance | Recorded Investment With No Allowance | Total Recorded Investment | Related Allowance |
|---|---|---|---|---|---|
| **March 31, 2019** | | | | | |
| Commercial, financial, agricultural | $ 39,542 | $ 3,292 | $ 21,555 | $ 24,847 | $ 129 |
| Real estate – 1-4 family mortgage | 52,787 | 10,715 | 33,109 | 43,824 | 420 |
| Real estate – commercial mortgage | 158,927 | 59,827 | 76,455 | 136,282 | 1,973 |
| Installment loans to individuals | 7,555 | 665 | 3,228 | 3,893 | 2 |
| Total | $ 258,811 | $ 74,499 | $ 134,347 | $ 208,846 | $ 2,524 |
| **December 31, 2018** | | | | | |
| Commercial, financial, agricultural | $ 44,403 | $ 3,779 | $ 25,364 | $ 29,143 | $ 161 |
| Real estate – 1-4 family mortgage | 53,823 | 12,169 | 36,074 | 48,243 | 488 |
| Real estate – commercial mortgage | 165,700 | 62,003 | 78,435 | 140,438 | 1,901 |
| Installment loans to individuals | 8,290 | 660 | 3,770 | 4,430 | 2 |
| Totals | $ 272,216 | $ 78,611 | $ 143,643 | $ 222,254 | $ 2,552 |

The following table presents the average recorded investment and interest income recognized on loans accounted for under ASC 310-30 and which are impaired loans for the periods presented:

| | Three Months Ended March 31, 2019 | | Three Months Ended March 31, 2018 | |
|---|---|---|---|---|
| | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized |
| Commercial, financial, agricultural | $ 27,403 | $ 427 | $ 16,899 | $ 225 |
| Real estate – 1-4 family mortgage | 44,177 | 572 | 58,749 | 673 |
| Real estate – commercial mortgage | 137,421 | 1,796 | 167,365 | 1,972 |
| Installment loans to individuals | 4,144 | 106 | 1,687 | 18 |
| Total | $ 213,145 | $ 2,901 | $ 244,700 | $ 2,888 |

*Restructured Loans*

An explanation of what constitutes a “restructured loan,” and management’s analysis in determining whether to restructure a loan, are described above in Note 4, “Non Purchased Loans.”

The tables below illustrate the impact of modifications classified as restructured loans which were made during the periods presented and held on the Consolidated Balance Sheets at the respective period end. There were no newly restructured loans during the three months ended March 31, 2019.

| | Number of Loans | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment |
|---|---|---|---|
| **Three months ended March 31, 2018** | | | |
| Commercial, financial, agricultural | 1 | $ 48 | $ 44 |
| Real estate – commercial mortgage | 1 | 8 | 7 |
| Total | 2 | $ 56 | $ 51 |

With respect to loans that were restructured during the three months ended March 31, 2018, none have subsequently defaulted within twelve months of the restructuring.

There were four restructured loans in the amount of $414 contractually 90 days past due or more and still accruing at March 31, 2019 and no restructured loans contractually 90 days past due or more and still accruing at March 31, 2018. The outstanding balance of restructured loans on nonaccrual status was $1,851 and $616 at March 31, 2019 and March 31, 2018, respectively.

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

| | Number of Loans | Recorded Investment |
|---|---|---|
| Totals at January 1, 2019 | 54 | $ 7,495 |
| Additional advances or loans with concessions | — | 174 |
| Reclassified as performing restructured loan | 5 | 212 |
| Reductions due to: | | |
| Reclassified to nonperforming loans | (2) | (269) |
| Paid in full | (2) | (104) |
| Principal paydowns | — | (261) |
| Totals at March 31, 2019 | 55 | $ 7,247 |

The allocated allowance for loan losses attributable to restructured loans was $86 and $100 at March 31, 2019 and March 31, 2018, respectively. The Company had $3 and $2 in remaining availability under commitments to lend additional funds on these restructured loans at March 31, 2019 and March 31, 2018, respectively.

*Credit Quality*

A discussion of the Company’s policies regarding internal risk-rating of loans is discussed above in Note 4, “Non Purchased Loans.” The following table presents the Company’s loan portfolio by risk-rating grades as of the dates presented:

| | Pass | Watch | Substandard | Total |
|---|---|---|---|---|
| **March 31, 2019** | | | | |
| Commercial, financial, agricultural | $ 304,994 | $ 31,682 | $ 6,355 | $ 343,031 |
| Real estate – construction | 85,670 | — | — | 85,670 |
| Real estate – 1-4 family mortgage | 99,772 | 5,741 | 6,698 | 112,211 |
| Real estate – commercial mortgage | 1,109,980 | 65,879 | 13,171 | 1,189,030 |
| Installment loans to individuals | — | — | 1 | 1 |
| Total | $ 1,600,416 | $ 103,302 | $ 26,225 | $ 1,729,943 |
| **December 31, 2018** | | | | |
| Commercial, financial, agricultural | $ 333,147 | $ 33,857 | $ 2,744 | $ 369,748 |
| Real estate – construction | 101,122 | — | 842 | 101,964 |
| Real estate – 1-4 family mortgage | 113,874 | 7,347 | 7,585 | 128,806 |
| Real estate – commercial mortgage | 1,198,540 | 43,046 | 9,984 | 1,251,570 |
| Installment loans to individuals | — | — | 2 | 2 |
| Total | $ 1,746,683 | $ 84,250 | $ 21,157 | $ 1,852,090 |

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 |
|---|---|---|---|
| **March 31, 2019** | | | |
| Commercial, financial, agricultural | $ 19,454 | $ 44 | $ 19,498 |
| Real estate – construction | 4,284 | — | 4,284 |
| Real estate – 1-4 family mortgage | 494,730 | 3,500 | 498,230 |
| Real estate – commercial mortgage | 32,023 | 111 | 32,134 |
| Installment loans to individuals | 29,324 | 435 | 29,759 |
| Total | $ 579,815 | $ 4,090 | $ 583,905 |
| **December 31, 2018** | | | |
| Commercial, financial, agricultural | $ 21,303 | $ 69 | $ 21,372 |
| Real estate – construction | 3,185 | — | 3,185 |
| Real estate – 1-4 family mortgage | 526,699 | 3,705 | 530,404 |
| Real estate – commercial mortgage | 30,951 | 185 | 31,136 |
| Installment loans to individuals | 32,676 | 300 | 32,976 |
| Total | $ 614,814 | $ 4,259 | $ 619,073 |

*Loans Purchased with Deteriorated Credit Quality*

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

| | | Total Purchased Credit Deteriorated Loans |
|---|---|---|
| **March 31, 2019** | | |
| Commercial, financial, agricultural | $ | 24,847 |
| Real estate – 1-4 family mortgage | | 43,824 |
| Real estate – commercial mortgage | | 136,282 |
| Installment loans to individuals | | 3,893 |
| Total | $ | 208,846 |
| **December 31, 2018** | | |
| Commercial, financial, agricultural | $ | 29,143 |
| Real estate – 1-4 family mortgage | | 48,243 |
| Real estate – commercial mortgage | | 140,438 |
| Installment loans to individuals | | 4,430 |
| Total | $ | 222,254 |

The following table presents the fair value of loans that exhibited evidence of deteriorated credit quality at the time of acquisition at March 31, 2019:

| | | Total Purchased Credit Deteriorated Loans |
|---|---|---|
| Contractually-required principal and interest | $ | 297,164 |
| Nonaccretable difference(1) | | (57,848) |
| Cash flows expected to be collected | | 239,316 |
| Accretable yield(2) | | (30,470) |
| Fair value | $ | 208,846 |

(1) Represents contractual principal and interest cash flows of $47,930 and $9,918, respectively, not expected to be collected.
(2) Represents contractual principal and interest cash flows of $1,606 and $28,864, respectively, expected to be collected.

Changes in the accretable yield of loans purchased with deteriorated credit quality were as follows as of March 31, 2019:

| | | Total Purchased Credit Deteriorated Loans |
|---|---|---|
| Balance at January 1, 2019 | $ | (34,265) |
| Reclassification from nonaccretable difference | | (2,657) |
| Accretion | | 5,582 |
| Charge-offs | | 870 |
| Balance at March 31, 2019 | $ | (30,470) |

The following table presents the fair value of loans purchased from Brand as of the September 1, 2018 acquisition date.

| At acquisition date: | | September 1, 2018 |
|---|---|---|
| Contractually-required principal and interest | $ | 1,625,079 |
| Nonaccretable difference | | (123,399) |
| Cash flows expected to be collected | | 1,501,680 |
| Accretable yield | | (170,651) |
| Fair value | $ | 1,331,029 |

## Note 6 – Allowance for Loan Losses

*(In Thousands)*

The following is a summary of total non purchased and purchased loans as of the dates presented:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Commercial, financial, agricultural | $ 1,308,457 | $ 1,295,912 |
| Lease financing | 61,539 | 64,992 |
| Real estate – construction | 741,073 | 740,668 |
| Real estate – 1-4 family mortgage | 2,769,173 | 2,795,343 |
| Real estate – commercial mortgage | 4,083,632 | 4,051,509 |
| Installment loans to individuals | 127,307 | 137,832 |
| Gross loans | 9,091,181 | 9,086,256 |
| Unearned income | (2,888) | (3,127) |
| Loans, net of unearned income | 9,088,293 | 9,083,129 |
| Allowance for loan losses | (49,835) | (49,026) |
| Net loans | $ 9,038,458 | $ 9,034,103 |

*Allowance for Loan Losses*

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

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

| | Commercial | Real Estate - Construction | Real Estate - 1-4 Family Mortgage | Real Estate - Commercial Mortgage | Installment and Other[(1)] | Total |
|---|---|---|---|---|---|---|
| **Three Months Ended March 31, 2019** | | | | | | |
| Allowance for loan losses: | | | | | | |
| Beginning balance | $ 8,269 | $ 4,755 | $ 10,139 | $ 24,492 | $ 1,371 | $ 49,026 |
| Charge-offs | (258) | — | (497) | (562) | (220) | (1,537) |
| Recoveries | 374 | 7 | 197 | 245 | 23 | 846 |
| Net recoveries (charge-offs) | 116 | 7 | (300) | (317) | (197) | (691) |
| Provision for loan losses charged to operations | 1,237 | 16 | (348) | 468 | 127 | 1,500 |
| Ending balance | $ 9,622 | $ 4,778 | $ 9,491 | $ 24,643 | $ 1,301 | $ 49,835 |
| **Period-End Amount Allocated to:** | | | | | | |
| Individually evaluated for impairment | $ 1,181 | $ 58 | $ 127 | $ 842 | $ 5 | $ 2,213 |
| Collectively evaluated for impairment | 8,312 | 4,720 | 8,944 | 21,828 | 1,294 | 45,098 |
| Purchased with deteriorated credit quality | 129 | — | 420 | 1,973 | 2 | 2,524 |
| Ending balance | $ 9,622 | $ 4,778 | $ 9,491 | $ 24,643 | $ 1,301 | $ 49,835 |

(1) Includes lease financing receivables.

| | Commercial | Real Estate - Construction | Real Estate - 1-4 Family Mortgage | Real Estate - Commercial Mortgage | Installment and Other[(1)] | Total |
|---|---|---|---|---|---|---|
| **Three Months Ended March 31, 2018** | | | | | | |
| Allowance for loan losses: | | | | | | |
| Beginning balance | $ 5,542 | $ 3,428 | $ 12,009 | $ 23,384 | $ 1,848 | $ 46,211 |
| Charge-offs | (659) | — | (671) | (613) | (122) | (2,065) |
| Recoveries | 235 | 4 | 133 | 108 | 25 | 505 |
| Net (charge-offs) recoveries | (424) | 4 | (538) | (505) | (97) | (1,560) |
| Provision for loan losses charged to operations | 1,953 | 766 | (67) | (965) | 63 | 1,750 |
| Ending balance | $ 7,071 | $ 4,198 | $ 11,404 | $ 21,914 | $ 1,814 | $ 46,401 |
| **Period-End Amount Allocated to:** | | | | | | |
| Individually evaluated for impairment | $ 272 | $ 1 | $ 168 | $ 1,026 | $ 5 | $ 1,472 |
| Collectively evaluated for impairment | 6,494 | 4,197 | 10,750 | 19,865 | 1,806 | 43,112 |
| Purchased with deteriorated credit quality | 305 | — | 486 | 1,023 | 3 | 1,817 |
| Ending balance | $ 7,071 | $ 4,198 | $ 11,404 | $ 21,914 | $ 1,814 | $ 46,401 |

(1) Includes lease financing receivables.

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

| | Commercial | Real Estate - Construction | Real Estate - 1-4 Family Mortgage | Real Estate - Commercial Mortgage | Installment and Other(1) | Total |
|---|---|---|---|---|---|---|
| **March 31, 2019** | | | | | | |
| Individually evaluated for impairment | $ 5,809 | $ 8,805 | $ 13,952 | $ 9,442 | $ 598 | $ 38,606 |
| Collectively evaluated for impairment | 1,277,801 | 732,268 | 2,711,397 | 3,937,908 | 181,467 | 8,840,841 |
| Purchased with deteriorated credit quality | 24,847 | — | 43,824 | 136,282 | 3,893 | 208,846 |
| Ending balance | $ 1,308,457 | $ 741,073 | $ 2,769,173 | $ 4,083,632 | $ 185,958 | $ 9,088,293 |
| **December 31, 2018** | | | | | | |
| Individually evaluated for impairment | $ 2,445 | $ 10,043 | $ 14,238 | $ 8,059 | $ 493 | $ 35,278 |
| Collectively evaluated for impairment | 1,264,324 | 730,625 | 2,732,862 | 3,903,012 | 194,774 | 8,825,597 |
| Purchased with deteriorated credit quality | 29,143 | — | 48,243 | 140,438 | 4,430 | 222,254 |
| Ending balance | $ 1,295,912 | $ 740,668 | $ 2,795,343 | $ 4,051,509 | $ 199,697 | $ 9,083,129 |

(1) Includes lease financing receivables.

**Note 7 – Other Real Estate Owned**

*(In Thousands)*

The following table provides details of the Company’s other real estate owned (“OREO”) purchased and non purchased, net of valuation allowances and direct write-downs, as of the dates presented:

| | Purchased OREO | Non Purchased OREO | Total OREO |
|---|---|---|---|
| **March 31, 2019** | | | |
| Residential real estate | $ 887 | $ 1,764 | $ 2,651 |
| Commercial real estate | 2,317 | 1,391 | 3,708 |
| Residential land development | 675 | 420 | 1,095 |
| Commercial land development | 2,053 | 648 | 2,701 |
| Total | $ 5,932 | $ 4,223 | $ 10,155 |
| **December 31, 2018** | | | |
| Residential real estate | $ 423 | $ 1,910 | $ 2,333 |
| Commercial real estate | 2,686 | 1,611 | 4,297 |
| Residential land development | 678 | 421 | 1,099 |
| Commercial land development | 2,400 | 911 | 3,311 |
| Total | $ 6,187 | $ 4,853 | $ 11,040 |

Changes in the Company’s purchased and non purchased OREO were as follows:

| | Purchased OREO | Non Purchased OREO | Total OREO |
|---|---|---|---|
| Balance at January 1, 2019 | $ 6,187 | $ 4,853 | $ 11,040 |
| Transfers of loans | 509 | 376 | 885 |
| Impairments | (523) | (204) | (727) |
| Dispositions | (241) | (802) | (1,043) |
| Balance at March 31, 2019 | $ 5,932 | $ 4,223 | $ 10,155 |

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

| | Three Months Ended March 31, 2019 | Three Months Ended March 31, 2018 |
|---|---|---|
| Repairs and maintenance | $ 95 | $ 113 |
| Property taxes and insurance | 107 | 112 |
| Impairments | 727 | 352 |
| Net losses on OREO sales | 80 | 96 |
| Rental income | (5) | (16) |
| Total | $ 1,004 | $ 657 |

**Note 8 – Goodwill and Other Intangible Assets**
*(In Thousands)*

The carrying amounts of goodwill by operating segments for the three months ended March 31, 2019 were as follows:

| | Community Banks | Insurance | Total |
|---|---|---|---|
| Balance at January 1, 2019 | $ 930,161 | $ 2,767 | $ 932,928 |
| Addition to goodwill from acquisition | 43 | — | 43 |
| Balance at March 31, 2019 | $ 930,204 | $ 2,767 | $ 932,971 |

The addition to goodwill from the Brand acquisition is due to changes in estimated values of assets acquired and liabilities assumed in the Brand acquisition. The Company is finalizing the fair values of certain assets, including loans, property and equipment, taxes and certain other assets, related to the acquisition; as such, the recorded balance of goodwill is subject to change.

The following table provides a summary of finite-lived intangible assets as of the dates presented:

| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|---|---|---|---|
| **March 31, 2019** | | | |
| Core deposit intangibles | $ 82,492 | $ (40,711) | $ 41,781 |
| Customer relationship intangible | 1,970 | (996) | 974 |
| Total finite-lived intangible assets | $ 84,462 | $ (41,707) | $ 42,755 |
| **December 31, 2018** | | | |
| Core deposit intangibles | $ 82,492 | $ (38,634) | $ 43,858 |
| Customer relationship intangible | 1,970 | (963) | 1,007 |
| Total finite-lived intangible assets | $ 84,462 | $ (39,597) | $ 44,865 |

Current year amortization expense for finite-lived intangible assets is presented in the table below.

| | Three Months Ended March 31, 2019 | Three Months Ended March 31, 2018 |
|---|---|---|
| Amortization expense for: | | |
| Core deposit intangibles | $ 2,077 | $ 1,618 |
| Customer relationship intangible | 33 | 33 |
| Total intangible amortization | $ 2,110 | $ 1,651 |

The estimated amortization expense of finite-lived intangible assets for the year ending December 31, 2019 and the succeeding four years is summarized as follows:

| | Core Deposit Intangibles | Customer Relationship Intangible | Total |
|---|---|---|---|
| 2019 | $ 7,965 | $ 131 | $ 8,096 |
| 2020 | 6,939 | 131 | 7,070 |
| 2021 | 5,860 | 131 | 5,991 |
| 2022 | 4,940 | 131 | 5,071 |
| 2023 | 4,044 | 131 | 4,175 |

**Note 9 – Mortgage Servicing Rights**

*(In Thousands)*

The Company retains the right to service certain mortgage loans that it sells to secondary market investors. These mortgage servicing rights (“MSRs”) are recognized as a separate asset on the date the corresponding mortgage loan is sold. MSRs are amortized in proportion to and over the period of estimated net servicing income. These servicing rights are carried at the lower of amortized cost or fair value. Fair value is determined using an income approach with various assumptions including expected cash flows, prepayment speeds, market discount rates, servicing costs, and other factors. Impairment losses on MSRs are recognized to the extent that unamortized cost exceeds fair value. There were no impairment losses recognized during the three months ended March 31, 2019 and 2018.

Changes in the Company’s MSRs were as follows:

| | |
|---|---|
| Balance at January 1, 2019 | $ 48,230 |
| Capitalization | 2,181 |
| Amortization | (1,438) |
| Balance at March 31, 2019 | $ 48,973 |

Data and key economic assumptions related to the Company’s MSRs are as follows as of the dates presented:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Unpaid principal balance | $ 4,684,587 | $ 4,635,712 |
| Weighted-average prepayment speed (CPR) | 9.75% | 7.95% |
| Estimated impact of a 10% increase | $ (1,903) | $ (1,264) |
| Estimated impact of a 20% increase | (3,719) | (2,569) |
| Discount rate | 9.45% | 9.45% |
| Estimated impact of a 10% increase | $ (2,243) | $ (2,657) |
| Estimated impact of a 20% increase | (4,316) | (5,103) |
| Weighted-average coupon interest rate | 4.07% | 4.04% |
| Weighted-average servicing fee (basis points) | 27.65 | 27.47 |
| Weighted-average remaining maturity (in years) | 7.08 | 8.03 |

The Company recorded servicing fees of $2,254 and $2,370 for the three months ended March 31, 2019 and 2018, respectively, which are included in “Mortgage banking income” in the Consolidated Statements of Income.

**Note 10 - Employee Benefit and Deferred Compensation Plans**

*(In Thousands, Except Share Data)*

*Pension and Post-retirement Medical Plans*

The Company sponsors a noncontributory defined benefit pension plan, under which participation and benefit accruals ceased as of December 31, 1996.

The Company provides retiree medical benefits, consisting of the opportunity to purchase coverage at subsidized rates under the Company's group medical plan. Employees eligible to participate must: (i) have been employed by the Company and enrolled in the Company's group medical plan as of December 31, 2004; and (ii) retire from the Company between ages 55 and 65 with at least 15 years of service or 70 points (points determined as the sum of age and service.) The Company periodically determines the portion of the premiums to be paid by each retiree and the portion to be paid by the Company. Coverage ceases when a retiree attains age 65 and is eligible for Medicare. The Company also provides life insurance for each retiree who receives retiree medical benefits. The face amount of the coverage is $5; coverage is provided until each retiree attains age 70. Retirees may purchase additional insurance or continue coverage beyond age 70 at their sole expense.

Information related to the defined benefit pension plan maintained by Renasant Bank ("Pension Benefits - Renasant") and to the post-retirement health and life plan ("Other Benefits") as of the dates presented is as follows:

| | Pension Benefits Renasant | | Other Benefits | |
|---|---|---|---|---|
| | Three Months Ended March 31, | | Three Months Ended March 31, | |
| | 2019 | 2018 | 2019 | 2018 |
| Service cost | $ — | $ — | $ 2 | $ 2 |
| Interest cost | 273 | 266 | 8 | 9 |
| Expected return on plan assets | (363) | (518) | — | — |
| Recognized actuarial loss (gain) | 86 | 87 | (14) | — |
| Net periodic benefit (return) cost | $ (4) | $ (165) | $ (4) | $ 11 |

*Incentive Compensation Plans*

The Company maintains a long-term equity compensation plan that provides for the grant of stock options and the award of restricted stock. The plan replaced the long-term incentive plan adopted in 2001, which expired in October 2011. Options granted under the plan permit the acquisition of shares of the Company's common stock at an exercise price equal to the fair market value of the shares on the date of grant. Options are subject to time-based vesting and expire ten years after the date of grant. Options that do not vest or expire unexercised are forfeited and canceled. There were no stock options granted, nor compensation expense associated with options recorded, during the three months ended March 31, 2019 or 2018.

The following table summarizes information about options outstanding, exercised and forfeited as of and for the three months ended March 31, 2019:

| | Shares | Weighted Average Exercise Price |
|---|---|---|
| Options outstanding at beginning of period | 43,750 | $ 15.84 |
| Granted | — | — |
| Exercised | (2,500) | 16.91 |
| Forfeited | — | — |
| Options outstanding at end of period | 41,250 | $ 15.77 |

The Company also awards performance-based restricted stock to executives and other officers and employees and time-based restricted stock to non-employee directors, executives, and other officers and employees. Performance-based awards are subject to the attainment of designated performance criteria during a fixed performance cycle. Performance criteria may relate to the Company's performance or to the performance of an affiliate, region, division or profit center in each case measured on an absolute basis or relative to a defined peer group. The Company annually sets minimum, target, and superior levels of performance. Minimum performance must be attained for the vesting of any shares; superior performance must be attained for maximum payouts. Time-based restricted stock awards relate to a fixed number of shares that vest at the end of a designated service period.

The following table summarizes the changes in restricted stock as of and for the three months ended March 31, 2019:

| | Performance-Based Restricted Stock | Weighted Average Grant-Date Fair Value | Time- Based Restricted Stock | Weighted Average Grant-Date Fair Value |
|---|---|---|---|---|
| Nonvested at beginning of period | 41,300 | $ 40.89 | 304,955 | $ 41.82 |
| Awarded | 154,250 | 30.18 | 189,346 | 30.18 |
| Vested | — | — | (58,979) | 36.75 |
| Cancelled | — | — | (6,230) | 41.11 |
| Nonvested at end of period | 195,550 | $ 32.44 | 429,092 | $ 37.39 |

During the three months ended March 31, 2019, the Company reissued 87,150 shares from treasury in connection with the exercise of stock options and awards of restricted stock. The Company recorded total stock-based compensation expense of $2,637 and $1,792 for the three months ended March 31, 2019 and 2018, respectively.

**Note 11 – Derivative Instruments**

*(In Thousands)*

The Company utilizes derivative financial instruments, including interest rate contracts such as swaps, caps and/or floors, as part of its ongoing efforts to mitigate its interest rate risk exposure and to facilitate the needs of its customers. The Company also from time to time enters into derivative instruments that are not designated as hedging instruments to help its commercial customers manage their exposure to interest rate fluctuations. To mitigate the interest rate risk associated with these customer contracts, the Company enters into an offsetting derivative contract position. The Company manages its credit risk, or potential risk of default by its commercial customers, through credit limit approval and monitoring procedures. At March 31, 2019, the Company had notional amounts of $204,403 on interest rate contracts with corporate customers and $204,403 in offsetting interest rate contracts with other financial institutions to mitigate the Company's rate exposure on its corporate customers' contracts and certain fixed-rate loans.

In June 2014, the Company entered into two forward interest rate swap contracts on floating rate liabilities at the Bank level with notional amounts of $15,000 each. The interest rate swap contracts are each accounted for as a cash flow hedge with the objective of protecting against any interest rate volatility on future FHLB borrowings for a four-year and five-year period beginning June 1, 2018 and December 3, 2018 and ending June 2022 and June 2023, respectively. Under these contracts, Renasant Bank will pay a fixed interest rate and will receive a variable interest rate based on the three-month LIBOR plus a pre-determined spread, with quarterly net settlements.

In March and April 2012, the Company entered into two interest rate swap agreements effective March 30, 2014 and March 17, 2014, respectively. Under these swap agreements, the Company receives a variable rate of interest based on the three-month LIBOR plus a pre-determined spread and pays a fixed rate of interest. The agreements, which both terminate in March 2022, are accounted for as cash flow hedges to reduce the variability in cash flows resulting from changes in interest rates on $32,000 of the Company's junior subordinated debentures.

In April 2018, the Company entered into an interest rate swap agreement effective June 15, 2018. Under this swap agreement, the Company receives a variable rate of interest based on the three-month LIBOR plus a pre-determined spread and pays a fixed rate of interest. The agreement, which terminates in June 2028, is accounted for as a cash flow hedge to reduce the variability in cash flows resulting from changes in interest rates on $30,000 of the Company's junior subordinated debentures.

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 and adjustable-rate residential mortgage loans. The notional amount of commitments to fund fixed-rate and adjustable-rate mortgage loans was $206,394 and $159,464 at March 31, 2019 and December 31, 2018, respectively. The Company also enters into forward commitments to sell residential mortgage loans to secondary market investors. The notional amount of commitments to sell residential mortgage loans to secondary market investors was $326,743 and $281,343 at March 31, 2019 and December 31, 2018, respectively.

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

| | Balance Sheet Location | Fair Value March 31, 2019 | Fair Value December 31, 2018 |
|---|---|---|---|
| **Derivative assets:** | | | |
| *Not designated as hedging instruments:* | | | |
| Interest rate contracts | Other Assets | $ 2,391 | $ 2,779 |
| Interest rate lock commitments | Other Assets | 4,964 | 3,740 |
| Forward commitments | Other Assets | 31 | — |
| Totals | | $ 7,386 | $ 6,519 |
| **Derivative liabilities:** | | | |
| *Designated as hedging instruments:* | | | |
| Interest rate swaps | Other Liabilities | $ 3,274 | $ 2,046 |
| Totals | | $ 3,274 | $ 2,046 |
| *Not designated as hedging instruments:* | | | |
| Interest rate contracts | Other Liabilities | $ 2,391 | $ 2,779 |
| Interest rate lock commitments | Other Liabilities | 1 | — |
| Forward commitments | Other Liabilities | 2,692 | 3,563 |
| Totals | | $ 5,084 | $ 6,342 |

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

| | Three Months Ended March 31, 2019 | Three Months Ended March 31, 2018 |
|---|---|---|
| *Derivatives not designated as hedging instruments:* | | |
| Interest rate contracts: | | |
| Included in interest income on loans | $ 1,046 | $ 986 |
| Interest rate lock commitments: | | |
| Included in mortgage banking income | 1,222 | 2,184 |
| Forward commitments | | |
| Included in mortgage banking income | 901 | 88 |
| Total | $ 3,169 | $ 3,258 |

For the Company’s derivatives designated as cash flow hedges, changes in fair value of the 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. There were no ineffective portions for the three months ended March 31, 2019 or 2018. The impact on other comprehensive income for the three months ended March 31, 2019 and 2018, respectively, can be seen at Note 15, “Other Comprehensive Income (Loss).”

*Offsetting*

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

| | Offsetting Derivative Assets | | Offsetting Derivative Liabilities | |
|---|---|---|---|---|
| | March 31, 2019 | December 31, 2018 | March 31, 2019 | December 31, 2018 |
| Gross amounts recognized | $ 659 | $ 1,620 | $ 7,719 | $ 6,768 |
| Gross amounts offset in the Consolidated Balance Sheets | — | — | — | — |
| Net amounts presented in the Consolidated Balance Sheets | 659 | 1,620 | 7,719 | 6,768 |
| Gross amounts not offset in the Consolidated Balance Sheets | | | | |
| Financial instruments | 659 | 1,620 | 659 | 1,620 |
| Financial collateral pledged | — | — | 4,418 | 2,745 |
| Net amounts | $ — | $ — | $ 2,642 | $ 2,403 |

**Note 12 – Income Taxes**

*(In Thousands)*

The following table is a summary of the Company's temporary differences between the tax basis of assets and liabilities and their financial reporting amounts that give rise to deferred income tax assets and liabilities and their approximate tax effects as of the dates presented.

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| **Deferred tax assets** | | |
| Allowance for loan losses | $ 14,292 | $ 14,097 |
| Loans | 16,864 | 18,655 |
| Deferred compensation | 8,554 | 10,001 |
| Securities | 2,614 | 6,180 |
| Impairment of assets | 1,748 | 1,280 |
| Federal and State net operating loss carryforwards | 16,938 | 19,065 |
| Other | 16,624 | 3,610 |
| **Total deferred tax assets** | 77,634 | 72,888 |
| **Deferred tax liabilities** | | |
| Investment in partnerships | 1,469 | 1,572 |
| Fixed assets | 3,865 | 3,865 |
| Mortgage servicing rights | 12,542 | 12,350 |
| Junior subordinated debt | 1,652 | 1,607 |
| Other | 15,903 | 1,792 |
| **Total deferred tax liabilities** | 35,431 | 21,186 |
| **Net deferred tax assets** | $ 42,203 | $ 51,702 |

For the three months ended March 31, 2019 and 2018, the Company recorded a provision for income taxes totaling $13,590 and $9,673, respectively. The provision for income taxes includes both federal and state income taxes and differs from the statutory rate due to favorable permanent differences. The effective tax rate was 23.15% and 22.24% for the three months ending March 31, 2019 and 2018, respectively.

The Company and its subsidiary file a consolidated U.S. federal income tax return. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service and the Department of Revenue for the years ending December 31, 2015 through December 31, 2018.

The Company acquired both federal and state net operating losses as part of its previous acquisitions with varying expiration periods. The federal and state net operating losses acquired in the Brand acquisition were $83,960 and $67,168, respectively, all created in 2018. As part of The Tax Cuts and Jobs Act and corresponding state tax laws, the federal net operating losses and the majority of the state net operating losses created by Brand have an indefinite carryforward period. As of December 31, 2018, there are federal and state net operating losses acquired in the Brand acquisition, without expiration periods of $71,963 and $63,218, respectively. The federal and state net operating losses acquired in the Heritage acquisition were $18,321 and $16,877, respectively, of which $4,956 and $2,365 remain to be utilized as of December 31, 2018.These losses begin to expire in 2029 and are expected to be utilized. Because the benefits are expected to be fully realized, the Company recorded no valuation allowance against the net operating losses for the period ending March 31, 2019.

**Note 13 – Investments in Qualified Affordable Housing Projects**

*(In Thousands)*

The Company has investments in qualified affordable housing projects ("QAHPs") that provide low income housing tax credits and operating loss benefits over an extended period. At March 31, 2019 and December 31, 2018, the Company's carrying value of QAHPs was $5,626 and $6,037, respectively. The Company has no remaining funding obligations related to the QAHPs. The investments in QAHPs are being accounted for using the effective yield method. The investments in QAHPs are included in "Other assets" on the Consolidated Balance Sheets.

Components of the Company's investments in QAHPs were included in the line item "Income taxes" in the Consolidated Statements of Income for the periods presented:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| Tax credit amortization | $ 394 | $ 394 |
| Tax credits and other benefits | (572) | (572) |
| Total | $ (178) | $ (178) |

**Note 14 – Fair Value Measurements**

*(In Thousands)*

*Fair Value Measurements and the Fair Level Hierarchy*

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

*Recurring Fair Value Measurements*

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

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

<u>Securities available for sale</u>: Securities available for sale consist primarily of debt securities, such as obligations of U.S. Government agencies and corporations, obligations of states and political subdivisions, mortgage-backed securities, trust preferred securities,

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

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

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

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

| | Level 1 | Level 2 | Level 3 | Totals |
|---|---|---|---|---|
| **March 31, 2019** | | | | |
| Financial assets: | | | | |
| Securities available for sale: | | | | |
| Obligations of other U.S. Government agencies and corporations | $ — | $ 2,525 | $ — | $ 2,525 |
| Obligations of states and political subdivisions | — | 183,762 | — | 183,762 |
| Residential mortgage-backed securities: | | | | |
| Government agency mortgage backed securities | — | 622,066 | — | 622,066 |
| Government agency collateralized mortgage obligations | — | 319,447 | — | 319,447 |
| Commercial mortgage-backed securities: | | | | |
| Government agency mortgage backed securities | — | 21,998 | — | 21,998 |
| Government agency collateralized mortgage obligations | — | 46,330 | — | 46,330 |
| Trust preferred securities | — | — | 10,246 | 10,246 |
| Other debt securities | — | 48,979 | — | 48,979 |
| Total securities available for sale | — | 1,245,107 | 10,246 | 1,255,353 |
| Derivative instruments: | | | | |
| Interest rate contracts | — | 2,391 | — | 2,391 |
| Interest rate lock commitments | — | 4,964 | — | 4,964 |
| Forward commitments | — | 31 | — | 31 |
| Total derivative instruments | — | 7,386 | — | 7,386 |
| Mortgage loans held for sale in loans held for sale | — | 195,807 | — | 195,807 |
| Total financial assets | $ — | $ 1,448,300 | $ 10,246 | $ 1,458,546 |
| Financial liabilities: | | | | |
| Derivative instruments: | | | | |
| Interest rate swaps | $ — | $ 3,274 | $ — | $ 3,274 |
| Interest rate contracts | — | 2,391 | — | 2,391 |
| Interest rate lock commitments | — | 1 | — | 1 |
| Forward commitments | — | 2,692 | — | 2,692 |
| Total derivative instruments | — | 8,358 | — | 8,358 |
| Total financial liabilities | $ — | $ 8,358 | $ — | $ 8,358 |

| | Level 1 | Level 2 | Level 3 | Totals |
|---|---|---|---|---|
| **December 31, 2018** | | | | |
| Financial assets: | | | | |
| Securities available for sale: | | | | |
| Obligations of other U.S. Government agencies and corporations | $ — | $ 2,511 | $ — | $ 2,511 |
| Obligations of states and political subdivisions | — | 203,269 | — | 203,269 |
| Residential mortgage-backed securities: | | | | |
| Government agency mortgage backed securities | — | 613,283 | — | 613,283 |
| Government agency collateralized mortgage obligations | — | 326,989 | — | 326,989 |
| Commercial mortgage-backed securities: | | | | |
| Government agency mortgage backed securities | — | 21,830 | — | 21,830 |
| Government agency collateralized mortgage obligations | — | 28,335 | — | 28,335 |
| Trust preferred securities | — | — | 10,633 | 10,633 |
| Other debt securities | — | 43,927 | — | 43,927 |
| Total securities available for sale | — | 1,240,144 | 10,633 | 1,250,777 |
| Derivative instruments: | | | | |
| Interest rate contracts | — | 2,779 | — | 2,779 |
| Interest rate lock commitments | — | 3,740 | — | 3,740 |
| Total derivative instruments | — | 6,519 | — | 6,519 |
| Mortgage loans held for sale | — | 219,848 | — | 219,848 |
| Total financial assets | $ — | $ 1,466,511 | $ 10,633 | $ 1,477,144 |
| Financial liabilities: | | | | |
| Derivative instruments: | | | | |
| Interest rate swaps | $ — | $ 2,046 | $ — | $ 2,046 |
| Interest rate contracts | — | 2,779 | — | 2,779 |
| Forward commitments | — | 3,563 | — | 3,563 |
| Total derivative instruments | — | 8,388 | — | 8,388 |
| Total financial liabilities | $ — | $ 8,388 | $ — | $ 8,388 |

The Company reviews fair value hierarchy classifications on a quarterly basis. Changes in the Company’s ability to observe inputs to the valuation may cause reclassification of certain assets or liabilities within the fair value hierarchy. Transfers between levels of the hierarchy are deemed to have occurred at the end of period. There were no such transfers between levels of the fair value hierarchy during the three months ended March 31, 2019.

The following tables provide a reconciliation for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs, or Level 3 inputs, as of the dates presented:

| **Three Months Ended March 31, 2019** | Trust preferred securities |
|---|---|
| Balance at January 1, 2019 | $ 10,633 |
| Accretion included in net income | 9 |
| Unrealized losses included in other comprehensive income | (287) |
| Purchases | — |
| Sales | — |
| Issues | — |
| Settlements | (109) |
| Transfers into Level 3 | — |
| Transfers out of Level 3 | — |
| Balance at March 31, 2019 | $ 10,246 |

| Three Months Ended March 31, 2018 | | Trust preferred securities |
|---|---|---|
| Balance at January 1, 2018 | $ | 9,388 |
| Accretion included in net income | | 9 |
| Unrealized gains included in other comprehensive income | | 669 |
| Purchases | | — |
| Sales | | — |
| Issues | | — |
| Settlements | | (21) |
| Transfers into Level 3 | | — |
| Transfers out of Level 3 | | — |
| Balance at March 31, 2018 | $ | 10,045 |

For the three months ended March 31, 2019 and 2018, respectively, there were no gains or losses included in earnings that were attributable to the change in unrealized gains or losses related to assets or liabilities held at the end of each respective period that were measured on a recurring basis using significant unobservable inputs.

The following table presents information as of March 31, 2019 about significant unobservable inputs (Level 3) used in the valuation of assets and liabilities measured at fair value on a recurring basis:

| Financial instrument | | Fair Value | Valuation Technique | Significant Unobservable Inputs | Range of Inputs |
|---|---|---|---|---|---|
| Trust preferred securities | $ | 10,246 | Discounted cash flows | Default rate | 0-100% |

*Nonrecurring Fair Value Measurements*

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

| March 31, 2019 | | Level 1 | | Level 2 | | Level 3 | | Totals |
|---|---|---|---|---|---|---|---|---|
| Impaired loans | $ | — | $ | — | $ | 8,552 | $ | 8,552 |
| OREO | | — | | — | | 2,764 | | 2,764 |
| Total | $ | — | $ | — | $ | 11,316 | $ | 11,316 |

| December 31, 2018 | | Level 1 | | Level 2 | | Level 3 | | Totals |
|---|---|---|---|---|---|---|---|---|
| Impaired loans | $ | — | $ | — | $ | 21,686 | $ | 21,686 |
| OREO | | — | | — | | 4,319 | | 4,319 |
| Total | $ | — | $ | — | $ | 26,005 | $ | 26,005 |

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

Impaired loans: Loans considered impaired are reserved for at the time the loan is identified as impaired taking into account the fair value of the collateral less estimated selling costs. Collateral may be real estate and/or business assets including but not limited to equipment, inventory and accounts receivable. The fair value of real estate is determined based on appraisals by qualified licensed appraisers. The fair value of the business assets is generally based on amounts reported on the business’s financial statements.

Appraised and reported values may be adjusted based on changes in market conditions from the time of valuation and management's knowledge of the client and the client's business. Since not all valuation inputs are observable, these nonrecurring fair value determinations are classified as Level 3. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors previously identified. Impaired loans that were measured or re-measured at fair value had a carrying value of $9,521 and $22,621 at March 31, 2019 and December 31, 2018, respectively, and a specific reserve for these loans of $969 and $935 was included in the allowance for loan losses as of such dates.

Other real estate owned: OREO is comprised of commercial and residential real estate obtained in partial or total satisfaction of loan obligations. OREO acquired in settlement of indebtedness is recorded at the fair value of the real estate less estimated costs to sell. Subsequently, it may be necessary to record nonrecurring fair value adjustments for declines in fair value. Fair value, when recorded, is determined based on appraisals by qualified licensed appraisers and adjusted for management's estimates of costs to sell. Accordingly, values for OREO are classified as Level 3.

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

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Carrying amount prior to remeasurement | $ 3,491 | $ 5,258 |
| Impairment recognized in results of operations | (727) | (939) |
| Fair value | $ 2,764 | $ 4,319 |

The following table presents information as of March 31, 2019 about significant unobservable inputs (Level 3) used in the valuation of assets and liabilities measured at fair value on a nonrecurring basis:

| Financial instrument | Fair Value | Valuation Technique | Significant Unobservable Inputs | Range of Inputs |
|---|---|---|---|---|
| Impaired loans | $ 8,552 | Appraised value of collateral less estimated costs to sell | Estimated costs to sell | 4-10% |
| OREO | 2,764 | Appraised value of property less estimated costs to sell | Estimated costs to sell | 4-10% |

*Fair Value Option*

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

Net losses of $769 and net gains of $1,437 resulting from fair value changes of these mortgage loans were recorded in income during the three months ended March 31, 2019 and 2018, respectively. The amount does not reflect changes in fair values of related derivative instruments used to hedge exposure to market-related risks associated with these mortgage loans. The change in fair value of both mortgage loans held for sale and the related derivative instruments are recorded in "Mortgage banking income" in the Consolidated Statements of Income.

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

The following table summarizes the differences between the fair value and the principal balance for mortgage loans held for sale measured at fair value as of March 31, 2019:

| | Aggregate Fair Value | Aggregate Unpaid Principal Balance | Difference |
|---|---|---|---|
| Mortgage loans held for sale measured at fair value | $ 195,807 | $ 188,188 | $ 7,619 |
| Past due loans of 90 days or more | — | — | — |
| Nonaccrual loans | — | — | — |

*Fair Value of Financial Instruments*

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

| | | Fair Value | | | |
|---|---|---|---|---|---|
| **As of March 31, 2019** | Carrying Value | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | | |
| Cash and cash equivalents | $ 562,066 | $ 562,066 | $ — | $ — | $ 562,066 |
| Securities available for sale | 1,255,353 | — | 1,245,107 | 10,246 | 1,255,353 |
| Loans held for sale | 318,563 | — | 195,807 | 122,756 | 318,563 |
| Loans, net | 9,038,458 | — | — | 8,801,277 | 8,801,277 |
| Mortgage servicing rights | 48,973 | — | — | 55,334 | 55,334 |
| Derivative instruments | 7,386 | — | 7,386 | — | 7,386 |
| **Financial liabilities** | | | | | |
| Deposits | $ 10,268,912 | $ 7,884,578 | $ 2,366,030 | $ — | $ 10,250,608 |
| Short-term borrowings | 87,590 | 87,590 | — | — | 87,590 |
| Other long-term borrowings | 35 | 35 | — | — | 35 |
| Federal Home Loan Bank advances | 6,492 | — | 6,622 | — | 6,622 |
| Junior subordinated debentures | 109,781 | — | 104,300 | — | 104,300 |
| Subordinated notes | 146,962 | — | 147,175 | — | 147,175 |
| Derivative instruments | 8,358 | — | 8,358 | — | 8,358 |

| | | Fair Value | | | |
|---|---|---|---|---|---|
| **As of December 31, 2018** | Carrying Value | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | | |
| Cash and cash equivalents | $ 569,111 | $ 569,111 | $ — | $ — | $ 569,111 |
| Securities available for sale | 1,250,777 | — | 1,240,144 | 10,633 | 1,250,777 |
| Loans held for sale | 411,427 | — | 219,848 | 191,579 | 411,427 |
| Loans, net | 9,034,103 | — | — | 8,818,039 | 8,818,039 |
| Mortgage servicing rights | 48,230 | — | — | 61,111 | 61,111 |
| Derivative instruments | 6,519 | — | 6,519 | — | 6,519 |
| **Financial liabilities** | | | | | |
| Deposits | $ 10,128,557 | $ 7,765,773 | $ 2,337,334 | $ — | $ 10,103,107 |
| Short-term borrowings | 387,706 | 387,706 | — | — | 387,706 |
| Other long-term borrowings | 53 | 53 | — | — | 53 |
| Federal Home Loan Bank advances | 6,690 | — | 6,751 | — | 6,751 |
| Junior subordinated debentures | 109,636 | — | 109,766 | — | 109,766 |
| Subordinated notes | 147,239 | — | 148,875 | — | 148,875 |
| Derivative instruments | 8,388 | — | 8,388 | — | 8,388 |

**Note 15 – Other Comprehensive Income (Loss)**

*(In Thousands)*

Changes in the components of other comprehensive income (loss), net of tax, were as follows for the periods presented:

| | Pre-Tax | Tax Expense (Benefit) | Net of Tax |
|---|---|---|---|
| **Three months ended March 31, 2019** | | | |
| Securities available for sale: | | | |
| Unrealized holding gains on securities | $ 15,179 | $ 3,862 | $ 11,317 |
| Reclassification adjustment for gains realized in net income | (13) | (3) | (10) |
| Total securities available for sale | 15,166 | 3,859 | 11,307 |
| Derivative instruments: | | | |
| Unrealized holding losses on derivative instruments | (1,228) | (313) | (915) |
| Total derivative instruments | (1,228) | (313) | (915) |
| Defined benefit pension and post-retirement benefit plans: | | | |
| Amortization of net actuarial loss recognized in net periodic pension cost | 72 | 18 | 54 |
| Total defined benefit pension and post-retirement benefit plans | 72 | 18 | 54 |
| Total other comprehensive income | $ 14,010 | $ 3,564 | $ 10,446 |
| **Three months ended March 31, 2018** | | | |
| Securities available for sale: | | | |
| Unrealized holding losses on securities | $ (10,609) | $ (2,700) | $ (7,909) |
| Total securities available for sale | (10,609) | (2,700) | (7,909) |
| Derivative instruments: | | | |
| Unrealized holding gains on derivative instruments | 1,151 | 293 | 858 |
| Total derivative instruments | 1,151 | 293 | 858 |
| Defined benefit pension and post-retirement benefit plans: | | | |
| Amortization of net actuarial loss recognized in net periodic pension cost | 87 | 21 | 66 |
| Total defined benefit pension and post-retirement benefit plans | 87 | 21 | 66 |
| Total other comprehensive loss | $ (9,371) | $ (2,386) | $ (6,985) |

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

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Unrealized gains on securities | $ 12,373 | $ 1,066 |
| Non-credit related portion of other-than-temporary impairment on securities | (11,319) | (11,319) |
| Unrealized losses on derivative instruments | (1,545) | (630) |
| Unrecognized losses on defined benefit pension and post-retirement benefit plans obligations | (6,959) | (7,013) |
| Total accumulated other comprehensive loss | $ (7,450) | $ (17,896) |

**Note 16 – Net Income Per Common Share**

*(In Thousands, Except Share Data)*

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| **Basic** | | |
| Net income applicable to common stock | $ 45,110 | $ 33,826 |
| Average common shares outstanding | 58,585,517 | 49,356,417 |
| Net income per common share - basic | $ 0.77 | $ 0.69 |
| **Diluted** | | |
| Net income applicable to common stock | $ 45,110 | $ 33,826 |
| Average common shares outstanding | 58,585,517 | 49,356,417 |
| Effect of dilutive stock-based compensation | 145,018 | 146,533 |
| Average common shares outstanding - diluted | 58,730,535 | 49,502,950 |
| Net income per common share - diluted | $ 0.77 | $ 0.68 |

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Number of shares | 27,740 | — |
| Exercise prices (for stock option awards) | — | — |

**Note 17 – Regulatory Matters**

*(In Thousands)*

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

The Federal Reserve, the FDIC and the Office of the Comptroller of the Currency have issued guidelines governing the levels of capital that bank holding companies and 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 Capital to Risk – Weighted Assets | 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 provides the capital and risk-based capital and leverage ratios for the Company and for Renasant Bank as of the dates presented:

| | March 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio |
| **Renasant Corporation** | | | | |
| Tier 1 Capital to Average Assets (Leverage) | $ 1,228,640 | 10.44% | $ 1,188,412 | 10.11% |
| Common Equity Tier 1 Capital to Risk-Weighted Assets | 1,124,981 | 11.49% | 1,085,751 | 11.05% |
| Tier 1 Capital to Risk-Weighted Assets | 1,228,640 | 12.55% | 1,188,412 | 12.10% |
| Total Capital to Risk-Weighted Assets | 1,426,332 | 14.57% | 1,386,507 | 14.12% |
| **Renasant Bank** | | | | |
| Tier 1 Capital to Average Assets (Leverage) | $ 1,316,336 | 11.20% | $ 1,276,976 | 10.88% |
| Common Equity Tier 1 Capital to Risk-Weighted Assets | 1,316,336 | 13.45% | 1,276,976 | 13.02% |
| Tier 1 Capital to Risk-Weighted Assets | 1,316,336 | 13.45% | 1,276,976 | 13.02% |
| Total Capital to Risk-Weighted Assets | 1,370,536 | 14.01% | 1,331,619 | 13.58% |

Common equity Tier 1 capital ("CET1") generally consists of common stock, retained earnings, accumulated other comprehensive income and certain minority interests, less certain adjustments and deductions. In addition, the Company 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 the Company's ratio of CET1 to risk-weighted capital is below the capital conservation buffer, the Company will face restrictions on its ability to pay dividends, repurchase outstanding stock and make certain discretionary bonus payments. 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. As shown in the tables above, as of March 31, 2019, the Company's CET1 capital was in excess of the capital conservation buffer.

In addition, the Basel III regulatory capital reforms and rules effecting certain changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 issued by the Federal Reserve, the FDIC and the Office of the Comptroller of the Currency (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 Renasant 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.

— For nonperforming loans, 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.

**Note 18 – Segment Reporting**

*(In Thousands)*

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

- The Community Banks segment delivers a complete range of banking and financial services to individuals and small to medium-sized businesses including checking and savings accounts, business and personal loans, asset-based lending and equipment leasing, as well as safe deposit and night depository facilities.
- The Insurance segment includes a full service insurance agency offering all major lines of commercial and personal insurance through major carriers.
- The Wealth Management segment offers a broad range of fiduciary services which include the administration and management of trust accounts including personal and corporate benefit accounts, self-directed IRAs, and custodial accounts. In addition, the Wealth Management segment offers annuities, mutual funds and other investment services through a third party broker-dealer.

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

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

| | Community Banks | Insurance | Wealth Management | Other | Consolidated |
|---|---|---|---|---|---|
| **Three months ended March 31, 2019** | | | | | |
| Net interest income (loss) | $ 116,058 | $ 168 | $ 350 | $ (3,429) | $ 113,147 |
| Provision for loan losses | 1,500 | — | — | — | 1,500 |
| Noninterest income | 29,585 | 2,879 | 3,659 | (238) | 35,885 |
| Noninterest expense | 83,313 | 1,815 | 3,448 | 256 | 88,832 |
| Income (loss) before income taxes | 60,830 | 1,232 | 561 | (3,923) | 58,700 |
| Income tax expense (benefit) | 14,286 | 320 | — | (1,016) | 13,590 |
| Net income (loss) | $ 46,544 | $ 912 | $ 561 | $ (2,907) | $ 45,110 |
| Total assets | $ 12,763,349 | $ 27,267 | $ 58,971 | $ 12,808 | $ 12,862,395 |
| Goodwill | $ 930,204 | $ 2,767 | — | — | $ 932,971 |
| **Three months ended March 31, 2018** | | | | | |
| Net interest income (loss) | $ 91,427 | $ 106 | $ 313 | $ (2,606) | $ 89,240 |
| Provision for loan losses | 1,750 | — | — | — | 1,750 |
| Noninterest income | 27,918 | 2,772 | 3,527 | (264) | 33,953 |
| Noninterest expense | 72,633 | 1,731 | 3,392 | 188 | 77,944 |
| Income (loss) before income taxes | 44,962 | 1,147 | 448 | (3,058) | 43,499 |
| Income tax expense (benefit) | 10,167 | 297 | — | (791) | 9,673 |
| Net income (loss) | $ 34,795 | $ 850 | $ 448 | $ (2,267) | $ 33,826 |
| Total assets | $ 10,135,478 | $ 24,125 | $ 61,800 | $ 16,910 | $ 10,238,313 |
| Goodwill | $ 608,279 | $ 2,767 | — | — | $ 611,046 |

**Note 19 - Leases**

*(In Thousands)*

The Company adopted ASC 842 in the first quarter of 2019. The Company enters into leases in both lessor and lessee capacities.

ASC 842 provided for a number of optional practical expedients, of which the Company has elected several including (i) the option not to separate the lease and non-lease components; (ii) the 'package of practical expedients,' where the Company does not have to reassess (A) whether expired or existing contracts contain leases under the new definition of a lease, (B) lease classification for expired or existing leases and (C) previously capitalized initial direct costs would qualify for capitalization under ASC 842; and (iii) the use of hindsight in determining the lease term, which permits the use of information available after lease inception to determine the lease term via the knowledge of renewal options exercised but not available at the leases inception.

The practical expedient pertaining to land easements is not applicable to the Company.

*Lessor Arrangements*

The Company provides equipment financing to its customers through sales type or direct financing lease arrangements. These leases are carried at the aggregate of lease payments receivable plus the estimated residual value of the leased property less unearned income, which is accreted into interest income over the lease's term using methods that approximate the interest method. These arrangements generally do not contain non-lease components. Lease agreements may include renewal and purchase options.

As of March 31, 2019, the net investment in these leases was $8,967, comprised of $7,164 in lease receivables, $2,408 in residual balances and $605 in deferred income. In order to mitigate potential exposure to residual asset risk, the Company utilizes first amendment or terminal rental adjustment clause leases.

For the three months ended March 31, 2019, the Company generated $81 in income, which is included in interest income on loans on the Consolidated Statements of Income from these leases.

The maturities of the lessor arrangements outstanding at March 31, 2019 is presented in the table below.

| | | |
|---|---|---|
| Remainder of 2019 | $ | 349 |
| 2020 | | 1,721 |
| 2021 | | 1,739 |
| 2022 | | 2,528 |
| 2023 | | 1,984 |
| Thereafter | | 646 |
| Total lease receivables | $ | 8,967 |

*Lessee Arrangements*

All of the Company's lessee arrangements are operating leases, being real estate leases for Company facilities. Under these arrangements, the Company records right-of-use assets and corresponding lease liabilities, each of which is based on the present value of the remaining lease payments and are discounted at the Company's incremental borrowing rate. Right-of-use assets are reported in premises and equipment on the Consolidated Balance Sheet and the related lease liabilities are reported in other liabilities. All leases are recorded on the Consolidated Balance Sheet except for leases with an initial term less than 12 months for which the Company elected the short-term lease recognition exemption. Lease expense is recognized on a straight-line basis over the lease term and is recorded in occupancy and equipment expense in the Consolidated Statement of Income. Variable lease payments consist primarily of common area maintenance and taxes. The Company does not have any material sublease agreements currently in place.

As of March 31, 2019, right-of-use assets totaled $52,478 and lease liabilities totaled $56,049. Lease terms may contain renewal and extension options and early termination features. Many leases include one or more options to renew, with renewal terms that can extend the lease term from one to 20 years or more. The exercise of lease renewal options is at the Company's sole discretion.

Renewal options which are reasonably certain to be exercised in the future were included in the measurement of right-of-use assets and lease liabilities.

The table below provides the components of lease cost and supplemental information for the three months ended March 31, 2019.

| | | |
|---|---|---|
| Operating lease cost (cost resulting from lease payments) | $ | 2,358 |
| Short-term lease cost | | 10 |
| Variable lease cost (cost excluded from lease payments) | | 339 |
| Sublease income | | (126) |
| Total lease cost | $ | 2,581 |
| Right-of-use assets obtained in exchange for new lease liabilities during the first quarter of 2019 - operating leases | $ | 1,295 |
| Operating lease - operating cash flows (fixed payments) | | 2,316 |
| Operating lease - operating cash flows (liability reduction) | | 1,808 |
| Weighted average lease term - operating leases | | 12.30 |
| Weighted average discount rate - operating leases | | 3.62% |

The maturities of the lessee arrangements outstanding at March 31, 2019 are presented in the table below.

| | | |
|---|---|---|
| Remainder of 2019 | $ | 5,068 |
| 2020 | | 6,178 |
| 2021 | | 5,396 |
| 2022 | | 5,238 |
| 2023 | | 5,112 |
| Thereafter | | 50,710 |
| Total undiscounted cash flows | | 77,702 |
| Discount on cash flows | | 21,653 |
| Total operating lease liabilities | $ | 56,049 |

As of March 31, 2019, the Company had leases with related parties that were obtained in the Brand acquisition. The related party leases have right-of-use assets of $13,773 and lease liabilities of $16,012, with total lease cost of $492 for the first quarter of 2019.

For more information on lease accounting, see Note 1, “Summary of Significant Accounting Policies” and on lease financing receivables, see Note 4, “Non Purchased Loans.”

**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*(In Thousands, Except Share Data)*

This Form 10-Q may contain or incorporate by reference statements regarding Renasant Corporation (referred to herein as the “Company”, “we”, “our”, or “us”) 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 variations of 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: (1) 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 time frame anticipated by management; (2) the effect of economic conditions and interest rates on a national, regional or international basis; (3) timing and success of the implementation of changes in operations to achieve enhanced earnings or effect cost savings; (4) competitive pressures in the consumer finance, commercial finance, insurance, financial services, asset management, retail banking, mortgage lending and auto lending industries; (5) the financial resources of, and products available to, competitors; (6) changes in laws and regulations as well as changes in accounting standards; (7) changes in policy by regulatory agencies; (8) changes in the securities and foreign exchange markets; (9) the Company’s potential growth, including its entrance or expansion into new markets, and the need for sufficient capital to support that growth; (10) changes in the quality or composition of the Company’s loan or investment portfolios, including adverse developments in borrower industries or in the repayment ability of individual borrowers; (11) an insufficient allowance for loan losses as a result of inaccurate assumptions; (12) general economic, market or business conditions, including the impact of inflation; (13) changes in demand for loan products and financial services; (14) concentration of credit exposure; (15) changes or the lack of changes in interest rates, yield curves and interest rate spread relationships; (16) increased cybersecurity risk, including potential network breaches, business disruptions or financial losses; (17) natural disasters and other catastrophic events in the Company’s geographic area; (18) the impact, extent and timing of technological changes; and (19) 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.

**Financial Condition**

The following discussion provides details regarding the changes in significant balance sheet accounts at March 31, 2019 compared to December 31, 2018.

*Assets*

Total assets were $12,862,395 at March 31, 2019 compared to $12,934,878 at December 31, 2018.

*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, all of which are classified as available for sale, by investment type and the percentage of such investment type relative to the entire securities portfolio as of the dates presented:

| | March 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | **Balance** | **Percentage of Portfolio** | **Balance** | **Percentage of Portfolio** |
| Obligations of other U.S. Government agencies and corporations | $ 2,525 | 0.20% | $ 2,511 | 0.20% |
| Obligations of states and political subdivisions | 183,762 | 14.64 | 203,269 | 16.25 |
| Mortgage-backed securities | 1,009,841 | 80.44 | 990,437 | 79.19 |
| Trust preferred securities | 10,246 | 0.82 | 10,633 | 0.85 |
| Other debt securities | 48,979 | 3.90 | 43,927 | 3.51 |
| | $ 1,255,353 | 100.00% | $ 1,250,777 | 100.00% |

During the three months ended March 31, 2019, we purchased $49,577 in investment securities. Mortgage-backed securities and collateralized mortgage obligations (“CMOs”), in the aggregate, comprised approximately 87% of these purchases. CMOs are included in the “Mortgage-backed securities” line item in the above table. The mortgage-backed securities and CMOs held in our investment portfolio are primarily issued by government sponsored entities.

Proceeds from maturities, calls and principal payments on securities during the first three months of 2019 totaled $48,509. During the first quarter of 2019, the Company sold municipal securities and residential mortgage backed securities with a carrying value of $10,598 at the time of sale for net proceeds of $10,611, resulting in a net gain on sale of $13. Proceeds from the maturities, calls and principal payments on securities during the first three months of 2018 totaled $29,335; no securities were sold in the first quarter of 2018.

For more information about the Company's security portfolio, see Note 3, "Securities," in the Notes to Consolidated Financial Statements of the Company in Item 1, Financial Statements, in this report.

*Loans*

Total loans, excluding loans held for sale, at March 31, 2019 were $9,088,293 and $9,083,129 at December 31, 2018. Growth in non purchased loans was offset by paydowns in the portfolio of purchased loans.

The table below sets forth the balance of loans, net of unearned income and excluding loans held for sale, outstanding by loan type and the percentage of each loan type to total loans as of the dates presented:

| | March 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Balance | Percentage of Total Loans | Balance | Percentage of Total Loans |
| Commercial, financial, agricultural | $ 1,308,457 | 14.40% | $ 1,295,912 | 14.27% |
| Lease financing | 58,651 | 0.65 | 61,865 | 0.68 |
| Real estate – construction | 741,073 | 8.15 | 740,668 | 8.15 |
| Real estate – 1-4 family mortgage | 2,769,173 | 30.47 | 2,795,343 | 30.78 |
| Real estate – commercial mortgage | 4,083,632 | 44.93 | 4,051,509 | 44.60 |
| Installment loans to individuals | 127,307 | 1.40 | 137,832 | 1.52 |
| Total loans, net of unearned income | $ 9,088,293 | 100.00% | $ 9,083,129 | 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 March 31, 2019, there were no concentrations of loans exceeding 10% of total loans which are not disclosed as a category of loans separate from the categories listed above.

Non purchased loans totaled $6,565,599 at March 31, 2019 compared to $6,389,712 at December 31, 2018. With the exception of lease financing and installment loans to individuals, the Company experienced loan growth across all categories of non purchased loans, with loans from our specialty commercial business lines, which consist of our asset-based lending, healthcare, factoring, and equipment lease financing banking groups as well as loans meeting the criteria to be guaranteed by the Small Business Administration ("SBA"), contributing $2,698 of the total increase in non purchased loans from December 31, 2018.

Looking at the change in loans geographically, non purchased loans in our Western Region (which includes Mississippi), Eastern Region (which includes Georgia and east Florida), Northern Region (which includes Tennessee) and Central Region (which includes Alabama and the Florida panhandle) markets increased $39,705, $97,066, $33,849 and $12,087, respectively, when compared to December 31, 2018.

Loans purchased in previous acquisitions totaled $2,522,694 and $2,693,417 at March 31, 2019 and December 31, 2018, respectively. The following tables provide a breakdown of non purchased loans and purchased loans as of the dates presented:

| | March 31, 2019 | | |
|---|---|---|---|
| | Non Purchased | Purchased | Total Loans |
| Commercial, financial, agricultural | $ 921,081 | $ 387,376 | $ 1,308,457 |
| Lease financing, net of unearned income | 58,651 | — | 58,651 |
| Real estate – construction: | | | |
| Residential | 239,333 | 41,708 | 281,041 |
| Commercial | 411,595 | 48,246 | 459,841 |
| Condominiums | 191 | — | 191 |
| Total real estate – construction | 651,119 | 89,954 | 741,073 |
| Real estate – 1-4 family mortgage: | | | |
| Primary | 1,246,840 | 428,966 | 1,675,806 |
| Home equity | 456,398 | 144,590 | 600,988 |
| Rental/investment | 300,840 | 53,797 | 354,637 |
| Land development | 110,830 | 26,912 | 137,742 |
| Total real estate – 1-4 family mortgage | 2,114,908 | 654,265 | 2,769,173 |
| Real estate – commercial mortgage: | | | |
| Owner-occupied | 1,055,347 | 531,687 | 1,587,034 |
| Non-owner occupied | 1,528,164 | 772,383 | 2,300,547 |
| Land development | 142,675 | 53,376 | 196,051 |
| Total real estate – commercial mortgage | 2,726,186 | 1,357,446 | 4,083,632 |
| Installment loans to individuals | 93,654 | 33,653 | 127,307 |
| Total loans, net of unearned income | $ 6,565,599 | $ 2,522,694 | $ 9,088,293 |

| | December 31, 2018 | | |
|---|---|---|---|
| | Non Purchased | Purchased | Total Loans |
| Commercial, financial, agricultural | $ 875,649 | $ 420,263 | $ 1,295,912 |
| Lease financing, net of unearned income | 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 |

*Loans Held for Sale*

Loans held for sale were $318,563 at March 31, 2019 compared to $411,427 at December 31, 2018. Included in the balance at March 31, 2019 is a portfolio of non-mortgage consumer loans in the amount of $122,756, as compared to $191,578 at December 31, 2018. During the first quarter of 2019, the Company sold approximately $42,727 of this portfolio at par.

Mortgage loans to be sold are sold either on a “best efforts” basis or under a mandatory delivery sales agreement. Under a “best efforts” sales agreement, residential real estate originations are locked in at a contractual rate with third party private investors or directly with government sponsored agencies, and the Company is obligated to sell the mortgages to such investors only if the mortgages are closed and funded. The risk we assume is conditioned upon loan underwriting and market conditions in the national mortgage market. Under a mandatory delivery sales agreement, the Company commits to deliver a certain principal amount of mortgage loans to an investor at a specified price and delivery date. Penalties are paid to the investor if we fail to satisfy the contract. Gains and losses are realized at the time consideration is received and all other criteria for sales treatment have been met. Our standard practice is to sell the loans 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*

The Company relies on deposits as its major source of funds. Total deposits were $10,268,912 and $10,128,557 at March 31, 2019 and December 31, 2018, respectively. Noninterest-bearing deposits were $2,366,223 and $2,318,706 at March 31, 2019 and December 31, 2018, respectively, while interest-bearing deposits were $7,902,689 and $7,809,851 at March 31, 2019 and December 31, 2018, respectively.

Management continues to focus on growing and maintaining a stable source of funding, specifically core deposits. Under certain circumstances, however, management may seek 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 acquired to meet anticipated funding needs at the rate and with other terms that, in management’s view, best address our interest rate risk, liquidity and net interest margin parameters.

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. Although the Company has focused on growing stable sources of deposits to reduce reliance on public fund deposits, it participates in the bidding process for public fund deposits when pricing and other terms make it reasonable given market conditions and other factors. Our public fund transaction accounts are principally obtained from municipalities including school boards and utilities. Public fund deposits were $1,356,208 and $1,271,139 at March 31, 2019 and December 31, 2018, respectively.

Looking at the change in deposits geographically, deposits in our Western Region, Eastern Region and Northern Region markets increased $213,770, $38,657 and $194, respectively, from December 31, 2018, while deposits in our Central Region markets decreased $64,070 from December 31, 2018 primarily due to a decrease in public fund deposits.

*Borrowed Funds*

Total borrowings include securities sold under agreements to repurchase, advances from the FHLB, subordinated notes and junior subordinated debentures and are classified on the Consolidated Balance Sheets as either short-term borrowings or long-term debt. Short-term borrowings have original maturities less than one year and typically include securities sold under agreements to repurchase, federal funds purchased and short-term FHLB advances. At March 31, 2019, short-term borrowings consisted of $7,590 in security repurchase agreements and short-term borrowings from the FHLB of $80,000, compared to security repurchase agreements of $7,706 and short-term borrowings from the FHLB of $380,000 at December 31, 2018.

At March 31, 2019, long-term debt, consisting of long-term FHLB advances, our junior subordinated debentures and our subordinated notes, totaled $263,269 compared to $263,618 at December 31, 2018. 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 $6,492 and $6,690 at March 31, 2019 and December 31, 2018, respectively. At March 31, 2019, there were $1,731 in long-term FHLB advances outstanding scheduled to mature within twelve months or less. The Company had $3,548,225 of availability on unused lines of credit with the FHLB at March 31, 2019 compared to $3,301,543 at December 31, 2018.

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 $109,781 at March 31, 2019, compared to $109,636 at December 31, 2018.

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 $146,962 at March 31, 2019 compared to $147,239 at December 31, 2018. 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.

**Results of Operations**

*Net Income*

Net income for the first quarter of 2019 was $45,110 compared to net income of $33,826 for the first quarter of 2018. Basic and diluted earnings per share (“EPS”) for the first quarter of 2019 were $0.77, as compared to basic and diluted EPS of $0.69 and $0.68, respectively, for the first quarter of 2018.

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

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | March 31, 2019 | | | March 31, 2018 | | |
| | Pre-tax | After-tax | Impact to Diluted EPS | Pre-tax | After-tax | Impact to Diluted EPS |
| Merger and conversion expenses | $ — | $ — | $ — | $ 900 | $ 700 | $ 0.02 |

*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 76.16% of total revenue (i.e., net interest income on a fully taxable equivalent basis and noninterest income) for the first quarter of 2019. The primary concerns in managing net interest income are the volume, mix and repricing of assets and liabilities.

Net interest income was $113,147 for the three months ended March 31, 2019 as compared to $89,240 for the same period in 2018. On a tax equivalent basis, net interest income was $114,631 for the three months ended March 31, 2019 as compared to $90,807 for the same respective time periods in 2018.

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

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Average Balance | Interest Income/ Expense | Yield/ Rate | Average Balance | Interest Income/ Expense | Yield/ Rate |
| Assets | | | | | | |
| Interest-earning assets: | | | | | | |
| Loans held for investment: | | | | | | |
| Non purchased | $ 6,454,870 | $ 81,184 | 5.10% | $ 5,689,210 | $ 64,611 | 4.61% |
| Purchased | 2,604,932 | 40,185 | 6.26 | 1,957,781 | 28,762 | 5.96 |
| Total loans held for investment | 9,059,802 | 121,369 | 5.43 | 7,646,991 | 93,373 | 4.95 |
| Loans held for sale | 345,264 | 5,837 | 6.86 | 152,299 | 1,671 | 4.45 |
| Securities: | | | | | | |
| Taxable[(1)] | 1,061,983 | 7,892 | 3.01 | 606,642 | 3,914 | 2.62 |
| Tax-exempt | 191,241 | 2,022 | 4.29 | 226,434 | 2,406 | 4.31 |
| Interest-bearing balances with banks | 236,915 | 1,458 | 2.50 | 128,313 | 583 | 1.84 |
| Total interest-earning assets | 10,895,205 | 138,578 | 5.16 | 8,760,679 | 101,947 | 4.72 |
| Cash and due from banks | 191,863 | | | 163,141 | | |
| Intangible assets | 976,820 | | | 634,898 | | |
| Other assets | 667,051 | | | 497,037 | | |
| Total assets | $ 12,730,939 | | | $ 10,055,755 | | |
| Liabilities and shareholders' equity | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Deposits: | | | | | | |
| Interest-bearing demand[(2)] | $ 4,790,184 | $ 10,074 | 0.85% | $ 3,911,802 | $ 3,407 | 0.35% |
| Savings deposits | 630,671 | 292 | 0.19 | 581,194 | 151 | 0.11 |
| Time deposits | 2,379,037 | 9,406 | 1.60 | 1,821,118 | 4,501 | 1.00 |
| Total interest-bearing deposits | 7,799,892 | 19,772 | 1.03 | 6,314,114 | 8,059 | 0.52 |
| Borrowed funds | 363,140 | 4,175 | 4.66 | 314,228 | 3,081 | 3.98 |
| Total interest-bearing liabilities | 8,163,032 | 23,947 | 1.19 | 6,628,342 | 11,140 | 0.68 |
| Noninterest-bearing deposits | 2,342,406 | | | 1,817,848 | | |
| Other liabilities | 160,131 | | | 85,692 | | |
| Shareholders' equity | 2,065,370 | | | 1,523,873 | | |
| Total liabilities and shareholders' equity | $ 12,730,939 | | | $ 10,055,755 | | |
| Net interest income/net interest margin | | $ 114,631 | 4.27% | | $ 90,807 | 4.20% |

(1) U.S. Government and some U.S. Government Agency securities are tax-exempt in the states in which we operate.
(2) Interest-bearing demand deposits include interest-bearing transactional accounts and money market deposits.

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

Net interest margin and net interest income are influenced by internal and external factors. Internal factors include balance sheet changes in volume, mix and pricing decisions. External factors include changes in market interest rates, competition and the shape of the interest rate yield curve. As discussed in more detail below, for the three months ended March 31, 2019, as compared to the corresponding period in 2018, growth in the Company's loan portfolio was the largest contributing factor to the increase in net interest income over these periods. Also, the Company's continued efforts to replace maturing loans with new or renewed loans at similar or higher rates, bolstered by the rate environment resulting from the Federal Reserve Board's increases to the target federal funds rate over the last two years, and coupled with our efforts to limit the growth in deposits and borrowing costs (while remaining competitive), drove further interest income and interest margin expansion (after excluding the impact from purchase accounting adjustments).

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 three months ended March 31, 2019 compared to the same period in 2018 (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):

| | Three Months Ended March 31, 2019 | | |
|---|---|---|---|
| | Volume | Rate | Net |
| **Interest income:** | | | |
| Loans held for investment: | | | |
| Non purchased | $ 9,215 | $ 7,358 | $ 16,573 |
| Purchased | 9,920 | 1,503 | 11,423 |
| Loans held for sale | 4,078 | 88 | 4,166 |
| Securities: | | | |
| Taxable | 3,309 | 669 | 3,978 |
| Tax-exempt | (372) | (12) | (384) |
| Interest-bearing balances with banks | 617 | 258 | 875 |
| Total interest-earning assets | 26,767 | 9,864 | 36,631 |
| **Interest expense:** | | | |
| Interest-bearing demand deposits | 913 | 5,754 | 6,667 |
| Savings deposits | 14 | 127 | 141 |
| Time deposits | 1,659 | 3,246 | 4,905 |
| Borrowed funds | 519 | 575 | 1,094 |
| Total interest-bearing liabilities | 3,105 | 9,702 | 12,807 |
| Change in net interest income | $ 23,662 | $ 162 | $ 23,824 |

Interest income, on a tax equivalent basis, was $138,578 for the three months ended March 31, 2019 compared to $101,947 for the same period in 2018. This increase in interest income, on a tax equivalent basis, is due primarily to the additional earning assets from the Brand acquisition which was completed on September 1, 2018, as well as loan growth in the Company's non purchased loan portfolio. The increase in interest income is also being driven by an overall increase in the yield on the Company's earning assets due to replacing maturing assets with assets earning similar or higher rates of interest.

The following tables presents the percentage of total average earning assets, by type and yield, for the periods presented:

| | Percentage of Total Average Earning Assets | | Yield | |
|---|---|---|---|---|
| | Three Months Ended March 31, | | Three Months Ended March 31, | |
| | 2019 | 2018 | 2019 | 2018 |
| Loans held for investment | 83.15% | 87.29% | 5.43% | 4.95% |
| Loans held for sale | 3.18 | 1.74 | 6.86 | 4.45 |
| Securities | 11.50 | 9.51 | 3.21 | 3.08 |
| Other | 2.17 | 1.46 | 2.50 | 1.84 |
| Total earning assets | 100.00% | 100.00% | 5.16% | 4.72% |

For the first quarter of 2019, interest income on loans held for investment, on a tax equivalent basis, increased $27,996 to $121,369 from $93,373 compared to the same period in 2018. Interest income on loans held for investment increased as a result of the increase in the average balance of loans due to the Brand acquisitions and non purchased loan growth. For the first quarter of 2019, interest income on loans held for sale, on a tax equivalent basis, increased $4,166 to $5,837 from $1,671 compared to the same period in 2018. This increase is primarily due to the impact from the portfolio of non-mortgage consumer loans, acquired from Brand, that is classified in loans held for sale. The following table presents reported taxable equivalent yield on loans for the periods presented.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Taxable equivalent interest income on loans | $ 127,206 | $ 95,044 |
| Average loans, including loans held for sale | 9,405,066 | 7,799,290 |
| Loan yield | 5.49% | 4.94% |

The impact from interest income collected on problem loans and purchase accounting adjustments on loans to total interest income on loans, including loans held for sale, loan yield and net interest margin is shown in the following table for the periods presented.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Net interest income collected on problem loans | $ 812 | $ 358 |
| Accretable yield recognized on purchased loans(1) | 7,542 | 6,118 |
| Total impact to interest income on loans | $ 8,354 | $ 6,476 |
| Impact to loan yield | 0.36% | 0.34% |
| Impact to net interest margin | 0.31% | 0.30% |

(1) Includes additional interest income recognized in connection with the acceleration of paydowns and payoffs from purchased loans of $3,833 and $3,358 for the first quarter of 2019 and 2018, respectively. This additional interest income increased taxable equivalent loan yield by 17 basis points for both the first quarter of 2019 and 2018, while increasing net interest margin by 14 basis points and 16 basis points for the first quarter of 2019 and 2018, respectively.

Investment income, on a tax equivalent basis, increased $3,594 to $9,914 for the first quarter of 2019 from $6,320 for the first quarter of 2018. In addition to the average balance in the investment portfolio being higher for the three months ended March 31, 2019 as compared to the same period in 2018, the Company was able to add higher yielding securities to the portfolio, bolstering the increase in interest income. The tax equivalent yield on the investment portfolio for the first quarter of 2019 was 3.21%, up 13 basis points from 3.08% in the same period in 2018.

Interest expense for the three months ended March 31, 2019 was $23,947 as compared to $11,140 for the same period in 2018.

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

| | Percentage of Total Average Deposits and Borrowed Funds | | Cost of Funds | |
|---|---|---|---|---|
| | Three Months Ended March 31, | | Three Months Ended March 31, | |
| | 2019 | 2018 | 2019 | 2018 |
| Noninterest-bearing demand | 22.30% | 21.52% | —% | —% |
| Interest-bearing demand | 45.60 | 46.31 | 0.85 | 0.35 |
| Savings | 6.00 | 6.88 | 0.19 | 0.11 |
| Time deposits | 22.65 | 21.56 | 1.60 | 1.00 |
| Short term borrowings | 0.95 | 1.27 | 2.66 | 1.45 |
| Long-term Federal Home Loan Bank advances | 0.06 | 0.09 | 3.28 | 3.41 |
| Subordinated notes | 1.40 | 1.35 | 6.13 | 5.63 |
| Other borrowed funds | 1.04 | 1.02 | 4.60 | 4.97 |
| Total deposits and borrowed funds | 100.00% | 100.00% | 0.92% | 0.53% |

Interest expense on deposits was $19,772 and $8,059 for the three months ended March 31, 2019 and 2018, respectively. The cost of total deposits was 0.79% and 0.40% for the same respective 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 Brand acquisition 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 $4,175 and $3,081 for the first three months of 2019 and 2018, respectively. The Company assumed subordinated notes and junior subordinated debentures in its acquisition of Brand, increasing the average balance of borrowings for the first three months of 2019 as compared to the same period in 2018. This increase in the average balance of borrowings, together with higher rates charged on short-term FHLB advances, is the primary driver for the increase in interest expense on borrowings.

A more detailed discussion of the cost of our funding sources is set forth below under the heading “Liquidity and Capital Resources” in this item.

*Noninterest Income*

| Noninterest Income to Average Assets | |
|---|---|
| Three Months Ended March 31, | |
| 2019 | 2018 |
| 1.14% | 1.37% |

Noninterest income was $35,885 for the three months ended March 31, 2019 as compared to $33,953 for the same period in 2018. While the acquisition of Brand improved the growth of our noninterest income, our continued focus on diversification of our income streams also resulted in an increase in nearly all of the Company’s components of noninterest income.

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 $9,102 and $8,473 for the three months ended March 31, 2019 and 2018, respectively. Overdraft fees, the largest component of service charges on deposits, were $6,139 for the three months ended March 31, 2019 compared to $5,908 for the same period in 2018.

Fees and commissions were $6,471 for the first three months of 2019 as compared to $5,685 for the same period in 2018. Fees and commissions include fees related to deposit services, such as ATM fees and interchange fees on debit card transactions. Interchange fees were $5,328 for the three months ending March 31, 2019 as compared to $4,787 for the same period in 2018. As a result of our total assets being above $10,000,000, beginning July 1, 2019 we will be 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 in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018). We expect the Durban Amendment limitations to reduce interchange fees by approximately $10,000-$11,000 annually. Management is continuing to develop and enhance strategies to offset this impact.

Through Renasant Insurance, we offer a range of commercial and personal insurance products through major insurance carriers. Income earned on insurance products was $2,116 and $2,005 for the three months ended March 31, 2019 and 2018, 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 $757 and $762 for the three months ended March 31, 2019 and 2018, 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 employee 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 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 $3,324 for the three months ended March 31, 2019 compared to $3,262 for the same period in 2018. The market value of assets under management or administration was $3,492,135 and $3,234,775 at March 31, 2019 and March 31, 2018, 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. Mortgage loan originations totaled $384,103 in the three months ended March 31, 2019 compared to $362,803 for the same period in 2018. The increase in mortgage loan originations is due to an increase in producers throughout our footprint during the current year. The table below presents the components of mortgage banking income included in noninterest income for the three months ending March 31:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Mortgage servicing income, net | $ 821 | $ 1,154 |
| Gain on sales of loans, net | 7,888 | 8,798 |
| Fees, net | 1,692 | 1,008 |
| Mortgage banking income, net | $ 10,401 | $ 10,960 |

Bank-owned life insurance ("BOLI") income is derived from changes in the cash surrender value of the bank-owned life insurance policies and death benefits received on covered individuals. BOLI income was $1,407 for the three months ended March 31, 2019 as compared to $945 for the same period in 2018.

Other noninterest income was $3,051 and $2,623 for the three months ended March 31, 2019 and 2018, respectively. Other noninterest income includes income from our SBA banking division and other miscellaneous income and can fluctuate based on production in our SBA banking division and recognition of other unseasonal income items.

*Noninterest Expense*

| Noninterest Expense to Average Assets | |
|---|---|
| Three Months Ended March 31, | |
| 2019 | 2018 |
| 2.83% | 3.14% |

Noninterest expense was $88,832 and $77,944 for the three months ended March 31, 2019 and 2018, respectively. The Company did not record any merger and conversion related expenses for the three months ended March 31, 2019, while $900 was recorded during the first quarter of 2018. The increase year over year for the first three months was primarily driven by the additional expenses associated with the acquisition Brand's operations, as discussed in more detail in the remainder of this section.

Salaries and employee benefits increased $8,566 to $57,350 for the three months ended March 31, 2019 as compared to $48,784 for the same period in 2018. The increase in salaries and employee benefits is primarily due to the Brand acquisition and annual merit based pay increases.

Data processing costs were $4,906 for the three months ended March 31, 2019 as compared to $4,244 for the same period in 2018. The increased costs are primarily due to the Brand acquisition.

Net occupancy and equipment expense for the first three months of 2019 was $11,835, up from $9,822 for the same period in 2018. The increase in occupancy and equipment expense is primarily attributable to the additional locations and assets added from the Brand acquisitions.

Expenses related to other real estate owned were $1,004 and $657, respectively, for the first three months of 2019 and 2018. Expenses on other real estate owned included write downs of the carrying value to fair value on certain pieces of property held in other real estate owned of $727 and $352 for the first three months of 2019 and 2018, respectively. For the three months ended March 31, 2019 and 2018, other real estate owned with a cost basis of $1,043 and $2,181, respectively, was sold resulting in a net loss of $80 and $96, respectively.

Professional fees include fees for legal and accounting services. Professional fees were $2,454 for the three months ended March 31, 2019 as compared to $2,138 for the same period in 2018. 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 $2,866 for the three months ended March 31, 2019 compared to $2,203 for the same period in 2018. This increase is primarily attributable to an increased focus on digital marketing and branding throughout our footprint, an increase in the overall size of the Company and also an increase in the marketing of the Company’s community involvement.

Amortization of intangible assets totaled $2,110 and $1,651 for the three months ended March 31, 2019 and 2018, respectively. This amortization relates to finite-lived intangible assets which are being amortized over the useful lives as determined at acquisition. These finite-lived intangible assets have remaining estimated useful lives ranging from approximately 1 year to approximately 10 years.

Communication expenses, those expenses incurred for communication to clients and between employees, were $1,895 for the three months ended March 31, 2019 as compared to $1,969 for the same period in 2018.

*Efficiency Ratio*

| | Efficiency Ratio | |
|---|---|---|
| | Three Months Ended March 31, | |
| | 2019 | 2018 |
| Efficiency ratio (GAAP) | 59.02 % | 62.48 % |
| Impact on efficiency ratio from: | | |
| Net gains on sales of securities | (0.01) | — |
| Intangible amortization | (1.39) | (1.33) |
| Merger and conversion related expenses | — | (0.72) |
| Adjusted efficiency ratio (Non-GAAP)[1] | 57.62 % | 60.43 % |

[1] A reconciliation of this financial measure from GAAP to non-GAAP can be found under the “Non-GAAP Financial Measures” heading at the end of this Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operations.

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 the timing of when these expenses will be incurred or, when incurred, the amount of such expenses, such as merger and conversion related expenses. 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 currently reported levels as a result of revenue growth while at the same time controlling noninterest expenses.

*Income Taxes*

Income tax expense for the three months ended March 31, 2019 and 2018 was $13,590 and $9,673, respectively. The effective tax rates for those periods were 23.15% and 22.24%, respectively. The increase in taxable income is the primary driver in the increase in income tax expense from the first quarter of 2018 to the first quarter of 2019.

**Risk Management**

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

*Credit Risk and Allowance for Loan Losses*

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 the first quarter of 2019, and the Company continues to see the lowest levels of charge-offs and nonperforming loans since the 2008-2009 recession. These results are due in part to current economic conditions both nationally and in the Company's markets, including declining unemployment levels, improved labor participation rate and improved performance of the housing market, as well as 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 separate from the credit administration department to independently monitor loan quality and lending practices. Loan review personnel monitor and, if necessary, adjust the grades assigned to loans through periodic examination, focusing 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 or other adverse factors relating to the loan; 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 losses are identified and reasonably quantified. Net charge-offs for the first quarter of 2019 were $691, or 0.03% of average loans (annualized), compared to net charge-offs of $1,560, or 0.08% of average loans (annualized), for the same period in 2018. The charge-offs in 2019 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 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 ("ASC") Topic 450, "Contingencies." Collective impairment is calculated based on loans grouped by grade. Another component of the allowance is losses on loans assessed as impaired under ASC 310, "Receivables." The balance of these loans and their related allowance is included in management's estimation and analysis of the allowance for loan losses.

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

| | March 31, 2019 | | December 31, 2018 | | March 31, 2018 | |
|---|---|---|---|---|---|---|
| | **Balance** | **% of Total** | **Balance** | **% of Total** | **Balance** | **% of Total** |
| Commercial, financial, agricultural | $ 9,622 | 19.31% | $ 8,269 | 16.87% | $ 7,071 | 15.24% |
| Lease financing | 662 | 1.33% | 709 | 1.44% | 596 | 1.28% |
| Real estate – construction | 4,778 | 9.59% | 4,755 | 9.70% | 4,198 | 9.05% |
| Real estate – 1-4 family mortgage | 9,491 | 19.04% | 10,139 | 20.68% | 11,404 | 24.58% |
| Real estate – commercial mortgage | 24,643 | 49.45% | 24,492 | 49.96% | 21,914 | 47.23% |
| Installment loans to individuals | 639 | 1.28% | 662 | 1.35% | 1,218 | 2.62% |
| Total | $ 49,835 | 100.00% | $ 49,026 | 100.00% | $ 46,401 | 100.00% |

For impaired loans, specific reserves are established to adjust the carrying value of the loan to its estimated net realizable value. The following table quantifies the amount of the specific reserves component of the allowance for loan losses, 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:

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Specific reserves for impaired loans | $ 2,213 | $ 1,514 | $ 1,472 |
| Allocated reserves for remaining portfolio | 45,098 | 44,960 | 43,112 |
| Purchased with deteriorated credit quality | 2,524 | 2,552 | $ 1,817 |
| Total | $ 49,835 | $ 49,026 | $ 46,401 |

The provision for loan losses charged to operating expense is an amount which, in the judgment of management, is necessary to maintain the allowance for loan losses at a level that is believed to be adequate to meet the inherent risks of losses in our loan portfolio. The provision for loan losses was $1,500 and $1,750 for the three months ended March 31, 2019 and 2018, respectively. Although the Company continues to experience low levels of classified loans and nonperforming loans, as illustrated in the nonperforming loan tables later in this section, and while our other credit quality measures have also improved or otherwise remained at satisfactory levels, the growth in non purchased loans has dictated that we increase the provision for loans 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.

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, "Loans and Debt Securities Purchased with Deteriorated Credit Quality" ("ASC 310-30"), and are carried at values which, in management's opinion, reflect the estimated future cash flows, based on the facts and circumstances surrounding each respective loan at the date of acquisition. As of March 31, 2019, the fair value of loans accounted for in accordance with ASC 310-30 was $208,846. The Company continually monitors these loans as part of our normal credit review and monitoring procedures for changes in the estimated future cash flows; to the extent future cash flows deteriorate below initial projections, the Company may be required to reserve for these loans in the allowance for loan losses through future provision for loan losses. Of the entire allowance for loan losses as of March 31, 2019 and 2018, $2,524 and $1,817, respectively, is allocated to loans accounted for under ASC 310-30.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| Balance at beginning of period | $ 49,026 | $ 46,211 |
| Charge-offs | | |
| Commercial, financial, agricultural | 258 | 659 |
| Lease financing | — | — |
| Real estate – construction | — | — |
| Real estate – 1-4 family mortgage | 497 | 671 |
| Real estate – commercial mortgage | 562 | 613 |
| Installment loans to individuals | 220 | 122 |
| Total charge-offs | 1,537 | 2,065 |
| Recoveries | | |
| Commercial, financial, agricultural | 374 | 235 |
| Lease financing | — | — |
| Real estate – construction | 7 | 4 |
| Real estate – 1-4 family mortgage | 197 | 133 |
| Real estate – commercial mortgage | 245 | 108 |
| Installment loans to individuals | 23 | 25 |
| Total recoveries | 846 | 505 |
| Net charge-offs | 691 | 1,560 |
| Provision for loan losses | 1,500 | 1,750 |
| Balance at end of period | $ 49,835 | $ 46,401 |
| Net charge-offs (annualized) to average loans | 0.03% | 0.08% |
| Allowance for loan losses to: | | |
| Total non purchased loans | 0.76% | 0.80% |
| Nonperforming non purchased loans | 363.79% | 356.71% |

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

| | Three Months Ended March 31, 2019 | Three Months Ended March 31, 2018 |
|---|---|---|
| Real estate – construction: | | |
| Residential | $ (7) | $ (4) |
| Total real estate – construction | (7) | (4) |
| Real estate – 1-4 family mortgage: | | |
| Primary | 248 | 29 |
| Home equity | 129 | 39 |
| Rental/investment | (2) | 63 |
| Land development | (75) | 407 |
| Total real estate – 1-4 family mortgage | 300 | 538 |
| Real estate – commercial mortgage: | | |
| Owner-occupied | 236 | 546 |
| Non-owner occupied | 128 | (41) |
| Land development | (47) | — |
| Total real estate – commercial mortgage | 317 | 505 |
| Total net charge-offs of loans secured by real estate | $ 610 | $ 1,039 |

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

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.

The following table provides details of the Company's non purchased and purchased nonperforming assets as of the dates presented.

| | Non Purchased | Purchased | Total |
|---|---|---|---|
| **March 31, 2019** | | | |
| Nonaccruing loans | $ 12,507 | $ 7,828 | $ 20,335 |
| Accruing loans past due 90 days or more | 1,192 | 5,436 | 6,628 |
| Total nonperforming loans | 13,699 | 13,264 | 26,963 |
| Other real estate owned | 4,223 | 5,932 | 10,155 |
| Total nonperforming assets | $ 17,922 | $ 19,196 | $ 37,118 |
| Nonperforming loans to total loans | | | 0.30% |
| Nonperforming assets to total assets | | | 0.29% |
| | | | |
| **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 assets | $ 17,756 | $ 19,255 | $ 37,011 |
| Nonperforming loans to total loans | | | 0.29% |
| Nonperforming assets to total assets | | | 0.29% |

The level of nonperforming loans increased $992 from December 31, 2018 while OREO decreased $885 during the same period. As of March 31, 2019, the acquisition of Brand added nonperforming loans of $3,894. These loans were recorded at fair value as of the acquisition date, which mitigates the Company's potential loss.

The following table presents nonperforming loans by loan category as of the dates presented:

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Commercial, financial, agricultural | $ 6,143 | $ 2,461 | $ 4,141 |
| Real estate – construction: | | | |
| Residential | — | 68 | 49 |
| Total real estate – construction | — | 68 | 49 |
| Real estate – 1-4 family mortgage: | | | |
| Primary | 8,547 | 10,102 | 6,963 |
| Home equity | 2,073 | 2,047 | 2,557 |
| Rental/investment | 772 | 757 | 459 |
| Land development | 466 | 980 | 378 |
| Total real estate – 1-4 family mortgage | 11,858 | 13,886 | 10,357 |
| Real estate – commercial mortgage: | | | |
| Owner-occupied | 3,901 | 3,779 | 4,118 |
| Non-owner occupied | 3,854 | 3,933 | 2,764 |
| Land development | 342 | 958 | 1,005 |
| Total real estate – commercial mortgage | 8,097 | 8,670 | 7,887 |
| Installment loans to individuals | 775 | 797 | 276 |
| Lease financing | 90 | 89 | 202 |
| Total nonperforming loans | $ 26,963 | $ 25,971 | $ 22,912 |

The Company continues its efforts to bring problem credits to resolution. Total nonperforming loans as a percentage of total loans were 0.30% as of March 31, 2019 as compared to 0.29% as of December 31, 2018 and 0.30% as of March 31, 2018. The Company's coverage ratio, or its allowance for loan losses as a percentage of nonperforming loans, was 184.83% as of March 31, 2019 as compared to 188.77% as of December 31, 2018 and 202.52% as of March 31, 2018. The coverage ratio for non purchased, nonperforming loans was 363.79% as of March 31, 2019 as compared to 379.96% as of December 31, 2018 and 356.71% as of March 31, 2018.

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 March 31, 2019. Management also continually monitors past due loans for potential credit quality deterioration. Total loans 30-89 days past due were $44,141 at March 31, 2019 as compared to $36,597 at December 31, 2018 and $28,573 at March 31, 2018. The acquisition of Brand added $13,821 of purchased, loans 30-89 days past due at March 31, 2019.

Although not classified as nonperforming loans, restructured loans are another category of assets that contribute to our credit risk. 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 $12,409 at March 31, 2019 compared to $12,820 at December 31, 2018 and $13,823 at March 31, 2018. At March 31, 2019, loans restructured through interest rate concessions represented 28% of total restructured loans, while loans restructured by a concession in payment terms represented the remainder. The following table provides further details of the Company's restructured loans in compliance with their modified terms as of the dates presented:

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Commercial, financial, agricultural | $ 332 | $ 337 | $ 372 |
| Real estate – 1-4 family mortgage: | | | |
| Primary | 6,169 | 6,261 | 6,490 |
| Home equity | 184 | 186 | 460 |
| Rental/investment | 1,987 | 2,005 | 1,960 |
| Land development | — | 1 | 4 |
| Total real estate – 1-4 family mortgage | 8,340 | 8,453 | 8,914 |
| Real estate – commercial mortgage: | | | |
| Owner-occupied | 3,076 | 3,189 | 3,296 |
| Non-owner occupied | 548 | 722 | 747 |
| Land development | 50 | 56 | 428 |
| Total real estate – commercial mortgage | 3,674 | 3,967 | 4,471 |
| Installment loans to individuals | 63 | 63 | 66 |
| Total restructured loans in compliance with modified terms | $ 12,409 | $ 12,820 | $ 13,823 |

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

| | 2019 | 2018 |
|---|---|---|
| Balance at January 1, | $ 12,820 | $ 14,553 |
| Additional loans with concessions | 176 | 743 |
| Reclassified as performing restructured loan | 252 | 3 |
| Reductions due to: | | |
| Reclassified as nonperforming | (269) | (192) |
| Paid in full | (264) | (849) |
| Paydowns | (306) | (435) |
| Balance at March 31, | $ 12,409 | $ 13,823 |

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

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Nonaccruing loans | $ 20,335 | $ 16,054 | $ 14,743 |
| Accruing loans past due 90 days or more | 6,628 | 9,917 | 8,169 |
| Total nonperforming loans | 26,963 | 25,971 | 22,912 |
| Restructured loans in compliance with modified terms | 12,409 | 12,820 | 13,823 |
| Total nonperforming and restructured loans | $ 39,372 | $ 38,791 | $ 36,735 |

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

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Residential real estate | $ 2,651 | $ 2,333 | $ 2,148 |
| Commercial real estate | 3,708 | 4,297 | 5,165 |
| Residential land development | 1,095 | 1,099 | 1,743 |
| Commercial land development | 2,701 | 3,311 | 5,499 |
| Total other real estate owned | $ 10,155 | $ 11,040 | $ 14,555 |

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

| | 2019 | 2018 |
|---|---|---|
| Balance at January 1, | $ 11,040 | $ 15,934 |
| Transfers of loans | 885 | 1,154 |
| Impairments | (727) | (352) |
| Dispositions | (1,043) | (2,181) |
| Balance at March 31, | $ 10,155 | $ 14,555 |

Other real estate owned with a cost basis of $1,043 was sold during the three months ended March 31, 2019, resulting in a net loss of $80, while other real estate owned with a cost basis of $2,181 was sold during the three months ended March 31, 2018, resulting in a net loss of $96.

*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") that is authorized by the Board of Directors to monitor our interest rate sensitivity and to make decisions relating to that process. The ALCO's goal is to structure our asset/liability composition to maximize net interest income while managing interest rate risk so as to minimize the adverse impact of changes in interest rates on net interest income and capital. 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, each under various interest rate scenarios.

Net interest income 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 various 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 April 1, 2019, in each case as compared to the result under rates present in the market on March 31, 2019. The changes in interest rates assume an instantaneous and parallel shift in the yield curve and do not take into account changes in the slope of the yield curve.

| | Percentage Change In: | | |
|---|---|---|---|
| | Economic Value Equity (EVE) | Earning at Risk (Net Interest Income) | |
| Immediate Change in Rates of (in basis points): | Static | 1-12 Months | 13-24 Months |
| +400 | 17.28% | 7.00% | 10.95% |
| +300 | 16.54% | 5.44% | 8.58% |
| +200 | 12.74% | 3.73% | 5.87% |
| +100 | 7.23% | 1.96% | 3.08% |
| -100 | (9.63)% | (2.69)% | (3.57)% |

The rate shock results for the net interest income simulations for the next twenty-four months produce an asset sensitive position at March 31, 2019. The preceding measures assume no change in the size or asset/liability compositions of the balance sheet. The measures do not reflect future actions the ALCO may undertake in response to such changes in interest rates. The above results of the interest rate shock analysis are within the parameters set by the Board of Directors. The scenarios assume instantaneous movements in interest rates in increments of 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 11, “Derivative Instruments,” in the Notes to Consolidated Financial Statements of the Company in Item 1, Financial Statements.

**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 the 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 Bank’s 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 approximately 19.57% 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 March 31, 2019, securities with a carrying value of $573,080 were pledged to secure public fund deposits and as collateral for short-term borrowings and derivative instruments as compared to securities with a carrying value of $637,607 similarly pledged at December 31, 2018.

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. There were short-term borrowings from the FHLB in the amount of $80,000 at March 31, 2019 compared to $380,000 at December 31, 2018. Long-term funds obtained from the FHLB are used primarily to match-fund fixed rate loans in order to minimize interest rate risk and also are 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 March 31, 2019, the balance of our outstanding long-term advances with the FHLB was $6,492 compared to $6,690 at December 31, 2018. The total amount of the remaining credit available to us from the FHLB at March 31, 2019 was $3,548,225. We also maintain lines of credit with other commercial banks totaling $150,000. These are unsecured lines of credit with the majority maturing at various times within the next twelve months. There were no amounts outstanding under these lines of credit at March 31, 2019 or December 31, 2018.

In 2016 we accessed the capital markets to generate liquidity in the form of subordinated notes. 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. In connection with the acquisition of Brand, the Company assumed $30,000 aggregate principal amount of 8.50% subordinated notes due June 27, 2024. The carrying value of the subordinated notes, net of unamortized debt issuance costs, was $146,962 at March 31, 2019.

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

| | Percentage of Total Average Deposits and Borrowed Funds | | Cost of Funds | |
|---|---|---|---|---|
| | Three Months Ended March 31, | | Three Months Ended March 31, | |
| | 2019 | 2018 | 2019 | 2018 |
| Noninterest-bearing demand | 22.30% | 21.52% | —% | —% |
| Interest-bearing demand | 45.60 | 46.31 | 0.85 | 0.35 |
| Savings | 6.00 | 6.88 | 0.19 | 0.11 |
| Time deposits | 22.65 | 21.56 | 1.60 | 1.00 |
| Short-term borrowings | 0.95 | 1.27 | 2.66 | 1.45 |
| Long-term Federal Home Loan Bank advances | 0.06 | 0.09 | 3.28 | 3.41 |
| Subordinated notes | 1.40 | 1.35 | 6.13 | 5.63 |
| Other borrowed funds | 1.04 | 1.02 | 4.60 | 4.97 |
| Total deposits and borrowed funds | 100.00% | 100.00% | 0.92% | 0.53% |

Our strategy in choosing funds is focused on minimizing cost in the context of our balance sheet composition and interest rate risk position. Accordingly, management targets growth of noninterest-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 $562,066 at March 31, 2019 compared to $250,978 at March 31, 2018. Cash provided by investing activities for the three months ended March 31, 2019 was $24,930 compared to cash used in investing activities of $365,230 for the three months ended March 31, 2018. Proceeds from the sale, maturity or call of securities within our investment portfolio were $59,120 for the three months ended March 31, 2019 compared to $29,335 for the same period in 2018. These proceeds were reinvested into the investment portfolio or used to fund loan growth. Purchases of investment securities were $49,577 for the first three months of 2019 compared to $317,922 for the same period in 2018. The large increase in purchases of investment securities in 2018 is related to the releveraging of the Company's balance sheet.

Cash used in financing activities for the three months ended March 31, 2019 and 2018 was $172,082, compared to cash provided by financing activities for the same period in 2018 was $395,926. Deposits increased $140,692 and $437,471 for the three months ended March 31, 2019 and 2018, respectively. A portion of the increase in deposits during the first three months of 2018 was the Company reacquiring certain wholesale deposit funding sources which had been reduced during the fourth quarter of 2017 as part of the Company's deleveraging strategy. Cash provided through deposit growth was primarily used to pay down short-term borrowings.

*Restrictions on Bank Dividends, Loans and Advances*

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

Federal Reserve regulations also limit the amount Renasant Bank may loan to the Company unless such loans are collateralized by specific obligations. At March 31, 2019, the maximum amount available for transfer from Renasant Bank to the Company in the form of loans was $137,053. The Company maintains a line of credit collateralized by cash with Renasant Bank totaling $3,052. There were no amounts outstanding under this line of credit at March 31, 2019.

These restrictions did not have any impact on the Company's ability to meet its cash obligations in the three months ended March 31, 2019, 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 were as follows as of the dates presented:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Loan commitments | $ 2,165,063 | $ 2,068,749 |
| Standby letters of credit | 88,660 | 104,664 |

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 March 31, 2019, the Company had notional amounts of $204,403 on interest rate contracts with corporate customers and $204,403 in offsetting interest rate contracts with other financial institutions to mitigate the Company's rate exposure on its corporate customers' contracts and certain fixed rate loans.

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 and adjustable 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 will pay a fixed rate of interest and will receive 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 11, "Derivative Instruments," in the Notes to Consolidated Financial Statements of the Company in Item 1, Financial Statements.

**Shareholders' Equity and Regulatory Matters**

Total shareholders' equity of the Company was $2,088,877 at March 31, 2019 compared to $2,043,913 at December 31, 2018. Book value per share was $35.63 and $34.91 at March 31, 2019 and December 31, 2018, respectively. The growth in shareholders' equity was attributable to the acquisition of Brand as well as earnings retention offset by changes in accumulated other comprehensive loss and dividends declared.

The Company maintains a shelf registration statement with the Securities and Exchange Commission ("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, depositary shares, debt securities, rights, 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 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 or as otherwise described in the prospectus supplement applicable to the offering and could include the expansion of the Company's banking, insurance and wealth management operations as well as other business opportunities.

The Company has junior subordinated debentures with a carrying value of $109,781 at March 31, 2019, of which $106,190 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 at March 31, 2019. 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 $146,962 at March 31, 2019, of which $143,493 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 bank holding companies and 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 Capital to Risk – Weighted Assets | 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 provides the capital and risk-based capital and leverage ratios for the Company and for Renasant Bank as of the dates presented:

| | Actual | | Minimum Capital Requirement to be Well Capitalized | | Minimum Capital Requirement to be Adequately Capitalized (including the phase-in of the Capital Conservation Buffer) | |
|---|---|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| **March 31, 2019** | | | | | | |
| **Renasant Corporation:** | | | | | | |
| *Risk-based capital ratios:* | | | | | | |
| Common equity tier 1 capital ratio | $ 1,124,981 | 11.49% | $ 636,422 | 6.50% | $ 685,377 | 7.00% |
| Tier 1 risk-based capital ratio | 1,228,640 | 12.55% | 783,289 | 8.00% | 832,244 | 8.50% |
| Total risk-based capital ratio | 1,426,332 | 14.57% | 979,111 | 10.00% | 1,028,066 | 10.50% |
| *Leverage capital ratios:* | | | | | | |
| Tier 1 leverage ratio | 1,228,640 | 10.44% | 588,346 | 5.00% | 470,677 | 4.00% |
| **Renasant Bank:** | | | | | | |
| *Risk-based capital ratios:* | | | | | | |
| Common equity tier 1 capital ratio | $ 1,316,336 | 13.45% | $ 635,970 | 6.50% | $ 684,891 | 7.00% |
| Tier 1 risk-based capital ratio | 1,316,336 | 13.45% | 782,733 | 8.00% | 831,654 | 8.50% |
| Total risk-based capital ratio | 1,370,536 | 14.01% | 978,416 | 10.00% | 1,027,337 | 10.50% |
| *Leverage capital ratios:* | | | | | | |
| Tier 1 leverage ratio | 1,316,336 | 11.20% | 587,764 | 5.00% | 470,211 | 4.00% |
| **December 31, 2018** | | | | | | |
| **Renasant Corporation:** | | | | | | |
| *Risk-based capital ratios:* | | | | | | |
| 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% |
| *Leverage capital ratios:* | | | | | | |
| Tier 1 leverage ratio | 1,188,412 | 10.11% | 587,939 | 5.00% | 470,352 | 4.00% |
| **Renasant Bank:** | | | | | | |
| *Risk-based capital ratios:* | | | | | | |
| 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% |
| *Leverage capital ratios:* | | | | | | |
| Tier 1 leverage ratio | 1,276,976 | 10.88% | 587,090 | 5.00% | 469,672 | 4.00% |

On October 24, 2018, the Company’s Board of Directors authorized the repurchase of up to $50,000 million of the Company’s outstanding common stock, either in open market purchases or privately-negotiated transactions. The stock repurchase program will remain in effect for one year or, if earlier, the repurchase of the entire amount of common stock authorized to be repurchased by the Board. There were no repurchases of common stock during the first quarter of 2019.

For more information regarding the capital adequacy guidelines applicable to the Company and Renasant Bank, please refer to Note 17, “Regulatory Matters,” in Item 1, Financial Statements.

**Non-GAAP Financial Measures**

This report presents the Company's efficiency ratio in accordance with generally accepted accounting principles in the United States of America ("GAAP"). Additionally, this report presents an adjusted efficiency ratio, which is a non-GAAP financial measure. We calculated the efficiency ratio by dividing noninterest expense by the sum of net interest income on a fully tax equivalent basis and noninterest income.The adjusted efficiency ratio excludes 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 the timing of 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. Management uses the adjusted efficiency ratio to evaluate ongoing operating results and efficiency of the Company's operations. The reconciliation from GAAP to non-GAAP for this financial measure is below.

**Efficiency Ratio**

| | Three months ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| Interest income (fully tax equivalent basis) | $ 138,578 | $ 101,947 |
| Interest expense | 23,947 | 11,140 |
| Net interest income (fully tax equivalent basis) | 114,631 | 90,807 |
| | | |
| Total noninterest income | 35,885 | 33,953 |
| Net gains on sales of securities | 13 | — |
| Adjusted noninterest income | 35,872 | 33,953 |
| | | |
| Total noninterest expense | 88,832 | 77,944 |
| Intangible amortization | 2,110 | 1,651 |
| Merger and conversion related expenses | — | 900 |
| Adjusted noninterest expense | 86,722 | 75,393 |
| | | |
| Efficiency Ratio (GAAP) | 59.02% | 62.48% |
| Adjusted Efficiency Ratio (non-GAAP) | 57.62% | 60.43% |

The presentation of this non-GAAP financial measure is not intended to be considered in isolation or as a substitute for any measure prepared in accordance with GAAP. Readers of this Form 10-Q should note that, because there are no standard definitions for the calculations as well as the results, the Company's calculations may not be comparable to a similarly-titled measure presented by other companies. Also, there may be limits in the usefulness of this measure 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.

**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes in our market risk since December 31, 2018. For additional information regarding our market risk, see our Annual Report on Form 10-K for the year ended December 31, 2018.

**Item 4. CONTROLS AND PROCEDURES**

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

## Part II. OTHER INFORMATION

### Item 1A. RISK FACTORS

Information regarding risk factors appears in Part I, Item 1A, Risk Factors, of the Company's Annual Report on Form 10-K for the year ended December 31, 2018. There have been no material changes in the risk factors disclosed in the Annual Report on Form 10-K.

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

**Unregistered Sales of Equity Securities**

None.

**Issuer Purchases of Equity Securities**

During the three month period ended March 31, 2019, the Company repurchased shares of its common stock as indicated in the following table:

| | Total Number of Shares Purchased(1) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2) | Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs(3) |
|---|---|---|---|---|
| January 1, 2019 to January 31, 2019 | 8,692 | $ 30.18 | — | $ 42,938 |
| February 1, 2019 to February 28, 2019 | — | — | — | 42,938 |
| March 1, 2019 to March 31, 2019 | 29,862 | 38.00 | — | 42,938 |
| **Total** | 38,554 | $ 36.24 | — | |

(1) Represents shares withheld to satisfy federal and state tax liabilities related to the vesting of time-based and performance-based restricted stock awards during the three month period ended March 31, 2019.

(2) The Company announced a $50.0 million stock repurchase program on October 24, 2018, under which the Company may repurchase outstanding shares of its common stock either in open market purchases or privately-negotiated transactions. The stock repurchase program will remain in effect for one year or, if earlier, the repurchase of the entire amount of common stock authorized to be repurchased by the Board. No shares were repurchased in the first quarter of 2019.

(3) Dollars in thousands

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

**Item 6. EXHIBITS**

| Exhibit Number | Description |
|---|---|
| (2)(i) | Agreement and Plan of Merger by and among Renasant Corporation, Renasant Bank, Brand Group Holdings, Inc. and The Brand Banking Company dated as of March 28, 2018(1) |
| (3)(i) | Articles of Incorporation of Renasant Corporation, as amended (2) |
| (3)(ii) | Amended and Restated Bylaws of Renasant Corporation, as amended (3) |
| (4)(i) | Articles of Incorporation of Renasant Corporation, as amended (2) |
| (4)(ii) | Amended and Restated Bylaws of Renasant Corporation, as amended (3) |
| (31)(i) | Certification of the Principal Executive Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| (31)(ii) | Certification of the Principal Financial Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| (32)(i) | Certification of the Principal Executive Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| (32)(ii) | Certification of the Principal Financial Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| (101) | The following materials from Renasant Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 were formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements (Unaudited). |

(1) Filed as exhibit 2.1 to the Form 8-K of the Company filed with the Securities and Exchange Commission on March 30, 2018 and incorporated herein by reference.
(2) Filed as exhibit 3.1 to the Form 10-Q of the Company filed with the Securities and Exchange Commission on May 10, 2016 and incorporated herein by reference.
(3) Filed as exhibit 3(ii) to the Form 8-K of the Company filed with the Commission on July 20, 2018 and incorporated herein by reference.

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

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**SIGNATURES**

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

RENASANT CORPORATION
(Registrant)

| | | |
|---|---|---|
| Date: | May 8, 2019 | /s/ C. Mitchell Waycaster<br>C. Mitchell Waycaster<br>President and<br>Chief Executive Officer<br>(Principal Executive Officer) |
| Date: | May 8, 2019 | /s/ Kevin D. Chapman<br>Kevin D. Chapman<br>Executive Vice President and<br>Chief Financial and Operating Officer<br>(Principal Financial Officer) |



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# Section 2: EX-31.1 (EXHIBIT 31.1)

**Exhibit 31(i)**

**CERTIFICATIONS**

I, C. Mitchell Waycaster, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2019 of Renasant Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

| | |
|---|---|
| Date: May 8, 2019 | /s/ C. Mitchell Waycaster |
| | C. Mitchell Waycaster<br>President and Chief Executive Officer<br>(Principal Executive Officer) |

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# Section 3: EX-31.2 (EXHIBIT 31.2)

**Exhibit 31(ii)**

**CERTIFICATIONS**

I, Kevin D. Chapman, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2019 of Renasant Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

| | |
|---|---|
| Date: May 8, 2019 | /s/ Kevin D. Chapman |
| | Kevin D. Chapman<br>Executive Vice President and<br>Chief Financial and Operating Officer<br>(Principal Financial Officer) |

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# Section 4: EX-32.1 (EXHIBIT 32.1)

**Exhibit 32(i)**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Renasant Corporation (the “Company”) for the period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, C. Mitchell Waycaster, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

| | |
|---|---|
| Date: May 8, 2019 | /s/ C. Mitchell Waycaster |
| | C. Mitchell Waycaster |
| | President and Chief Executive Officer |
| | (Principal Executive Officer) |

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# Section 5: EX-32.2 (EXHIBIT 32.2)

**Exhibit 32(ii)**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Renasant Corporation (the “Company”) for the period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kevin D. Chapman, Chief Financial and Operating Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

| | |
|---|---|
| Date: May 8, 2019 | /s/ Kevin D. Chapman |
| | Kevin D. Chapman |
| | Executive Vice President and |
| | Chief Financial and Operating Officer |
| | (Principal Financial Officer) |

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