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RNST - Q3 2019 Renasant Corp Earnings Call

EVENT DATE/TIME: OCTOBER 22, 2019 / 2:00PM GMT

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PRESENTATION

Operator

Good day and welcome to the Renasant Corporation 2019 Third Quarter Earnings Conference Call and Webcast. (Operator Instructions) Please note, this event is being recorded.

I would now like to turn the conference over to Kelly Hutcheson with Renasant Corporation. Please go ahead.

Kelly Hutcheson

Thanks, Ian. Good morning and thank you for joining us for Renasant Corporation's 2019 Third Quarter Webcast and Conference Call. Participating in this call today are members of Renasant's executive management team.

Before we begin, let me remind you that some of our comments during this call may be forward-looking statements, which involve risk and uncertainty. A number of factors could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements.

These factors include, but are not limited to, interest rate fluctuations, regulatory changes, portfolio performance and other factors discussed in our recent filings with the Securities and Exchange Commission. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time.

In addition, some of the financial measures that we may discuss this morning may be non-GAAP financial measures. A reconciliation of the non-GAAP measures to the most comparable GAAP measures can be found in our earnings release which has been posted to our corporate site, renasant.com, under the Investor Relations tab in the News & Market Data section.

And now I will turn the call over to Renasant Corporation Executive Chairman, Robin McGraw.

Edward Robinson McGraw - *Renasant Corporation - Executive Chairman of the Board*

Thank you, Kelly. Good morning, everyone, and thank you for joining us today.

We closed the third quarter with solid results despite having to navigate through 2 rate cuts, continued inversion of the yield curve and uncertainty in other macroeconomic factors during the quarter. Additionally, the Durbin Amendment became effective for us this quarter, reducing our debit card income by $3 million from the previous quarter. You may recall, however, that we successfully managed our consolidated assets below the $10 billion threshold imposed by the Durbin Amendment as of December 31, 2017, which delayed the impact and allowed us to collect uncapped interchange fees for an additional year.

Our return on average assets with exclusions for the quarter was 1.23%, and our return on tangible equity with exclusions was 14.23%. Our previously announced $50 million stock repurchase program, which began October of 2018, was completed in the early part of October. The company purchased approximately 1.5 million shares over the life of the plan. We're also pleased to announce that our Board of Directors has authorized another $50 million stock repurchase plan effective on October 18, 2019.

In July, we redeemed the subordinated notes that we assumed as part of the Brand acquisition. Interest expense on the notes was fixed at 8.5%, and preferential capital treatment of the $30 million principal amount began to phase out at the end of the second quarter this year. The repurchase programs and the debt redemption support our strategy of returning value to our shareholders while prudently deploying our capital. We believe this strategy, coupled with a steadfast focus on profitability and growth of our core operations, will drive continued shareholder return.

Now I'll turn the call over to our President and CEO, Mitch Waycaster, to discuss in greater detail this quarter's financial results. Mitch?

C. Mitchell Waycaster - *Renasant Corporation - President, CEO & Director*

Thank you, Robin. Looking about our results for the third quarter of '19, net income was $37.4 million compared to $32 million in the third quarter of '18. Our basic and diluted EPS were $0.65 and $0.64, respectively, for the third quarter. Basic and diluted EPS were both $0.61 for the third quarter of '18.

Two items particularly impacted our net income for the third quarter of '19. First, we recognized the valuation adjustment on our mortgage servicing rights of approximately $2.4 million on an after-tax basis, which decreased diluted EPS by $0.04. Second, our net income includes approximately $2.6 million in after-tax expense related to new production team members that have joined the company during 2019. The expense related to these strategic hires decreased diluted EPS by $0.05 for the quarter.

Turning our focus to our balance sheet. Total assets at September 30, '19, were approximately $13 billion as compared to approximately $12.9 billion at December 31, '18. Total loans held for investment were $9.3 billion at the end of the quarter as compared to $9.1 billion at both December 31, '18, and June 30, '19. The balance at the end of the quarter includes a portfolio of non-mortgage consumer loans transferred from our held for sale portfolio during the quarter. Excluding these loans, annualized net loan growth on a linked-quarter basis was 5.93%. It is worth noting that the majority of our loan growth occurred in September as shown by the difference between our average loans for the quarter and our ending loan balance as of September 30.

During our earnings conference call last quarter, we emphasized our significant investments in production talent across our footprint during the first half of the year, and I just noted the impact of this hiring on our expenses. Our new teammates have been quickly integrated, and together with the tremendous talent of our existing team, have been successful in executing on our growth strategy for the third quarter. Total loan production for the quarter was $561 million with $83 million from our new production team members hired during the second quarter. All of our producers, both new and legacy, have committed themselves to our plan, and we are beginning to see the results. We closed the quarter with strong momentum and a healthy pipeline, keeping us on track to meet our growth goals for the remainder of 2019 and into 2020.

Consistent with our guidance from last quarter, as the portfolios of our new production team members continue to mature over the next 9 to 12 months, we expect net loan growth for the company to be in the mid-single digits in Q4 and high single or low double digits or better in 2020, which, in turn, will meaningfully enhance our revenue growth and profitability in 2020 and beyond.

Further, we believe opportunities to add additional talent still exist in the marketplace. We added 10 additional producers to our team during the third quarter. By remaining opportunistic and taking advantage of various market disruptions, whether due to organizational restructuring or merger activity, we can build out our teams across our footprint, which will support growth and expansion in all markets and across all lines of business.

While we have emphasized the impact of our new production team members are expected to have on our loan growth, our growth strategy is equally focused on the liability side of the balance sheet. We remain committed to growing low-cost, stable deposit base to fund our loan growth. Total deposits increased to $10.3 billion at the end of the quarter as compared to $10.1 billion at December 31, '18. During a year highlighted by interest rate volatility, we deployed a strategy focused on growing noninterest-bearing deposits, which has resulted in a $288 million increase in such deposits since the beginning of the year.

With our momentum heading into the fourth quarter, we are optimistic about growth on both sides of our balance sheet. By remaining disciplined in our pricing strategy and emphasizing profitability, our growth into 2020 and beyond will continue to deliver the value our shareholders have come to expect.

Now I'll turn the call over to Renasant Chief Operating and Financial Officer, Kevin Chapman, for additional discussion of our financial results. Kevin?

Kevin D. Chapman - *Renasant Corporation - Executive VP, COO & CFO*

Thank you, Mitch, and good morning to everyone on the call. As noted in our press release and as mentioned in part by Robin and Mitch, we had several moving parts during the quarter. In my remarks, I will provide some additional detail on these items.

Net interest income was $108.8 million, which was down $4 million from the linked quarter and up $9 million when compared to the third quarter of '18. Purchase accounting income and interest income collected on problem loans accounted for most of the decrease on a linked-quarter basis as it was down $3.2 million for the quarter.

Net interest margin was 3.98% for the third quarter of '19 as compared to 4.19% for the second quarter of '19 and 4.07% for the third quarter of '18. The decrease in purchase accounting income on a linked-quarter basis reduced net interest margin by 13 basis points.

Our core margin decreased 6 to 8 basis points from the second quarter of '19. Several factors led to the decrease in core margins. On the asset side of the balance sheet, a decrease in yield on loans negatively impacted margins by approximately 3 basis points as we experienced 2 rate cuts on the short end of the curve, and the yield on mortgage loans held for sale and investment securities both weighed on margin by 1 basis point each.

Turning to the liability side of the balance sheet. Our increased cost of deposits negatively impacted margins by 1 basis point. While our cost of deposits increased slightly in the quarter, we are beginning to see signs that deposit costs are moderating. This was evidenced by a 4 basis point decrease in our cost of interest-bearing deposits from August to September. Also, as Mitch previously mentioned, we have been successful in growing noninterest-bearing deposits during the year, and we are continually looking at ways to manage our deposit costs in the current rate environment.

Although we had to recognize a valuation adjustment, the third quarter was another strong quarter for our mortgage operations as interest rates continued to decline and our mortgage production increased, and we earned higher margins on that production. Overall, noninterest income continues to be a great source of income for us, representing over 25% of our total revenues. Although noninterest income decreased by $4 million on a linked-quarter basis, 2 particular items weighed negatively on noninterest income. As I mentioned, we recognized a $3 million -- $3.1 million mortgage servicing right adjustment. As Robin mentioned, effective July 1, we became subject to the interchange fee cap described in the Durbin Amendment, which, consistent with our previous guidance, reduced fees and commissions on loans and deposits by $3 million during the quarter.

Noninterest expense increased quarter-over-quarter by $3.2 million. This increase is primarily attributable to an increase in salaries and employee benefits driven by the new hires previously mentioned and salary expense associated with the higher -- with the increase in mortgage production. This increase in expense, coupled with the Durbin Amendment impact discussed earlier, negatively impacted our efficiency ratio during the quarter. Our efficiency ratio adjusted for the mortgage servicing right valuation was 62.53% for the quarter and 59.47% for the year. We'd like to reiterate, however, that we consider the costs associated with our new producers to be an investment that will yield its return in loan interest income and margin as the underlying portfolios continue to mature in the future.

Shifting to our asset quality at 9/30/2019. Our overall credit quality metrics continued to remain strong. As a percentage of total assets, all credit quality metrics, including NPAs, loans 30 to 89 days past due in our internal watch list, are at or near historic lows. For the quarter, net loan charge-offs were $945,000 or 4 basis points annualized as a percentage of average loans, and we provided approximately $1.7 million in provision for loan losses during the quarter. Although we are focused on loan growth, we will not sacrifice credit quality to get there. We remain disciplined in our underwriting standards, including margin and structure. And we will remain faithful to our business model with respect to structure and terms. As we build out our production teams across our footprint, we are also committed to identifying talent to add to our already strong credit team to ensure the quality of our portfolio remains in check. For more information on our financials, I refer you to our press release for specific numbers or ratios.

And now I'll pass the call back to Robin for closing comments.

Edward Robinson McGraw - *Renasant Corporation - Executive Chairman of the Board*

Thank you, Kevin. In closing, we finished the quarter with tremendous momentum, and we are optimistic about the potential growth on both sides of our balance sheet. We are mindful of the current rate environment and the impact of other macroeconomic factors, which may have on our results. But by focusing on growth and profitability while at the same time emphasizing quality, we can operate through this cycle and provide value to all of our stakeholders.

Now Ian, I'll turn the call back over to you for questions and answers.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Catherine Mealor of KBW.

Catherine Fitzhugh Summerson Mealor - *Keefe, Bruyette, & Woods, Inc., Research Division - MD and SVP*

I thought we could start with the margin and just wanted to see if, Kevin, you can give us your updated thoughts on your outlook for the margin, both what you're expecting from purchase accounting and also the core margin with perhaps further rate cut.

Kevin D. Chapman - *Renasant Corporation - Executive VP, COO & CFO*

Yes. Sure. So probably I'll start with purchase accounting. It's a little bit harder to predict. As you know and as you saw in the quarter, it can be volatile. And we've seen purchase accounting benefit be -- and the piece that's volatile is going to be that recapturing of the nonaccretable difference. The accretable yield is going to be fairly stable, but the nonaccretable difference recapture, that's where we have the volatility. So it's a little bit hard to predict as well as interest income on previously charged-off loans. Those -- we isolate those 2 just because they can be volatile. We'll continue to expect that those could be 10 to 15 basis points on a quarterly basis. This quarter, I think they were a little bit less than 9. But I just would emphasize that's the volatile piece of that purchase accounting adjustment.

As we look at our core margin into the future, there's still pressure on the margin. I do think that as we have more rate cuts, that gives us the opportunity to address it on the funding side. With the nature of our deposits, our deposit costs are going to lag a little bit. They're not going to reprice as quickly as the rate cuts occur, and that just really goes to the coreness of the deposits. We have very little wholesale funding, and we have virtually no broker deposits. It's all core funded. It's going to take a little bit longer to reprice. I think we saw that on an intra-month. If you look at the monthly breakdown just throughout the quarter, we saw deposit costs start to move from efforts that we started making at the beginning of the quarter at the end of the second quarter. And it just takes a little bit more time with that funding.

As we look out into Q4, we are anticipating another rate cut that will have an impact on the full quarter, including the rate cut that just occurred towards the end of September, and would expect margin to continue to compress in that 5 to possibly 8 basis point range but still -- but are taking positions to try to mitigate any immediate impact. But just with how the balance sheet is positioned and then the lagging of being able to reprice the deposits, we'll continue to expect a little bit more margin compression in the next rate cut.

Catherine Fitzhugh Summerson Mealor - *Keefe, Bruyette, & Woods, Inc., Research Division - MD and SVP*

Okay. That's helpful. So the -- so about 5 to 8 bps of further compression assuming we get a cut in October and then maybe relatively that same amount if we get further cuts but then expect as deposit costs continue to lower, then we maybe see the margin inflect kind of mid next year and start to see that creep back up. Would that be a fair way to think about it?

Kevin D. Chapman - *Renasant Corporation - Executive VP, COO & CFO*

I think that's a fair way to think about it as we know right now. Now I'll throw the wildcard in there, look at the 10-year or if we see the 30-year continue to fall, that's going to put another basis point or 2 in there as mortgage loans held for sale impact the margin. Mortgage loans held for sale, I think the yield on it fell 40 to 50 basis points from Q2 to Q3. So that's a factor I just throw in there. The shape of the long end of the curve could provide the variable into that margin calculation by a couple of basis points. The 5 to 8 is just more on the short end of the curve if there's right movement.

Catherine Fitzhugh Summerson Mealor - *Keefe, Bruyette, & Woods, Inc., Research Division - MD and SVP*

Okay. That makes sense. And then just to be clear on the 10 to 15 bps of purchase accounting accretion, as we model this post CECL next year, is it still true that the accelerated accretion that we've seen that ended up the volatile piece that bounces around, does that go to 0 next year post CECL but effectively goes into provision? Is that still the way to think about that?

Kevin D. Chapman - *Renasant Corporation - Executive VP, COO & CFO*

I think conceptually, yes, that's the way that we think about it. We're still finalizing all the nuances and intricacies of CECL and how it impacts those 310-30 loans, the credit impaired loans and how much goes from purchase accounting, how much goes from margin into the allowance and provision. But conceptually, I think you're correct in that.

Operator

Our next question comes from Jennifer Demba of SunTrust.

Jennifer Haskew Demba - *SunTrust Robinson Humphrey, Inc., Research Division - MD*

Just curious on your pipeline for new hires in the fourth quarter in 2020, Mitch, and what you're thinking about just in terms of capacity to hire more.

C. Mitchell Waycaster - *Renasant Corporation - President, CEO & Director*

Sure, Jennifer. As we stated in the past, as I mentioned today, just looking at 3Q, we had 10. We will continue to be opportunistic as there's disruption in the marketplace. And looking forward to Q4 and to 2020, that more typical run rate would be, say, in that 6 to 10, as we have discussed before, whether that be in the commercial, corporate or also across other lines of business in the company.

As you will recall, we enjoyed 5 in 1Q. Of course, in the second quarter, we had the 31, which was unusually high but took advantage of an opportunity there and then came back this quarter with 10. But we see those opportunities continuing. We continue to have those conversations. And like I say, we'll continue to have those opportunities, we believe, and to add talent to an already strong team.

Operator

Our next question comes from Michael Rose of Raymond James.

Michael Edward Rose - *Raymond James & Associates, Inc., Research Division - MD of Equity Research*

So you guys reiterated kind of the initial loan growth outlook for next year. It's a fairly wide range, which I understand. What are some of the assumptions around paydowns and production, just kind of what comprises then acquired loan runoff, et cetera? What are some of the pieces that make up some of that outlook?

C. Mitchell Waycaster - *Renasant Corporation - President, CEO & Director*

Sure. Michael, I'll start with production, and we'll talk a little payoffs, and then we'll end up with the net that we're projecting or we expect. So as far as production, we saw this quarter, as I mentioned, $561 million, which was a very strong quarter. We thought in Q3, we would again approach high 4s, $500 million. We actually exceed that, $561 million. We would expect again in Q4 to be in that $500 million-plus range, and as we go into 2020, for that to continue to grow in 2020, maybe 5 to mid-5s as we get to midyear. We believe that will drive nonacquired growth as it did this quarter in the mid-teens, mid- to upper teens, which would result in Q4, again, mid-single, and then as we go into 2020, more high single, possibly low double.

That is assuming that payoffs remain generally in the range we've seen them throughout the year. Actually, in Q3, we actually saw an elevation in payoffs. We had $472 million in payoffs for the quarter. That was up $38 million from $434 million in Q2 on an average of around $420 million we've been seeing per quarter in '19. July was an unusually high month. We had over $190 million in payoffs in July. We had 7 payoffs that exceeded $5 million. If we go back and look at those reasons, particularly in July, it was loans moving to the permanent market. Again, this quarter, about 45% of those payoffs was the borrowers selling the underlying asset, about 22% going to the permanent market and then about 15% where we were just simply unwilling to match the terms.

But back to your question, just looking forward, we expect payoffs quarterly probably in that $420 million, $430 million range, and that's a part of our projections, giving that production, those payoffs, where we expect net to be, like I say, this current quarter, about mid-single, and then as we go into next year, high single, low double.

Michael Edward Rose - *Raymond James & Associates, Inc., Research Division - MD of Equity Research*

That's great color. And maybe as a follow-up, can you talk about -- and you guys have obviously, I think, front-loaded some expenses here to support future growth. How much roughly of that -- the growth that you're seeing now is coming from some of those new hires? I expect some of that is obviously lagging, but as we move into next year, would you expect a greater split from some of the new hires as they move their books over versus kind of the core lending staff?

C. Mitchell Waycaster - *Renasant Corporation - President, CEO & Director*

Yes. No, good question. So of the $561 million in production this quarter, we saw just from the new hires this year about 15% or $83 million coming from that group. We expect that to continue as we go into 4Q and then, of course, into 2020. And as we discussed last quarter, and actually it's going to take several months for those portfolios to begin to mature, but we have been very pleased to this point seeing that $83 million of that $561 million in production this past quarter, actually, a little ahead of the expectations. Like I say, we continue to see that growth.

I think the other important part of that story, of that $561 million in production, that's up from $350 million in the prior quarter. And you can look at it this way, with only $83 million of that coming from those -- that new talent. So we're seeing production increasing across the footprint, and as we mentioned in the past, which is our strategy to hit on a number of cylinders within the company, whether that be the corporate, the commercial, the business lines and the small business units of the bank.

Michael Edward Rose - *Raymond James & Associates, Inc., Research Division - MD of Equity Research*

That's really helpful. Maybe just one more for me. Just broadly thinking about some of the investments that you've made in hiring staff, obviously, it's been a detractor from the efficiency ratio perspective. When should we begin to see -- I know it's hard because of the interest rate environment, but when should we begin to see some of the operating leverage begin to come through? And maybe it's too difficult because of the -- at least for next year, because of the interest rate backdrop. But given some of the lending hires, obviously, which you've done with the mortgage company, understanding that volumes will be probably down next year, but how should we just kind of reconcile the efficiency equation and operating leverage equation?

Kevin D. Chapman - *Renasant Corporation - Executive VP, COO & CFO*

Sure. So Michael, this is Kevin. We'll start seeing some leverage on the efficiency ratio as we get into Q1. That doesn't mean there's not going to be a benefit in Q4 from the new hires. They will. As Mitch mentioned, we're experiencing growth coming from the new hires. We'll experience more in Q4. But it's still going to weigh on the efficiency ratio. We won't get over the inflection point probably until Q1 of next year. But that aside, you mentioned all the variables. Our goal is to work that efficiency ratio back down but below the 60% mark that we've always set.

And I'd also say, just the Durbin Amendment, that was a very efficient revenue stream that was taken out. That just weighs, and now it's going to require that growth that we've been investing in to fill that gap. But we anticipate that being in Q1 of next year, at least on the hires that we have to date.

C. Mitchell Waycaster - *Renasant Corporation - President, CEO & Director*

Michael, one other thing I failed to mention earlier relative to your current question and just looking at the quarter, I had mentioned that payoffs were quite heavy in July, just unusual in how they felt, particularly with things moving to the permanent market. So we ended July probably $90-plus million down in loans. We began to see that growth in August, which brought us back to basically flat. So really, the benefit from our growth in this quarter, we really didn't see that net growth toward the -- until the end of the quarter. It actually come later in -- came later in September. So I think just back to your current question about when we will see the impact, actually, this quarter, we didn't see the impact. It mostly occurred at the end of the quarter, and we'll enjoy the benefit of that as we go into Q4.

Operator

Our next question comes from Brad Milsaps of Sandler O'Neill.

Bradley Jason Milsaps - *Sandler O'Neill + Partners, L.P., Research Division - MD of Equity Research*

You guys have addressed almost everything. Just was curious, maybe a little more detail on the expenses in the quarter. Other expense looks like it was down maybe $3 million or so. Just kind of curious, any additional color there. I know you brought over the FBK guys, but would've thought maybe there would have been a little more lift there. Just kind of curious how you're thinking about sort of the run rate of expenses, particularly that other line as you move forward now that you have all -- mostly all the new hires in the run rate.

Kevin D. Chapman - *Renasant Corporation - Executive VP, COO & CFO*

Sure. So this is Kevin. So we did have a little bit of an offset in the other line item, and I think we discussed it in Q2 where we had a large increase because of the premiums for being over $10 billion from an FDIC insurance assessment. We had to increase our expense related to that. We just finally -- that finally caught up with us, and we didn't have that accrued at the right level. So it's a little bit of a catch-up expense in Q2.

While in Q3, we got a rebate from an adjustment that came when we were a community bank, when we qualified as a community bank. So that other noninterest expense, when that normalizes in Q4, will probably go up about $700,000 to $800,000 just to normalize that adjustment that was made in Q3 just from that -- as I mentioned, that FDIC insurance assessment rebate that we got when we were classified as a "community bank."

Bradley Jason Milsaps - *Sandler O'Neill + Partners, L.P., Research Division - MD of Equity Research*

With that, that's probably a decent run rate notwithstanding kind of the variability of the mortgage commission.

Kevin D. Chapman - *Renasant Corporation - Executive VP, COO & CFO*

That's right. And that also has new hires.

Bradley Jason Milsaps - *Sandler O'Neill + Partners, L.P., Research Division - MD of Equity Research*

Yes. Sure. Sure. And then just to follow up on a component of the NIM. I was curious, the timing of the payout of the debt. I know it's small during the quarter. I did notice the rate on kind of that borrowings category you had was up from around 4.6% to 5.3%. Can you talk about kind of what kind of the mix is there? Does that come down some in the fourth quarter? Or is that going to kind of run at that level?

Kevin D. Chapman - *Renasant Corporation - Executive VP, COO & CFO*

Yes. We think it will come down a little bit. The increase that you saw really just had to do with the mix. We paid off the sub-debt in the late July, early August time frame, so it's almost a full run rate in there. I think just the way -- the remaining debt that is there, it is what's causing that volatility in the rate. But for the most part, the paying of that sub-debt -- so there'll be a slight benefit in Q4. But that yield, that rate on the borrowed funds may come down just a little bit.

Bradley Jason Milsaps - *Sandler O'Neill + Partners, L.P., Research Division - MD of Equity Research*

Even though that was at an 8.5% rate, that -- it still brought the total combined up by 70 basis points in the quarter.

Kevin D. Chapman - *Renasant Corporation - Executive VP, COO & CFO*

Yes. Well, the stated rate was 8.5%. The purchase accounting where we mark it to market, it was in the 5% to 5.5% range.

Operator

Our next question comes from John Rodis of Janney.

John Lawrence Rodis - *Janney Montgomery Scott LLC, Research Division - Director of Banks and Thrifts*

Kevin, back to -- just back to Brad's question on expenses. So if you add back the rebate, you said $700,000 to $800,000, that should sort of put you around $97 million for the quarter and then obviously some variability with mortgage. Are there any other cost saves in there? Or how should we think about expenses for 2020?

Kevin D. Chapman - *Renasant Corporation - Executive VP, COO & CFO*

Expenses as we get into '20, where we've been trying to -- just looking at our expenses over the last 3 to 4 quarters and as we've incurred the next incremental dollar of expense, that going into revenue production, not a debt expense or a compliance expense, it's to invest that next incremental dollar in production. As we've gone over $10 billion, we feel from the rigor of the exam, from the expectations of being something other than a community bank, we feel that we were prepared for that. And our conversations, our relationship with our examiner reflect that. So what we try to do is invest that next incremental dollar into something that will drive top line revenue.

And so as we look at the expenses, we are cognizant of the expenses. There are some initiatives that will help contain the growth of -- I would call it that nonrevenue-producing expense increase. But really, our guide is going to be on that efficiency ratio and that spending that expense dollar is going to drive more revenue than what we're currently making. So it's invest that expense dollar to drive something more than $0.38 trickling through to the bottom line.

So expenses may increase, but expenses in that compliance or that nonrevenue-producing category, that's where we're looking to minimize and to get more lift off the revenue production. In some cases, there may be some churn in revenue producers. But invest that next incremental dollar, that drives top line revenue.

John Lawrence Rodis - *Janney Montgomery Scott LLC, Research Division - Director of Banks and Thrifts*

Okay. Okay. That makes sense. Just one other question on the buyback. So you guys announced a new buyback. Would you -- at current prices, would you expect to be, say, as aggressive as you have been over the last few quarters?

Kevin D. Chapman - *Renasant Corporation - Executive VP, COO & CFO*

I think that's a fair assessment. We view the buyback -- it's something on the table. It's an option that we have. And again, how we've tried to position the company is leave all options on the table. So we renewed -- the Board renewed the buyback with the intent of providing management optionality. And I think it's fair that as you look at the weighted average price that we repurchased in not only Q3 but in prior periods, this is in the appropriate range as to where we would be buying.

Operator

Our next question comes from Catherine Mealor of KBW.

Catherine Fitzhugh Summerson Mealor - *Keefe, Bruyette, & Woods, Inc., Research Division - MD and SVP*

I just had a quick follow-up on the expense questions. Is there any way you can break out how much of this quarter's salary expense was driven by mortgage maybe as compared to last quarter?

Kevin D. Chapman - *Renasant Corporation - Executive VP, COO & CFO*

Yes. It's up about $1 million to $1.2 million, just total mortgage. That would be their commissions, the additions of the wholesale. All of mortgage is up about $1 million to $1.2 million.

Catherine Fitzhugh Summerson Mealor - *Keefe, Bruyette, & Woods, Inc., Research Division - MD and SVP*

And what is that number?

Kevin D. Chapman - *Renasant Corporation - Executive VP, COO & CFO*

The total number? Total mortgage employee compensation for third quarter was $12.7 million. And Catherine, just a point on the mortgage banking gross income, that valuation adjustment of $3.1 million ran through the gross mortgage banking income line item. So mortgage -- excluding the valuation adjustment, mortgage had a great quarter, and our gross revenue is almost $19 million.

Catherine Fitzhugh Summerson Mealor - *Keefe, Bruyette, & Woods, Inc., Research Division - MD and SVP*

Yes, of course. Yes, we'll be sure to back that up.

Operator

This concludes our question-and-answer session. I'd now like to turn the conference back over to Robin McGraw for any closing remarks.

Edward Robinson McGraw - *Renasant Corporation - Executive Chairman of the Board*

Thank you, Ian. We appreciate everybody's time today and your interest in Renasant Corporation, and we look forward to speaking with you again soon.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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