RENASANT CORP
Form 10-K
February 27, 2019
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2018
Commission file number 001-13253
RENASANT CORPORATION
(Exact name of registrant as specified in its charter)

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

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

Title of each class	Name of each exchange on which registered
Common Stock, $5.00 par value	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes þ No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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 þ 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 þ

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

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PART I

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

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

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

The Company expressly disclaims any obligation to update or revise forward-looking statements to reflect changed assumptions or estimates, the occurrence of unanticipated events or changes to future operating results that occur after the date the forward-looking statements are made.

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

ITEM 1. BUSINESS

General

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

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

~~re~~turn on average assets	~~ne~~t interest margin and spread
~~the~~ efficiency ratio	~~fee~~ income shown as a percentage of loans and deposits
~~lo~~an and deposit growth	~~the~~ volume and pricing of deposits
~~ne~~t charge-offs to average loans	~~the~~ percentage of loans past due and nonaccruing

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

Our vision is further validated through our core values. These values include (1) employees are our greatest assets, (2) quality is not negotiable and (3) clients’ trust is foremost. Centered on these values was the development of five objectives that are the focal point of our strategic plan. Those objectives include: (1) client satisfaction and development, (2) financial soundness and profitability, (3) growth, (4) employee satisfaction and development and (5) shareholder satisfaction and development.

Members of our Board of Directors also serve as members of the Board of Directors of the Bank (which has a broader membership than the Company board). Responsibility for the management of the Bank remains with the Board of Directors and officers of the Bank; however, management services rendered by the Company to the Bank are intended to supplement internal management and expand the scope of banking services normally offered by the Bank.

Acquisition of Brand Group Holdings, Inc.

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

Acquisition of Metropolitan BancGroup, Inc.

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

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

Operations

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

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

Operations of Community Banks

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

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

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

The following is a description of each of the principal types of loans in our loan portfolio, the relative risk of each type of loan and the steps we take to reduce credit risk. Our loans are primarily generated within the market areas where our branches are located.

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

Although commercial loans may be collateralized by equipment or other business assets, the repayment of this type of loan depends primarily on the creditworthiness and projected cash flow of the borrower (and any guarantors). Thus, the chief considerations when assessing the risk of a commercial loan are the local business borrower's ability to sell its products and services, thereby generating sufficient operating revenue to repay us under the agreed upon terms and conditions, and the general business conditions of the local economy. The liquidation of collateral is considered a secondary source of repayment. Another source of repayment are guarantors of the loan, if any. To manage these risks, the Bank's policy is to secure its commercial loans with both the assets of the borrowing business and any other additional collateral and guarantees that may be available. In addition, we actively monitor certain financial measures of the borrower, including advance rate, cash flow, collateral value and other appropriate credit factors. We use commercial loan credit scoring models for smaller size commercial loans.

— Real Estate – 1-4 Family Mortgage. We are active in the real estate – 1-4 family mortgage area (referred to as "residential real estate loans"), with approximately 30.78% of our total loans at December 31, 2018, being residential real estate loans. We offer both first and second mortgages on residential real estate. Loans secured by residential real estate in which the property is the principal residence of the borrower are referred to as "primary" 1-4 family mortgages. Loans secured by residential real estate in which the property is rented to tenants or is not the principal residence of the borrower are referred to as "rental/investment" 1-4 family mortgages. We also offer loans for the preparation of residential real property prior to construction (referred to in this Annual Report as "residential land development loans"). In addition, we offer home equity loans or lines of credit and term loans secured by first and second mortgages on the residences of borrowers who elect to use the accumulated equity in their homes for purchases, refinances, home improvements, education and other personal expenditures. Both fixed and variable rate loans are offered with competitive terms and fees. Originations of residential real estate loans are generated through retail efforts in our branches or originations by or referrals from our mortgage operations, via our correspondent relationships with other financial institutions, and online through our Renasant Consumer Direct channel. We attempt to minimize the risk associated with residential real estate loans by strictly scrutinizing the financial condition of the borrower; typically, we also limit the maximum loan-to-value ratio.

We retain residential real estate loans for our portfolio when the Bank has sufficient liquidity to fund the needs of established customers and when rates are favorable to retain the loans. Retained portfolio loans are made primarily through the Bank's adjustable-rate mortgage product offerings.

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

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

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

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

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

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

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

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

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

Addressing Lending Risks. To protect against the risks associated with fluctuations in economic conditions within the Bank’s footprint, management has implemented a strategy to proactively monitor the risk to the Company presented by the Bank’s loan portfolio as a whole. First, we purposefully manage the loan portfolio to avoid excessive concentrations in any particular loan category. Our goal is to structure the loan portfolio so that it is comprised of approximately one-third commercial loans and owner-occupied commercial real estate loans, one-third non-owner occupied commercial real estate loans and one-third residential real estate loans and consumer loans. Construction and land development loans are allocated between the commercial real estate and residential real estate categories based on the property securing the loan. With respect to construction and land development loans in particular, management monitors whether the allocation of these loans across geography and asset type heightens the general risk associated with these types of loans. We also monitor concentrations in our construction and land development loans based on regulatory guidelines promulgated by banking regulators which include evaluating the aggregate value of these loans as a percentage of our risk-based capital (this is referred to as the “100/300 Test” and is discussed in more detail under the “Supervision and Regulation” heading below) as well as monitoring loans considered to be high volatility commercial real estate. A further discussion of the risk reduction policies and procedures applicable to our lending activities can be found in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, under the heading “Risk Management – Credit Risk and Allowance for Loan Losses.”

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

Deposit Services. We offer a broad range of deposit services and products to our consumer and commercial clients. Through our community branch networks, we offer consumer checking accounts with free online and mobile banking, which includes bill pay and transfer features, peer-to-peer payment, interest bearing checking, money market accounts, savings accounts, certificates of deposit, individual retirement accounts and health savings accounts.

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

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

Operations of Wealth Management

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

Operations of Insurance

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

Competition

Community Banks

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

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

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

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

Source: FDIC, as of June 30, 2018

Wealth Management

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

Insurance

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

Supervision and Regulation

General

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

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

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

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

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

Supervision and Regulation of Renasant Corporation

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

Scope of Permissible Activities. Under the BHC Act, we are prohibited from engaging directly or indirectly in activities other than those of banking, managing or controlling banks or furnishing services to or performing services for our subsidiary banks and from acquiring a direct or indirect interest in or control of more than 5% of the voting shares of any company that is not a bank or financial holding company. The principal exception to this prohibition is that we may engage, directly or indirectly (including through the ownership of shares of another company), in certain activities that the Federal Reserve has found to be so closely related to banking or managing and controlling banks as to be a proper incident thereto. In making determinations whether activities are closely related to banking or managing banks, the Federal Reserve must consider whether the performance of such activities by a bank holding company or its subsidiaries can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition or gains in efficiency of resources, and whether such public benefits outweigh the risks of possible adverse effects, such as decreased or unfair competition, conflicts of interest or unsound banking practices. Currently-permitted activities include, among others, operating a mortgage, finance, credit card or factoring company; providing certain data processing, storage and transmission services; acting as an investment or financial advisor; acting as an insurance agent for certain types of credit-related insurance; leasing personal or real property on a nonoperating basis; and providing certain stock brokerage services.

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

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

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

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

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

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

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

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

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

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

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

Supervision and Regulation of the Bank

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

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

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

In addition to assessments to fund the DIF, all institutions with deposits insured by the FDIC must pay assessments to fund interest payments on bonds issued by the Financing Corporation, a mixed-ownership government corporation established as a financing vehicle for the Federal Savings & Loan Insurance Corporation. The assessment rate for the first quarter of fiscal 2019 is .0014% of insured deposits and is adjusted quarterly. These assessments will continue until the bonds mature in 2019 (the corporation’s ability to issue new debt has been terminated).

The FDIC may terminate the deposit insurance of any insured depository institution, including the Bank, if it determines after a hearing that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, order or any condition imposed by an agreement with the FDIC. For an institution with no tangible capital, deposit insurance may be temporarily suspended during the hearing process for the permanent termination of insurance. If the FDIC terminates an institution's deposit insurance, accounts insured at the time of the termination, less withdrawals, will continue to be insured for a period of six months to two years, as determined by the FDIC. We are not aware of any existing circumstances which would result in termination of the Bank's deposit insurance.

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

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

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

Capital Adequacy Guidelines. The FDIC has promulgated risk-based capital guidelines similar to, and with the same underlying purposes as, those established by the Federal Reserve with respect to bank holding companies. Under those guidelines, assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items.

The capital guidelines have been subject to a number of revisions in recent years. Pursuant to the Dodd-Frank Act, capital requirements for insured depository institutions are countercyclical, such that capital requirements increase in times of economic expansion and decrease in times of economic contraction. More recently, the Federal Reserve, the FDIC and the Office of the Comptroller of the Currency adopted rules implementing the "Basel III" regulatory capital reforms, promulgated by the Basel Committee on Banking Supervision, a committee of central banks and bank supervisors, including the standardized approach of Basel II for non-core banks and bank holding companies such as the Bank and the Company. The Basel III rules substantially revised the risk-based capital requirements.

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

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

- For commercial mortgages, a 150% risk weight for certain high volatility commercial real estate acquisition, development and construction loans has been substituted for the former 100% risk weight.
- The former 100% risk weight is now a 150% risk weight for loans, other than residential mortgages, that are 90 days past due or on nonaccrual status.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Relating to mortgage lending in particular, the CFPB issued regulations governing the ability to repay, qualified mortgages, mortgage servicing, appraisals and compensation of mortgage lenders. These regulations limit the type of mortgage products that the Bank can offer; they also affect our ability to enforce delinquent mortgage loans. The CFPB has also issued complex rules integrating the required disclosures under the Truth in Lending Act, the Truth in Savings Act and the Real Estate Settlement Procedures Act (the “TRID rules”). The TRID rules combine the prior good faith estimate and truth in lending disclosure form into a new “loan estimate” form and combine the HUD-1 and final truth in lending disclosure forms into a new “closing disclosure” form.

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

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

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

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

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

Supervision and Regulation of our Wealth Management and Insurance Operations

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

Monetary Policy and Economic Controls

We and the Bank are affected by the policies of regulatory authorities, including the Federal Reserve. An important function of the Federal Reserve is to regulate the national supply of bank credit in order to stabilize prices. Among the instruments of monetary policy used by the Federal Reserve to implement these objectives are open market operations in U.S. Government securities, changes in the discount rate on bank borrowings and changes in reserve requirements against bank deposits. These instruments are used in varying degrees to influence overall growth of bank loans, investments and deposits and may also affect interest rates charged on loans or paid for deposits.

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

Sources and Availability of Funds

The funds essential to our, and the Bank’s, business consist primarily of funds derived from customer deposits, loan repayments, cash flows from our investment securities, securities sold under repurchase agreements, Federal Home Loan Bank advances and subordinated notes. The availability of such funds is primarily dependent upon the economic policies of the federal government, the economy in general and the general credit market for loans.

Personnel

At December 31, 2018, we employed 2,359 people throughout all of our segments on a full-time equivalent basis. Of this total, the Bank accounted for 2,294 employees (inclusive of employees in our Community Banks and Wealth Management segments), and Renasant Insurance employed 65 individuals. The Company has no additional employees; however, at December 31, 2018, 14 employees of the Bank served as officers of the Company in addition to their positions with the Bank.

Dependence Upon a Single Customer

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

Available Information

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

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

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

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

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

(1)Shown net of unearned income.
(2)Represents information associated with purchased loans covered under FDIC loss sharing agreements prior to the termination of such agreements on December 8, 2016.
(3)U.S. Government and some U.S. Government Agency securities are tax-exempt in the states in which we operate.
(4)Interest-bearing demand deposits include interest-bearing transactional accounts and money market deposits.

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

Table 2 – Volume/Rate Analysis
(In Thousands)

The following table sets forth a summary of the changes in interest earned, on a tax equivalent basis, and interest paid resulting from changes in volume and rates for the Company for the years indicated. Information is provided in each category with respect to changes attributable to (1) changes in volume (changes in volume multiplied by prior yield/rate); (2) changes in yield/rate (changes in yield/rate multiplied by prior volume); and (3) changes in both yield/rate and volume (changes in yield/rate multiplied by changes in volume). The changes attributable to the combined impact of yield/rate and volume have been allocated on a pro-rata basis using the absolute ratio value of amounts calculated.

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

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

Table 3 – Investment Portfolio
(In Thousands)
The following table sets forth the scheduled maturity distribution and weighted average yield based on the amortized cost of our investment portfolio as of December 31, 2018. Information regarding the carrying value of the investment securities listed below as of December 31, 2018, 2017 and 2016 is contained under the heading "Financial Condition – Investments" and "Results of Operations – Net Interest Income" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

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

Table 4 – Loan Portfolio
(In Thousands)
The following table sets forth loans held for investment, net of unearned income, outstanding at December 31, 2018, which, based on remaining scheduled repayments of principal, are due in the periods indicated. Loans with balloon payments and longer amortizations are often repriced and extended beyond the initial maturity when credit conditions remain satisfactory. Demand loans, loans having no stated schedule of repayments and no stated maturity, and overdrafts are reported below as due in one year or less. For information regarding the loan balances in each of the categories listed below as of the end of each of the last five years, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, under the heading "Financial Condition – Loans." See "Risk Management – Credit Risk and Allowance for Loan Losses" in Item 7 for information regarding the risk elements applicable to, and a summary of our loan loss experience with respect to, the loans in each of the categories listed below.

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

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

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

Table 5 – Deposits
(In Thousands)
The following table shows the maturity of certificates of deposit and other time deposits of $100 or more at December 31, 2018:

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

ITEM 1A. RISK FACTORS
In addition to the other information contained in or incorporated by reference into this Form 10-K and the exhibits hereto, the following risk factors should be considered carefully in evaluating our business. The risks disclosed below, either alone or in combination, could materially adversely affect the business, financial condition or results of operations of the Company.

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Risks Related To Our Business and Industry

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

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

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

We are subject to lending risk.

There are inherent risks associated with our lending activities. These risks include, among other things, the impact of changes in interest rates and changes in the economic conditions in the markets where we operate as well as those across the United States. Increases in interest rates on loans and/or weakening economic conditions could adversely impact the ability of borrowers to repay outstanding loans or the value of the collateral securing these loans.

As of December 31, 2018, approximately 67.03% of our loan portfolio consisted of commercial, construction and commercial real estate loans. These types of loans are generally viewed as having more risk to our financial condition than other types of loans due primarily to the large amounts loaned to individual borrowers. Because the loan portfolio contains a significant number of commercial, construction and commercial real estate loans with relatively large balances, the deterioration of one or a few of these loans could cause a significant increase in nonperforming loans. An increase in nonperforming loans could result in a net loss of earnings from these loans, an increase in the provision for possible loan losses and an increase in loan charge-offs, all of which could have a material adverse effect on our financial condition and results of operations.

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

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

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

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

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

As discussed under the heading "Supervision and Regulation" in Item 1, Business, above, the federal banking agencies promulgated guidance regarding when an institution will be deemed to potentially have significant CRE concentration risk exposure, as indicated by the results of the 100/300 Test. Although the 100/300 Test is not a limit on our lending activity, if any future results of a 100/300 Test evaluation show us to have a potential CRE concentration risk, we may elect, or be required by our regulators, to adopt additional risk management practices or other limits on our activities, which could have a material adverse effect on our financial condition and results of operations.
We depend on the accuracy and completeness of information furnished by others about customers and counterparties.
In deciding whether to extend credit or enter into other transactions, we often rely on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports, other financial information and appraisals of the value of collateral. We may also rely on representations of those customers, counterparties or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit reports, other financial information or appraisals could have a material adverse effect on our business and, in turn, our financial condition and results of operations.
Our allowance for possible loan losses may be insufficient, and we may be required to further increase our provision for loan losses.
Although we try to maintain diversification within our loan portfolio in order to minimize the effect of economic conditions within a particular industry, management also maintains an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expense, to absorb probable credit losses inherent in the entire loan portfolio. The appropriate level of the allowance is based on management's ongoing analysis of the loan portfolio and represents an amount that management deems adequate to provide for inherent losses, including collateral impairment. Among other considerations in establishing the allowance for loan losses, management considers economic conditions reflected within industry segments, the unemployment rate in our markets, loan segmentation and historical losses that are inherent in the loan portfolio. The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires management to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside our control, may require an increase in the allowance for loan losses.
The recent recession in the United States highlighted the inherent difficulty in estimating with precision the extent to which credit risks and future trends need to be addressed through a provision to our allowance for loan losses. Any

deterioration of current economic conditions could cause us to experience higher than normal delinquencies and credit losses. As a result, we may be required to make further increases in our provision for loan losses and to charge off additional loans in the future, which could materially adversely affect our financial condition and results of operations. In addition, bank regulatory agencies periodically review the allowance for loan losses and may require an increase in the provision for loan losses or the recognition of further loan charge-offs, based on judgments different than those of management. In addition, if charge-offs in future periods exceed the allowance for loan losses, we will need additional provisions to increase the allowance for loan losses. Any increases in the allowance for loan losses will result in a decrease in net income and, possibly, capital and may have a material adverse effect on our financial condition and results of operations. A discussion of the policies and procedures related to management's process for determining the appropriate level of the allowance for loan losses is set forth under the heading "Risk Management – Credit Risk and Allowance for Loan Losses" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

We are subject to interest rate risk.

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

Our financial results are constantly exposed to market risk.

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

- Assets and liabilities may mature or reprice at different times. For example, if assets reprice more slowly than liabilities and interest rates are generally rising, earnings may initially decline.
- Assets and liabilities may reprice at the same time but by different amounts. For example, when interest rates are generally rising, we may increase rates charged on loans by an amount that is less than the general increase in market interest rates because of intense pricing competition, while similarly-intense pricing competition for deposits dictates that we raise our deposit rates in line with the general increase in market rates. Also, risk occurs when assets and liabilities have similar repricing frequencies but are tied to different market interest rate indices that may not move in tandem.
- Short-term and long-term market interest rates may change by different amounts, i.e., the shape of the yield curve may affect new loan yields and funding costs differently.
- The remaining maturity of various assets and liabilities may shorten or lengthen as interest rates change. For example, if long-term mortgage interest rates decline sharply, mortgage-backed securities held in our securities portfolio may prepay significantly earlier than anticipated, which could reduce portfolio income. If prepayment rates increase, we would be required to amortize net premiums into income over a shorter period of time, thereby reducing the corresponding asset yield and net interest income.
- Interest rates may have an indirect impact on loan demand, credit losses, loan origination volume, the value of financial assets and financial liabilities, gains and losses on sales of securities and loans, the value of mortgage servicing rights and other sources of earnings.

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

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

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

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

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

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

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

Maintaining adequate liquidity is crucial to the operation of our business. We need sufficient liquidity to meet customer loan requests, deposit maturities and withdrawals and other cash commitments arising in both the ordinary course of business and in other unpredictable circumstances. We rely on dividends from the Bank as our primary source of funds. The primary source of the Bank's funds are customer deposits, loan repayments, proceeds from our investment securities and borrowings. While scheduled loan repayments are a relatively stable source of funds, they are subject to the ability of borrowers to repay the loans. The ability of borrowers to repay loans can be adversely affected by a number of factors, including changes in economic conditions, adverse trends or events affecting business industry groups, reductions in real estate values or markets, business closings or lay-offs, inclement weather, natural disasters and international instability. Additionally, deposit levels may be affected by a number of factors, including rates paid by competitors, general interest rate levels, returns available to customers on alternative investments and general economic conditions. Accordingly, we may be required from time to time to rely on secondary sources of liquidity to meet withdrawal demands or otherwise fund operations or to support growth. Such sources include Federal Home Loan Bank advances and federal funds lines of credit from correspondent banks.

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

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

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

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

We have invested a significant amount of time and expense, in both security infrastructure investments and the development of policies and procedures governing our operations, in our efforts to ensure the security and integrity of our systems from the aforementioned threats, and we continue to upgrade our systems and evolve our policies and procedures to address vulnerabilities that we identify as well as new techniques being used to compromise our systems of which we become aware, especially as we expand our mobile and online banking presence. In addition, we require our third party service providers to be similarly diligent in protecting their own systems from such existing and new threats. Despite these efforts, we can provide no assurances that our systems, or our provider's systems, will not experience any failures, interruptions or security breaches or that, if any such failures, interruptions or breaches occur, they will be addressed in a timely and adequate manner. If the security and integrity of our systems, or the systems of one of our providers, are compromised, our operations could be significantly disrupted and our or our customer's confidential information could be misappropriated, among other things. This in turn could result in financial losses to us or our customers, damage to our reputation, the violation of privacy or other laws and significant litigation risk, all of which could have a material adverse effect on our financial condition and results of operations.

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

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

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

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

Management of Growth. We may be unable to successfully:

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

Operating Results. Existing offices or future offices may not maintain or achieve deposit levels, loan balances or other operating results necessary to avoid losses or produce profits. Our growth and de novo branching strategy necessarily entails growth in overhead expenses as we routinely add new offices and staff. Our historical results may not be indicative of future results or results that may be achieved as we continue to increase the number and concentration of our branch offices. Should any new location be unprofitable or marginally profitable, or should any existing location experience a decline in profitability or incur losses, the adverse effect on our results of operations and financial condition could be more significant than would be the case for a larger company.

Development of Offices. There are considerable costs involved in opening branches, and new branches generally do not generate sufficient revenues to offset their costs until they have been in operation for at least a year or more. Accordingly, our de novo branches can be expected to negatively impact our earnings for some period of time until the branches reach certain economies of scale. Our expenses could be further increased if we encounter delays in opening any of our de novo branches. We may be unable to accomplish future branch expansion plans due to a lack of available satisfactory sites, difficulties in acquiring such sites, increased expenses or loss of potential sites due to complexities associated with zoning and permitting processes, higher than anticipated merger and acquisition costs or other factors. Finally, our de novo branches or branches that we may acquire may not be successful even after they have been established or acquired, as the case may be.

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

Regulatory and Economic Factors. Our growth and expansion plans may be adversely affected by a number of regulatory and economic developments or other events. Failure to obtain required regulatory approvals, changes in laws and regulations or other regulatory developments and changes in prevailing economic conditions or other unanticipated events may prevent or adversely affect our continued growth and expansion. Such factors may cause us to alter our growth and expansion plans or slow or halt the growth and expansion process, which may prevent us from entering certain target markets or allow competitors to gain or retain market share in our existing or expected markets. Failure to successfully address these issues could have a material adverse effect on our financial condition and results of operations, and could adversely affect our ability to successfully implement our business strategy. Also, if our growth occurs more slowly than anticipated or declines, our operating results could be materially adversely affected.

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

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

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

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

~~de~~posit attrition, customer loss and revenue loss;

~~the~~ loss of key employees;

~~the~~ disruption of our operations and business;

~~ou~~r inability to maintain and increase competitive presence;

~~po~~ssible inconsistencies in standards, control procedures and policies; and/or

~~un~~expected problems with costs, operations, personnel, technology and credit.

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

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

We may face risks with respect to future acquisitions.

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

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- the time and costs associated with identifying and evaluating potential acquisition and merger targets;
- inaccuracies in the estimates and judgments used to evaluate credit, operations, management and market risks with respect to the target institution;
- the time and costs of evaluating new markets, hiring experienced local management and opening new bank locations, and the time lags between these activities and the generation of sufficient assets and deposits to support the costs of the expansion;
- our ability to finance an acquisition and possible dilution to our existing shareholders;
- the diversion of our management's attention to the negotiation of a transaction;
- the incurrence of an impairment of goodwill associated with an acquisition and adverse effects on our results of operations;
- entry into new markets where we lack experience; and
- risks associated with integrating the operations and personnel of acquired businesses.

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

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

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

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

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

Our industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. The consolidation of financial institutions in connection with the 2008-2009 recession has continued to the present time, and we expect additional consolidation to occur as a result of, among other things, elevated regulatory compliance costs and changes in laws affecting larger financial institutions. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Also, legislative and regulatory changes on both the federal and state level may materially affect competitive conditions in our industry. Finally, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Many of our competitors have fewer regulatory constraints and may have lower cost structures.

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

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

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

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

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

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

We and the Bank are subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole. These regulations affect our lending practices, capital structure, investment practices, dividend policy and growth, among other things. In addition, significant changes to such regulations have been proposed or may be proposed. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of the foregoing, could affect us and/or the Bank in substantial and unpredictable ways. Such changes could subject us to additional costs, limit the types of financial services and products we may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things.

Under regulatory capital adequacy guidelines and other regulatory requirements, we and the Bank must meet guidelines that include quantitative measures of assets, liabilities and certain off-balance sheet items, subject to qualitative judgments by regulators about components, risk weightings and other factors. If we fail to meet these minimum capital guidelines and other regulatory requirements, our financial condition would be materially and adversely affected. Our failure to maintain the status of "well capitalized" under our regulatory framework could affect the confidence of our customers in us, thus compromising our competitive position. In addition, failure to maintain the status of "well capitalized" under our regulatory framework, "well managed" under regulatory examination procedures or "satisfactory" under the CRA could compromise our status as a bank holding company and related eligibility for a streamlined review process for merger or acquisition proposals and would result in higher deposit insurance premiums assessed by the FDIC.

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

As a public company, we are also subject to laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, the Dodd-Frank Act and SEC regulations. These laws, regulations and standards are subject to varying interpretations, amendment or outright repeal. As a result, the amendment or repeal of any such laws, regulations or standards, or the issuance of new guidance for complying therewith by regulatory and governing bodies, could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

We are committed to maintaining high standards of corporate governance and public disclosure. As a result, our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased expenses and a diversion of management time and attention.
Failure to comply with laws, regulations or policies could also result in sanctions by regulatory agencies and/or civil money penalties, which could have a material adverse effect on our business, financial condition and results of operations. While we have policies and procedures designed to prevent any such violations, such violations nevertheless may occur. The information under the heading "Supervision and Regulation" in Item 1, Business, and Note 24, "Regulatory Matters," in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data, provides more information regarding the regulatory environment in which we and the Bank operate.

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

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

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

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

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

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

In particular, in June 2016 FASB issued Accounting Standards Update 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”), which significantly changes the way entities recognize impairment on many financial assets by requiring immediate recognition of estimated credit losses expected to occur over the asset's remaining life, in place of the current “incurred loss” model for recognizing credit losses, which delays recognition of credit losses until it is probable a loss has been incurred. This new impairment recognition model is referred to as the current expected credit loss (“CECL”) model. The CECL model, which applies to loans, held-to-maturity debt instruments, lease receivables, loan commitments and financial guarantees that are not accounted for at fair value, will require us to present these financial assets at the net amount expected to be collected, at the time the loan is booked and subject to periodic adjustment. The amount of expected credit losses is to be based on past events, historical experience, current conditions as well as reasonable and supportable forecasts that affect the collectability of the reported amount. This new accounting standard will be effective for us in the first quarter 2020.

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

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

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

We are subject to environmental liability risk associated with lending activities.

A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property’s value or limit our ability to use or sell the affected property. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our financial condition and results of operations. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Although management has policies and procedures to perform an environmental review before the loan is recorded and before initiating any foreclosure action on real property, these reviews may not be sufficient to detect all potential environmental hazards.

Severe weather, natural disasters, acts of war or terrorism and other external events could significantly impact our business.

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

Risks Associated With Our Common Stock

Our stock price can be volatile.

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

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

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

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

Although our common stock is listed for trading on The NASDAQ Global Select Market, the average daily trading volume in our common stock is generally less than that of many of our competitors and other bank holding companies that are publicly-traded companies. For the 60 days ended February 22, 2019, the average daily trading volume for Renasant common stock was 206,346 shares per day. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of our common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. Significant sales of our common stock, or the expectation of these sales, could cause volatility in the price of our common stock.

Our ability to declare and pay dividends is limited by law, and we may be unable to pay future dividends.

We are a separate and distinct legal entity from the Bank, and we receive substantially all of our revenue from dividends from the Bank. These dividends are the principal source of funds to pay dividends on our common stock and interest and principal on debt. Various federal and/or state laws and regulations limit the amount of dividends that the Bank may pay to us. In the event the Bank is unable to pay dividends to us, we may not be able to service debt, pay obligations or pay dividends on our common stock. The inability to receive dividends from the Bank could have a material adverse effect on our business, financial condition and results of operations. The information under Note 23, “Restrictions on Cash, Securities, Bank Dividends, Loans or Advances,” in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data, provides a detailed discussion about the restrictions governing the Bank’s ability to transfer funds to us.

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

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

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

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

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

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

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

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

Shares eligible for future sale could have a dilutive effect.

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The principal executive offices of the Company are located at 209 Troy Street, Tupelo, Mississippi. Various departments occupy each floor of the five-story building. The Technology Center, also located in Tupelo, houses electronic data processing, document preparation, document imaging, loan servicing and deposit operations.

As of December 31, 2018, Renasant operated 152 full-service branches, 12 limited-service branches, an ATM network, which includes 151 ATMs at on-premise locations and 24 ATMs located at off-premise sites, and an Interactive Teller Machine (ITM) network that includes 14 ITMs at on-premise locations and two ITMs located at off-premise sites. Our Community Banks and Wealth Management segments operate out of all of these offices.

The Bank owns 121 of its 152 full-service branch banking facilities. The remaining 31 full-service branches are under lease agreements. The Bank owns 11 of the 12 limited-service branches. The Bank also operates 20 locations used exclusively for Mortgage Banking, three locations used exclusively for loan production and two locations used exclusively for investment services; of these locations, two are owned by the Bank with the remaining 23 under lease agreements. The 55 banking facilities that are occupied under leases have unexpired terms ranging from one to sixteen years.

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

None of our properties are subject to any material encumbrances.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information and Holders

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

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

Issuer Purchases of Equity Securities

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

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

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

(3) Dollars in thousands

Unregistered Sales of Equity Securities

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

Stock Performance Graph

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

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

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

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

ITEM 6. SELECTED FINANCIAL DATA[1]

(In Thousands, Except Share Data) (Unaudited)

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

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

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

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

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

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

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

(In Thousands, Except Share Data)

Performance Overview

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

Acquisitions

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

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

Other

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

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

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

Financial Highlights

Net interest income increased 17.70% to $396,525 for 2018 as compared to $336,897 for 2017; net interest income was $300,991 for 2016. The increase since 2016 was due primarily to the increase in average earnings assets from the acquisitions of Brand and Metropolitan and organic growth in the Company's non purchased loan portfolio. Yields on earning assets increased as we replaced maturing assets with assets earning similar or higher rates of interest. Furthermore, the increases to the target federal funds rate implemented by the Federal Reserve Board over the last three years resulted in higher yields on loans in our portfolio that earn a variable rate of interest. The Company was able to manage the cost of its deposits with these interest rate increases such that interest expense increased at a much lower rate during this time.

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

compared to $7,550 for 2017 and $7,530 for 2016.
Noninterest income was $143,961 for 2018 compared to $132,140 for 2017 and $137,415 for 2016. The overall growth in noninterest income since 2016 is primarily attributable to the Brand and Metropolitan acquisitions. The decrease in noninterest income from 2016 to 2017 is primarily attributable to a year-over-year decrease in mortgage banking income, which was driven by lower mortgage loan originations.

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

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

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

A historical look at key performance indicators is presented below.

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

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

Critical Accounting Policies

Our financial statements are prepared using accounting estimates for various accounts. Wherever feasible, we utilize third-party information to provide management with estimates. Although independent third parties are engaged to assist us in the estimation process, management evaluates the results, challenges assumptions and considers other factors that could impact these estimates. We monitor the status of proposed and newly issued accounting standards to evaluate the impact on our financial condition and results of operations. Our accounting policies, including the impact of newly issued accounting standards, are discussed in further detail in Note 1, "Significant Accounting Policies," in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data. The following discussion presents some of the more significant estimates used in preparing our financial statements.

Allowance for Loan Losses

The accounting policy most important to the presentation of our financial statements relates to the allowance for loan losses and the related provision for loan losses. The allowance for loan losses is available to absorb probable credit losses inherent in the entire loan portfolio. The appropriate level of the allowance is based on an ongoing analysis of the loan portfolio and represents an amount that management deems adequate to provide for inherent losses, including collective impairment as recognized under the Financial Accounting Standards Board Accounting Standards Codification Topic ("ASC") 450, "Contingencies" ("ASC 450"). Collective impairment is calculated based on loans grouped by grade. Another component of the allowance is losses on loans assessed as impaired under ASC 310, "Receivables" ("ASC 310"). The balance of the loans determined to be impaired under ASC 310 and the related allowance is included in management's estimation and analysis of the allowance for loan losses. The determination of the appropriate level of the allowance is sensitive to a variety of internal factors, primarily historical loss ratios and assigned risk ratings, and external factors, primarily the economic environment. While no one factor is dominant, each could cause actual loan losses to differ materially from originally estimated amounts. For more information about the considerations in establishing the allowance for loan losses and our loan policies and procedures for addressing credit risk, please refer to the disclosures in this Item under the heading “Risk Management – Credit Risk and Allowance for Loan Losses.” Loans purchased in acquisitions or mergers with evidence of credit deterioration since origination are accounted for under ASC 310-30, “Loans and Debt Securities Acquired with Deteriorated Credit Quality” (“ASC 310-30”). ASC 310-30 prohibits the carryover of an allowance for loan losses for loans purchased in which the acquirer concludes that it will not collect the contractual amount. As a result, these loans are carried at values which represent management's estimate of the future cash flows of these loans. Increases in expected cash flows to be collected from the contractual cash flows are required to be recognized as an adjustment of the loan's yield over its remaining life, while decreases in expected cash flows are required to be recognized as an impairment. A more detailed discussion of loans accounted for under ASC 310-30, which were acquired in connection with our mergers, including our acquisitions of Brand and Metropolitan, is set forth below under the heading "Risk Management – Credit Risk and Allowance for Loan Losses" and in Note 5, "Purchased Loans" in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

Other-Than-Temporary-Impairment on Investment Securities

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

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

Intangible Assets

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

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

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

Benefit Plans and Stock Based Compensation

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

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

Business Combinations, Accounting for Purchased Loans

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

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

Mortgage Servicing Rights

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

Other Real Estate Owned

Other real estate owned ("OREO") consists of properties obtained through foreclosure or acceptance of a deed in lieu of foreclosure in satisfaction of a loan obligation. Other real estate owned is initially recorded at fair market value based on appraised value less selling costs, estimated as of the date acquired, with any loss recognized as a charge-off through the allowance for loan losses. Reductions in the carrying value subsequent to acquisition are charged to earnings. The fair value of OREO is derived primarily from independent appraisers. Our internal policies generally require OREO properties to be appraised every 12 months. Significant judgments and complex estimates are required in estimating the fair value of OREO, and the period of time within which such estimates can be considered current is significantly shortened during periods of market volatility. As a result, the net proceeds realized from sales transactions could differ significantly from appraisals, comparable sales, and other estimates used to determine the fair value of OREO.

Income Taxes

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

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

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

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

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

Financial Condition

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

Mergers and Acquisitions

Acquisition of Brand Group Holdings, Inc.

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

(in thousands)	September 1, 2018
Cash and cash equivalents	$193,436
Securities	71,246
Loans including loans held for sale	1,589,254
Premises and equipment	20,070
Intangible assets	349,416
Other assets	112,050
Total assets	$2,335,472
Deposits	$1,714,177
Borrowings	90,912
Other liabilities	55,930
Total liabilities	$1,861,019

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

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

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

Acquisition of Metropolitan BancGroup, Inc.

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

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

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

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

Assets

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

Investments

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

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

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

The overall decrease in the balance of our securities portfolio from 2016 to 2017 was a result of the Company's successful implementation of several strategic initiatives, collectively referred to as our "deleveraging strategy," to manage its consolidated assets below $10,000,000 at December 31, 2017 in order to delay the impact of the Durbin Amendment to the Dodd-Frank Act. Among other things, the Durbin Amendment imposes limitations on the amount of debit card interchange fees banking institutions with more than $10,000,000 in assets as of the end of a fiscal year can charge its customers. The deleveraging strategy involved the sale of certain investment securities and the shortening of the holding period of mortgage loans held for sale; the proceeds from these sales were used to reduce certain wholesale funding sources. Securities sold during the fourth quarter of 2017 pursuant to our deleveraging strategy had an aggregate carrying value of $446,880 on the dates of sale. The Company collected net proceeds of $446,971 which resulted in a net gain of $91 on the sales.

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

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

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

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

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

Loans

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

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

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

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

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

	2018	2017	2016	2015	2014
Commercial, financial, agricultural	14.27 %	13.64 %	11.57 %	11.76 %	12.12 %
Lease financing	0.68	0.71	0.75	0.64	0.25
Real estate – construction	8.15	8.31	8.91	6.61	5.32
Real estate – 1-4 family mortgage	30.78	30.76	30.28	32.06	31.00
Real estate – commercial mortgage	44.60	44.98	46.74	46.80	49.07
Installment loans to individuals	1.52	1.60	1.75	2.13	2.24
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Loan concentrations are considered to exist when there are amounts loaned to a number of borrowers engaged in similar activities that would cause them to be similarly impacted by economic or other conditions. At December 31, 2018, there were no concentrations of loans exceeding 10% of total loans other than loans disclosed in the table above.

Non purchased loans at December 31, 2018 were $6,389,712, compared to $5,588,556 at December 31, 2017 and $4,713,572 at December 31, 2016. Since 2016, the Company has experienced organic loan growth across all categories of loans with loans from our specialty commercial business lines, which consist of our asset-based lending, Small Business Administration lending, healthcare, factoring, and equipment lease financing banking groups, contributing $102,251 of the total increase in non purchased loans from December 31, 2017. Our specialty commercial business lines contributed $55,259 of the total increase in non purchased loans from December 31, 2016 to December 31, 2017.

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

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

	December 31, 2018		
	Non Purchased	Purchased	Total Loans
Commercial, financial, agricultural	$875,649	$420,263	$1,295,912
Lease financing	61,865	—	61,865
Real estate – construction:			
Residential	214,452	55,096	269,548
Commercial	421,067	50,053	471,120
Condominiums	—	—	—
Total real estate – construction	635,519	105,149	740,668
Real estate – 1-4 family mortgage:			
Primary	1,221,908	458,035	1,679,943
Home equity	452,248	157,245	609,493
Rental/investment	304,309	57,878	362,187
Land development	109,425	34,295	143,720
Total real estate – 1-4 family mortgage	2,087,890	707,453	2,795,343
Real estate – commercial mortgage:			
Owner-occupied	1,052,521	547,741	1,600,262
Non-owner occupied	1,446,353	826,506	2,272,859
Land development	129,491	48,897	178,388
Total real estate – commercial mortgage	2,628,365	1,423,144	4,051,509
Installment loans to individuals	100,424	37,408	137,832
Total loans, net of unearned income	$6,389,712	$2,693,417	$9,083,129

	December 31, 2017		
	Non Purchased	Purchased	Total Loans
Commercial, financial, agricultural	$763,823	$275,570	$1,039,393
Lease financing	54,013	—	54,013
Real estate – construction:			
Residential	178,400	25,041	203,441
Commercial	361,345	55,734	417,079
Condominiums	7,913	4,956	12,869
Total real estate – construction	547,658	85,731	633,389
Real estate – 1-4 family mortgage:			
Primary	924,468	403,637	1,328,105
Home equity	445,149	116,990	562,139
Rental/investment	281,662	72,590	354,252
Land development	78,255	20,970	99,225
Total real estate – 1-4 family mortgage	1,729,534	614,187	2,343,721
Real estate – commercial mortgage:			
Owner-occupied	938,444	436,011	1,374,455
Non-owner occupied	1,319,453	554,239	1,873,692
Land development	132,179	47,204	179,383
Total real estate – commercial mortgage	2,390,076	1,037,454	3,427,530
Installment loans to individuals	103,452	18,824	122,276
Total loans, net of unearned income	$5,588,556	$2,031,766	$7,620,322

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

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

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

Loans Held for Sale

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

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

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

Deposits

Noninterest-Bearing Deposits to Total Deposits

2018	2017	2016
22.89%	23.23%	22.12%

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

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

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

Borrowed Funds

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

December 31, 2016. In connection with the Company's aforementioned deleveraging strategy implemented during the fourth quarter of 2017, the Company used the proceeds from the sale of investment securities and the shortening of the holding period of mortgage loans held for sale to pay down short-term borrowings from the FHLB.
At December 31, 2018, long-term debt totaled $263,618 compared to $207,546 at December 31, 2017 and $202,459 at December 31, 2016. Funds are borrowed from the FHLB primarily to match-fund against certain loans, negating interest rate exposure when rates rise. Such match-funded loans are typically large, fixed rate commercial or real estate loans with long-term maturities. Long-term FHLB advances were $6,690, $7,493 and $8,542 at December 31, 2018, December 31, 2017 and December 31, 2016, respectively. At December 31, 2018, there were $1,759 in long-term FHLB advances outstanding scheduled to mature within twelve months or less. The Company had $3,301,543 of availability on unused lines of credit with the FHLB at December 31, 2018 compared to $2,670,141 at December 31, 2017 and $2,633,543 at December 31, 2016. The average cost of our long-term FHLB advances was 3.29%, 3.40% and 4.02% for 2018, 2017, and 2016, respectively.
The Company owns the outstanding common securities of business trusts that issued corporation-obligated mandatorily redeemable preferred capital securities to third-party investors. The trusts used the proceeds from the issuance of their preferred capital securities and common securities (collectively referred to as “capital securities”) to buy floating rate junior subordinated debentures issued by the Company (or by companies that the Company subsequently acquired). The debentures are the trusts’ only assets and interest payments from the debentures finance the distributions paid on the capital securities. The Company’s junior subordinated debentures totaled $109,636 at December 31, 2018 compared to $85,881 at December 31, 2017 and $95,643 at December 31, 2016. The Company assumed $23,198 of junior subordinated debentures as a result of the acquisition of Brand. During the first quarter of 2017, the Company prepaid $10,310 of junior subordinated debentures and incurred a prepayment penalty of $205.
During 2016, the Company completed an underwritten public offering and sale of $60,000 of its 5.00% fixed-to-floating rate subordinated notes due September 1, 2026, and $40,000 of its 5.50% fixed-to-floating rate subordinated notes due September 1, 2031. As part of the Brand acquisition, the Company assumed $30,000 of 8.50% fixed rate subordinated notes due June 27, 2024, and as part of the Metropolitan acquisition, the Company assumed $15,000 of 6.50% fixed-to-floating rate subordinated notes due July 1, 2026 (collectively, the “Notes”). The Notes, net of unamortized debt issuance costs, totaled $147,239 at December 31, 2018 compared to $114,074 at December 31, 2017 and $98,127 at December 31, 2016. The Company has used, and intends to continue to use, the net proceeds from the Notes offerings for general corporate purposes, which may include providing capital to support the Company's growth organically or through strategic acquisitions, repaying indebtedness and financing investments and capital expenditures, and for investments in the Bank as regulatory capital. The Notes qualify as Tier 2 capital under the current regulatory guidelines.
For more information about the terms and conditions of the Company’s junior subordinated debentures and Notes, see Note 13, “Long-Term Debt,” in the Notes to the Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data in this report.

Results of Operations

Net Income

Net income for the year ended December 31, 2018 was $146,920 compared to net income of $92,188 for the year ended December 31, 2017 and $90,930 for the year ended December 31, 2016. Basic earnings per share for the year ended December 31, 2018 was $2.80 as compared to $1.97 and $2.18 for the years ended December 31, 2017 and 2016, respectively. Diluted earnings per share for the year ended December 31, 2018 was $2.79 as compared to $1.96 and $2.17 for each of the years ended December 31, 2017 and 2016, respectively.
The Company incurred expenses and charges in connection with certain transactions with respect to which management is unable to accurately predict when these expenses or charges will be incurred or, when incurred, the amount of such charges. The following table presents the impact of these charges on reported earnings per share for the periods presented:

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

Net Interest Income

Net interest income, the difference between interest earned on assets and the cost of interest-bearing liabilities, is the largest component of our net income, comprising 73.65% of total net revenue in 2018. Total net revenue consists of net interest income on a fully taxable equivalent basis and noninterest income. The primary concerns in managing net interest income are the volume, mix and repricing of assets and liabilities.

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

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

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

Percentage of Total	Yield