

2019



ANNUAL REPORT

2019

YEAR AT A GLANCE

Diluted Earnings per Share

2019	\$2.88
2018	\$2.79
2017*	\$2.27
2016	\$2.17
2015	\$1.88

Net Income in Thousands

2019	\$167,596
2018	\$146,920
2017*	\$106,674
2016	\$90,930
2015	\$68,014

Dividends per Share

2019	\$0.87
2018	\$0.80
2017	\$0.73
2016	\$0.71
2015	\$0.68

Return on Tangible Equity*

2019	15.36%
2018	15.98%
2017*	13.62%
2016	15.28%
2015	14.50%

Assets in Millions

2019	\$13,400.6
2018	\$12,934.9
2017	\$9,830.0
2016	\$8,699.9
2015	\$7,926.5

* For 2017, excludes the one-time impact from the Tax Cuts and Jobs Act. Please refer to "Non-GAAP Financial Measures" in the attached Annual Report on Form 10-K for a reconciliation of Return on Tangible Equity to Return on Average Equity in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Diluted Earnings per Share	Net Income	Return on Tangible Equity
As reported	\$1.96	\$92,188	11.84%
Revaluation of net deferred tax assets	0.31	14,486	1.78
Adjusted	\$2.27	\$106,674	13.62%



C. Mitchell Waycaster
President & Chief Executive Officer

E. Robinson McGraw
Executive Chairman

DEAR RESPECTED SHAREHOLDER:

We are pleased to report to you that by adhering to our vision, mission and core values, Renasant Corporation produced net income of \$168 million, or diluted earnings per share of \$2.88 – which represents the highest earnings in our Company’s history. Our management team was committed to our vision – to be the financial services advisor and provider of choice in each community that we serve – and they successfully executed a growth strategy that targeted all lines of business across all of the markets we serve.

Our mission and our core values focus on our commitment to each of our stakeholders – our clients, our shareholders, our employees and our communities. We once again found success by delivering premier products

and services to our clients through understanding and then meeting their banking and financial services needs. We made significant investments in new production talent throughout our footprint in 2019, an investment that we think will positively impact our results in 2020 and beyond, and we continued to enhance a multitude of client product offerings and services.

We maintained solid performance ratios during 2019 and prudently managed our capital structure to provide value to our shareholders. During the year, we increased our annual dividend, completed our previously announced \$50 million stock repurchase program and commenced another \$50 million stock repurchase program in October. In total, we purchased over \$62.9 million of our common stock over the course of the year.

We continue to focus on community development and corporate social responsibility. Our Renasant Roots Community Empowerment Program supports our volunteerism efforts throughout our communities, and our Rise with Renasant women’s professional leadership program, which we launched in 2019, promotes professional development for our female teammates as well as female entrepreneurs and young women in our communities with an interest in banking.

Staying true to our vision, mission and core values for more than 115 years has been the foundation of our success which continues to move us forward.



UNDERSTANDING CULTURE

We believe our corporate culture is the catalyst for our success. We establish our culture through our Vision, Mission and Core Values:

OUR VISION

To be the financial services advisor and provider of choice in each community we serve.

OUR MISSION

To provide quality financial services and advice by:

- Understanding, then meeting the needs of our clients
- Providing optimal return to our shareholders
- Creating security and opportunity for our employees
- Being good citizens in our communities

OUR CORE VALUES

- Our employees are our primary asset.
- We are dependent on and responsible to each other, and we will at all times work together as a team.
- Quality is not negotiable.
- We will have leaders in our company who not only possess a vision of our future, but who can also inspire others to achieve it.
- Two-way communication at all levels is essential.
- Our clients' trust is foremost. We will always attempt to understand what our clients need before offering a solution. We will deal with them fairly, honestly and confidentially.
- We will always nurture a professional environment where respect for the individual is of utmost importance.
- Our company will be a challenging, enthusiastic and fun place to work.
- Our employees, shareholders and directors will be advocates for our company.

GIVING BACK

Part of being a mission, vision and value-driven organization involves giving back to the communities we serve. During 2019 we completed more than 3,674 community engagements throughout our five-state footprint, totaling more than 8,250 hours of intentional service participation. Our Renasant team members gave back in myriad ways in 2019, from teaching financial literacy and home ownership skills to providing grants to support community empowerment opportunities to enrich the lives of those whom we serve.

We understand the communities in which we live, work and play are the foundations for our success, and we are proud to give back and engage in each community we serve.



Tracey Morant Adams speaks to students about making smart money decisions.



During 2019 we completed more than **3,674** community engagements throughout our five-state footprint, totaling more than **8,250** hours of intentional service participation.



More than 10,000 students took the Renasant Savings Pledge at our Renasant Financial Literacy Games.

ENHANCING THE BANKING EXPERIENCE

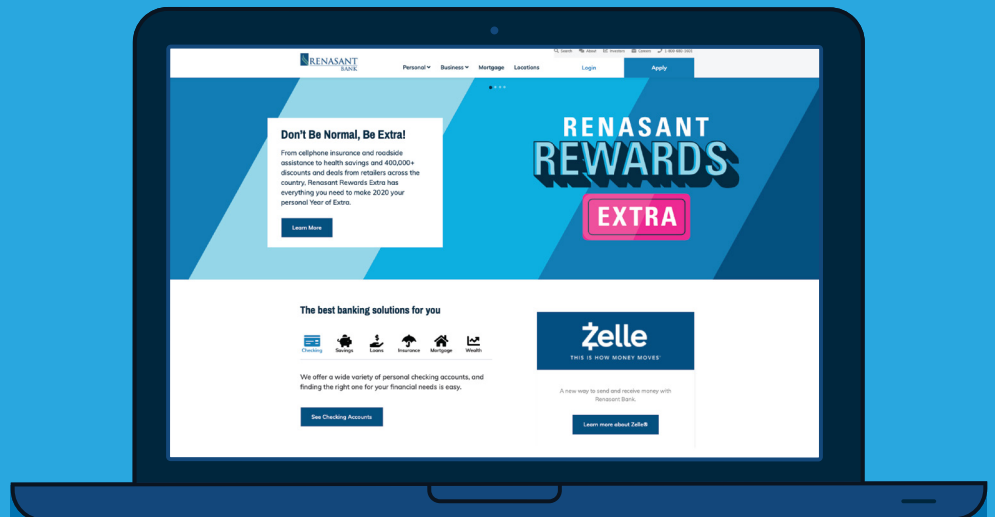
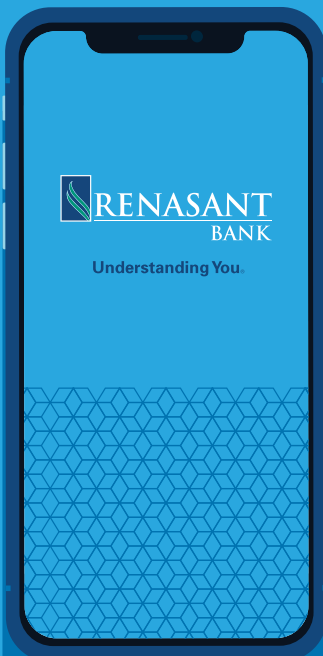
Our dedicated approach to serving our communities is mirrored by our continual efforts to better serve our clients and empower them with the banking technology they expect. We strive to implement new technologies that make our clients' financial services experience with us more convenient and efficient.

During 2019, we enhanced many of our banking technology solutions.

Among other things, we:

- overhauled our online account opening process, reducing account opening times to 5 minutes or less on average
- redesigned our bank website for easier usability and experiential performance
- increased awareness of the availability of our person-to-person payment platform, processing nearly \$21 million in Zelle® transactions
- added the ability to apply online for a small business loan
- enhanced our process to guide our clients to the right products for their individual needs
- improved online payment platforms, giving our clients easier means of making their payments and transferring funds
- upgraded our onboarding process to reduce friction during the new account opening process
- added 20 interactive teller machines (ITMs), which provide online, face-to-face interaction with our talented team of associates to better serve our clients' banking needs

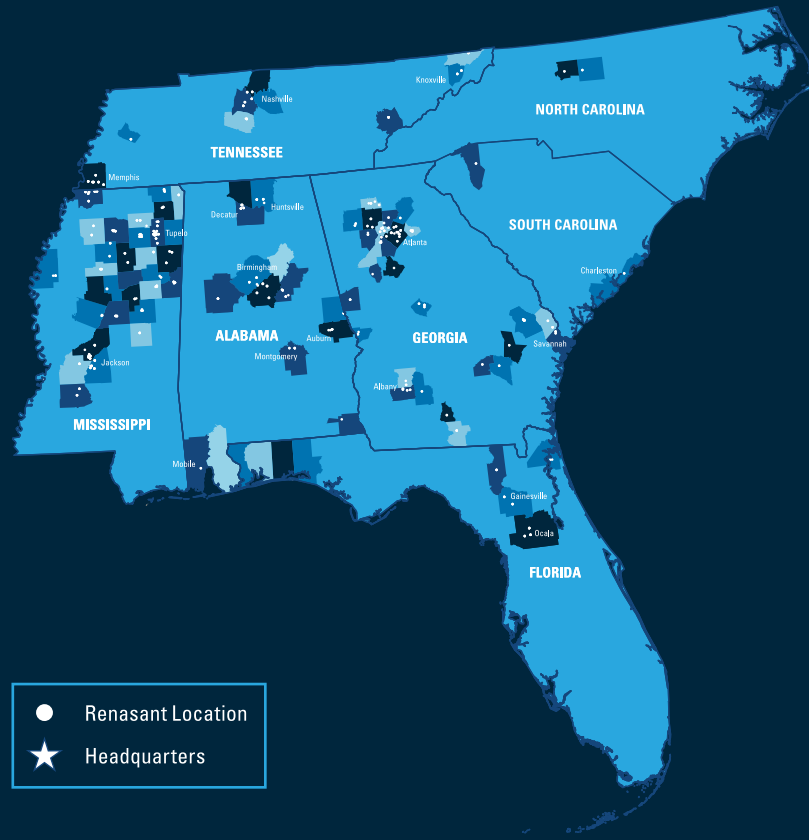
As we move into 2020, we will continue to proactively seek innovative partners and add products and services that make everyday banking for both business and consumer clients more efficient.



MARKET PERFORMANCE

With a diverse network of branches across Alabama, Florida, Georgia, Mississippi and Tennessee, as well as insurance services in Mississippi and wealth management offices in Mississippi, Alabama, Tennessee and Georgia, we operate a community bank model but offer the products and services of a much larger financial services institution. Through this model we build deep relationships with our clients while also providing the banking technology and efficiencies they need for us to be their financial services provider of choice.

During 2019, we expanded our presence along the Gulf Coast, where we opened locations in Fairhope, Alabama and Pensacola and Destin, Florida, as well as mortgage offices in Mobile, Alabama and Santa Rosa Beach, Florida. We also invested in several of our growth markets by opening new locations in Huntsville, Alabama, Macon and Port Wentworth, Georgia and Franklin and Knoxville, Tennessee. In total, we have more than 200 locations across the Southeast to service the needs of our clients.



- Renasant Location
- ★ Headquarters

As of December 31, 2019 (in Millions)		
Region	Loans	Deposits
Western Region (Mississippi)	\$ 2,251	\$ 3,879
Central Region (Alabama, Florida panhandle)	1,702	1,201
Eastern Region (Georgia, East Florida)	3,772	3,702
Northern Region (Tennessee)	1,965	1,431
Total	\$ 9,690	\$ 10,213

Renasant Bank locations in Buckhead (below, left) and Macon, Georgia (below, right).



FINANCIAL RESULTS

Our net income for 2019 increased 14.07% to \$167.6 million, as compared to \$146.9 million for 2018. The following table presents our profitability metrics for the year ending December 31, 2019, both including and excluding the impact of after-tax merger and conversion expenses, debt prepayment penalties and a mortgage servicing rights valuation adjustment, as applicable:

Net interest income is the largest component of our net income. Our net interest income increased nearly 12% to \$443.7 million during 2019, as compared to \$396.5 million during 2018. Our loan growth in 2019 was the largest contributing factor to the increase in net interest income year-over-year.

Mortgage banking income for the year ended December 31, 2019, was \$57.9 million, as compared to \$50.1 million for the same period in 2018. Mortgage banking income in 2019 was negatively impacted by a mortgage servicing rights (MSR) valuation adjustment of \$1.8 million. Excluding the MSR valuation adjustment, mortgage banking income grew more than 19%

	As Reported	With Exclusions ¹
Return on Average Assets	1.30%	1.31%
Return on Average Tangible Assets (Non-GAAP) ¹	1.46%	1.48%
Return on Average Equity	7.95%	8.03%
Return on Average Tangible Equity (Non-GAAP) ¹	15.36%	15.51%

¹Return on average tangible assets and return on average tangible equity, and all of these metrics with exclusions, are non-GAAP financial measures. For a reconciliation of these measures from GAAP to non-GAAP, please refer to the information under the heading "Non-GAAP Financial Measures" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in our Annual Report on Form 10-K for the year ended December 31, 2019, to which this letter is attached.

Total loans held for investment were \$9.69 billion at December 31, 2019, as compared to \$9.08 billion at December 31, 2018, representing annual net loan growth of 5.46% after excluding the \$110.1 million balance of a portfolio of non-mortgage consumer loans, which was transferred from our held for sale portfolio during the year. Excluding purchased loans of \$2.10 billion, loans grew 18.75% to \$7.59 billion at December 31, 2019, as compared to \$6.39 billion at December 31, 2018.

Total deposits increased to \$10.21 billion at December 31, 2019, from \$10.13 billion at December 31, 2018, with noninterest-bearing deposits growing \$233.1 million from the previous year, which represents our largest-ever annual growth in noninterest-bearing deposits. Noninterest-bearing deposits averaged \$2.46 billion, or 24.19% of average deposits, for 2019, compared to \$2.04 billion, or 22.83% of average deposits, for 2018.

The Federal Reserve reduced the federal funds target rate on three separate occasions during 2019. These rate cuts (which impact the interest we earn on variable rate loans as well as our deposit prices), coupled with intense competition within our markets, drove a decrease in our net interest margin of 8 basis points to 4.08% in 2019 from 4.16% in 2018. To lessen the impact of interest rate changes, we attempt to obtain the highest rate on our loans the competitive environment allows, while at the same time focusing on growing stable, low-cost deposits to fund our lending activity.

Noninterest income for the year ended December 31, 2019, was \$153.3 million, as compared to \$144.0 million for the same period in 2018. While the acquisition of Brand Group Holdings, Inc. ("Brand") in 2018 boosted the growth of our noninterest income, our mortgage banking operations also had a successful year.

year-over-year. Bolstered by the addition of our new production team members and low interest rates throughout 2019, our mortgage division funded over \$2.4 billion in mortgage loans held for sale during 2019, as compared to \$1.8 billion in 2018.

Effective July 1, 2019, we became subject to the limitations on interchange fees imposed by the Durbin Amendment under the Dodd-Frank Act, which resulted in an approximately \$6.0 million reduction in fees and commissions on loans and deposits during the second half of 2019.

Noninterest expense for the year ended December 31, 2019, was \$374.2 million, as compared to \$345.0 million for the same period in 2018. The increase year-over-year is primarily attributable to the additional expenses associated with the acquisition of Brand's operations, as well as an increase in salaries and benefits expense related to our investment in production talent during the year,

which has amplified our long-term growth goals. Although the expense related to these investments had an immediate impact on our noninterest expense in 2019, we expect loan growth generated by our new teammates to enhance our revenue growth and profitability in 2020 and beyond.

CREDIT QUALITY

Our credit quality remains strong as all relevant metrics are at or near historic lows. Even as we have grown our loan portfolio and expanded into new types of lending, we remain committed to discipline in our pricing decisions and underwriting standards. To that end, during 2019 we added tremendous talent to our already strong credit team to support our new production team members.

CAPITAL RATIOS

At December 31, 2019, our Tier 1 leverage capital ratio was 10.37%, Common Equity Tier 1 capital ratio was 11.12%, Tier 1 risk-based capital ratio was 12.14%, and total risk-based capital ratio was 13.78%. All regulatory ratios exceed the minimums required to be considered “well-capitalized.”

2020 AND BEYOND

After closing out another year with record earnings, we are excited about our trajectory for 2020. By focusing on growth and profitability — without relaxing our commitment to sound credit quality — we remain confident in our ability to maintain our high-level performance in the face of increased competition and global and national economic uncertainty.

The returns on our investments in new production talent during 2019 have yet to be fully realized, and we expect to

enjoy robust loan growth in 2020 and beyond. Our teams are also diligently focused on growing noninterest bearing deposits and other low cost funding sources to support this growth.

We believe these activities, along with our investment in technology, talent and locations, have us well positioned for success in the coming years.

On behalf of Renasant Corporation, we again thank you for your investment in our company, and we look forward to the year ahead as we continue to provide long term value for you, our respected shareholder.



C. Mitchell Waycaster
President & Chief Executive Officer



E. Robinson McGraw
Executive Chairman

WE'RE ALL **||NI||**

In September 2019, we partnered with Major League Soccer's newest franchise, the Nashville Soccer Club (NSC), as its jersey sponsor and official bank. NSC and Renasant share very similar cultures both organizationally and as community-minded leaders, which makes this partnership a great fit. Nashville is one of the nation's most attractive markets for both business and sports, and this partnership is a tremendous opportunity to enhance our brand throughout the Southeast and United States.

We look forward to a successful partnership as Nashville kicks off its inaugural season!



As part of our Official Bank partnership with Nashville SC, Renasant offers exclusive NSC debit cards for our consumer checking accounts.

RENASANT CONVENTION CENTER

In November 2019, we announced a partnership with the City of Memphis to rename the Memphis Cook Convention Center the Renasant Convention Center. We are very excited to show our commitment to being a strong partner with the City of Memphis through our Renasant Convention Center naming rights agreement.

While putting our name on the convention center is a tremendous regional identification move for our company, this is much deeper than just naming rights. We look forward to being an involved and active partner with the city and region through both community and economic development as well as banking and lending services.



With the convention center's marquee position along the Memphis riverfront, the naming rights partnership provides Renasant with bold visibility on the city's skyline and numerous touch points that will connect its brand with the greater Memphis community. Currently undergoing a top-to-bottom \$200 million renovation, the Renasant Convention Center is expected to be fully reopened in Fall 2020.

2019

FINANCIAL HIGHLIGHTS

Net Interest Income in Thousands

2019	\$443,657
2018	\$396,525
2017	\$336,897
2016	\$300,991
2015	\$241,358

Noninterest Income in Thousands

2019	\$153,254
2018	\$143,961
2017	\$132,140
2016	\$137,415
2015	\$108,270

Loans in Millions

2019	\$9,689.6
2018	\$9,083.1
2017	\$7,620.3
2016	\$6,202.7
2015	\$5,413.5

Deposits in Millions

2019	\$10,213.2
2018	\$10,128.6
2017	\$7,921.1
2016	\$7,059.1
2015	\$6,218.6

Book Value per Share

2019	\$37.39
2018	\$34.91
2017	\$30.72
2016	\$27.81
2015	\$25.73

Net Charge-Offs to Average Loans

2019	0.04%
2018	0.05%
2017	0.06%
2016	0.12%
2015	0.10%

**RENASANT CORPORATION
& RENASANT BANK
BOARD OF DIRECTORS**

Gary D. Butler, PhD.*

Chairman &
Chief Executive Officer
Camgian Microsystems
Starkville, Mississippi

Kevin D. Chapman*

Chief Operating Officer &
Chief Financial Officer
Renasant Corporation
& Renasant Bank
Tupelo, Mississippi

Donald Clark, Jr.

Attorney
Butler Snow, LLP
Ridgeland, Mississippi

John M. Creekmore

General Counsel
United Furniture Industries, Inc.
Verona, Mississippi

Albert J. Dale, III

President
Dale, Inc.
Nashville, Tennessee

Jill V. Deer

Chief Administrative Officer
Brasfield & Gorrie, LLC
Birmingham, Alabama

Marshall H. Dickerson

Retired
Former Business Owner
Booneville, Mississippi

Connie L. Engel

Partner
Childress Klein Properties, Inc.
Atlanta, Georgia

John T. (Tom) Foy

Retired
Former President &
Chief Operating Officer
Furniture Brands
International
Tupelo, Mississippi

R. Rick Hart

Retired
Former Chairman, Tennessee Region
Renasant Bank
Nashville, Tennessee

Richard L. Heyer, Jr., M.D.

Physician
Tupelo Anesthesia Group, P.A.
Tupelo, Mississippi

Neal A. Holland, Jr.

Chairman & CEO
Alliance Sand & Aggregates, LLC
President & CEO
Holland Company, Inc.
Decatur, Alabama

E. Robinson McGraw

Executive Chairman
Renasant Corporation
& Renasant Bank
Tupelo, Mississippi

Bartow Morgan, Jr.*

Georgia Chairman
Renasant Corporation
& Renasant Bank
Atlanta, Georgia

Fred F. Sharpe*

Owner
U-Save-It Pharmacy, Inc.
Albany, Georgia

Michael D. Shmerling

Chairman
Choice Food Group, Inc.
Nashville, Tennessee
Chairman
Clearbrook Holdings Corp.
Nashville, Tennessee

Sean M. Suggs

President
Toyota Motor
Manufacturing Mississippi
Blue Springs, Mississippi

C. Mitchell Waycaster

President &
Chief Executive Officer
Renasant Corporation
& Renasant Bank
Tupelo, Mississippi

* Renasant Bank board only

**RENASANT
CORPORATION
OFFICERS**

E. Robinson McGraw

Executive Chairman

C. Mitchell Waycaster

President &
Chief Executive Officer

Kevin D. Chapman

Chief Operating Officer & Chief
Financial Officer

Mark W. Jeanfreau

Executive Vice President
& Secretary

Tracey Morant Adams

Executive Vice President

J. Scott Cochran

Executive Vice President

Stephen M. Corban

Executive Vice President &
Assistant Secretary

James W. Gray

Executive Vice President

Stuart R. Johnson

Executive Vice President

David L. Meredith

Executive Vice President

Bartow Morgan, Jr.

Executive Vice President

Curtis J. Perry

Executive Vice President

W. Mark Williams

Executive Vice President

Mary John Witt

Executive Vice President

Karen S. Dixon

Assistant Secretary

Melissa G. Kennedy

Assistant Secretary

Charlotte M. Young

Assistant Vice President

**RENASANT
DIRECTORS EMERITUS**

Frank B. Brooks

President
Yalobusha Gin Company, Inc.
Water Valley, Mississippi

Hollis C. Cheek

President
J.C. Cheek Contractors, Inc.
Kosciusko, Mississippi

Eugene B. Gifford, Jr.

Attorney
Gifford and Tennison
Booneville, Mississippi

Jack C. Johnson

President &
Chief Executive Officer
Germantown
Homebuilder, Inc.
Germantown, Tennessee

Robert C. Leake

Chairman of the Board
Emeritus
Vice President
Leake and Goodlett, Inc.
Tupelo, Mississippi

Theodore S. Moll

Chairman
MTD Products, Inc.
Tupelo, Mississippi

Hugh S. Potts, Jr.

Retired
Former Chairman & CEO
First M&F Corporation
Kosciusko, Mississippi

John W. Smith

Retired
Former President &
Chief Executive Officer
Renasant Corporation
& Renasant Bank
Tupelo, Mississippi

H. Joe Trulove

Real Estate & Investments
West Point, Mississippi

J. Heywood Washburn

Self-Employed
Investor
Tupelo, Mississippi

J. Larry Young

Retired Pharmacist
Former Partner
Ramsey-Young Pharmacy
Pontotoc, Mississippi

**RENASANT BANK
SENIOR CORPORATE STAFF**

E. Robinson McGraw
Executive Chairman

C. Mitchell Waycaster
President &
Chief Executive Officer

Kevin D. Chapman
Chief Operating Officer &
Chief Financial Officer

J. Scott Cochran
Chief Community &
Business Banking Officer

Mark W. Jeanfreau
General Counsel

Bartow Morgan, Jr.
Georgia Chairman

Curtis J. Perry
Chief Corporate Banking Officer

Tracey Morant Adams
Chief Community Development
and Corporate Social
Responsibility Officer

Stephen M. Corban
Senior Legal Advisor

Gregory L. Goldberg
Co-Chief Credit Officer

James W. Gray
Chief Revenue Officer

Stuart R. Johnson
Senior Executive Vice President

David L. Meredith
Co-Chief Credit Officer

W. Mark Williams
Chief Banking Systems Officer

Mary John Witt
Chief Risk Officer

Richard A. Fairey
Chief Banking Administrative Officer

David F. Mays
President, Renasant Mortgage

W. Hall "Rocky" Miskelly
President, Wealth Management
& Insurance

H. Ray Smith
Human Resources Director

**RENASANT
CORPORATION
RENASANT BANK**

209 Troy Street
Tupelo, MS 38804-4827
Telephone: (800) 680-1601
Facsimile: (662) 680-1234
www.renasant.com
www.renasantbank.com

ANNUAL MEETING

Renasant Corporation's
Annual Meeting of
Shareholders will be
held at 1:30 p.m., CDT,
Tuesday, April 28, 2020, at
corporate headquarters,
209 Troy Street,
Tupelo, Mississippi.

FINANCIAL INFORMATION

Analysts and investors
seeking financial information
about Renasant Corporation
may contact Kevin Chapman.

STOCK TRANSFER AGENT

Broadridge Corporate
Issuer Solutions
P.O. Box 1342
Brentwood, NY 11717

STOCK LISTING

Renasant Corporation's
common stock is traded
on the NASDAQ Global
Select Market under the
symbol RNST.

**INDEPENDENT
AUDITORS**

Horne LLP
1020 Highland Colony Pkwy.
Suite 400
Ridgeland, MS 39157

**FINANCIAL
PUBLICATIONS**

Additional copies of
Renasant's Annual Report,
Form 10-K and other
corporate publications are
available on request
through www.prars.com or
www.renasant.com, or by
contacting John Oxford,
director of marketing.

FORWARD-LOOKING STATEMENT

This summary annual report may contain forward-looking statements regarding Renasant Corporation as defined by the federal securities laws. Statements preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "estimates," "plans," "may increase," "may fluctuate," "will likely result," and similar expressions, or future or conditional verbs such as "will," "should," "would," and "could," are generally forward-looking in nature and not historical facts. All forward-looking statements involve risk and uncertainty, and actual results could differ from the anticipated results or other expectations expressed in the forward-looking statements, and such differences could be material. A discussion of factors that could cause actual results to differ materially from those expressed in the forward-looking statements is included in Renasant Corporation's filings with the United States Securities and Exchange Commission. Renasant Corporation expressly disclaims any obligation to update any forward-looking statements, all of which are expressly qualified by the statements above.

FORM 10-K



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, 2019

Commission file number 001-13253

RENASANT CORPORATION
(Exact name of registrant as specified in its charter)

Mississippi
(State or other jurisdiction of
incorporation or organization)

64-0676974
(I.R.S. Employer
Identification No.)

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

38804-4827
(Zip Code)

(662) 680-1001

(Registrant's telephone number, including area code)

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

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

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

Indicate by check mark 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>

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

As of June 30, 2019, 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 \$2,019,319,054.

As of February 21, 2020, 56,562,634 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 2020 Annual Meeting of Shareholders of Renasant Corporation are incorporated by reference into Part III of this Form 10-K.

Renasant Corporation and Subsidiaries

Form 10-K

For the Year Ended December 31, 2019

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PART I

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

Important factors currently known to management that could cause actual results to differ materially from those in forward-looking statements include the following risks (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;
- 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 from, competitors;
- changes in laws and regulations as well as changes in accounting standards, such as the adoption of the CECL model described herein effective January 1, 2020;
- 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.

All forward-looking statements, expressed or implied, included in this report are expressly qualified in their entirety by the

cautionary statements contained or referred to herein. 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, except as required by federal securities laws.

The information set forth in this Annual Report on Form 10-K is as of February 21, 2020 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 sometimes 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:

- | | |
|------------------------------------|--|
| — return on average assets | — net interest margin and spread |
| — the efficiency ratio | — fee income shown as a percentage of loans and deposits |
| — loan and deposit growth | — the volume and pricing of deposits |
| — net 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. Our core 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: (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 the 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, including 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 \$328.6 million of goodwill and \$27.5 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 businesses of all sizes. As described in more detail below, these services include business and personal loans, interim construction loans, specialty commercial lending, treasury management services and checking and savings accounts, as well as safe deposit boxes and night depository facilities. Automated teller machines are located throughout our market area, and we have interactive teller machines in many of our urban markets. Our Online and Mobile Banking products and our call center also provide 24-hour banking services.

As of December 31, 2019, we had over 200 banking, insurance and wealth management offices located throughout our markets in Mississippi, Tennessee, Alabama, Florida and Georgia. Customers can also open deposit accounts and apply for certain types of loans through our Online and Mobile Banking Products.

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 69.50%, 68.52% and 66.16% of our total gross revenues in 2019, 2018 and 2017, 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 needs. 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 credit risk of each type of loan and the steps we take to reduce such 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 “C&I loans”), which accounted for approximately 14.12% of our total loans at December 31, 2019, 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 C&I 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 C&I loan are the local business borrower’s ability to sell its products/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 or other market that the business serves. 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 C&I 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 C&I loan credit scoring models for smaller size 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 29.58% of our total loans at December 31, 2019, 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 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 43.81% of our total loans at December 31, 2019. 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 8.53% of our total loans at December 31, 2019. 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 3.12% of our total loans at December 31, 2019, 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 0.84% of our total loans at December 31, 2019, 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 C&I 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 involves 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 corporate debt and pooled trust preferred securities. At December 31, 2019, 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 5.41%, 5.38% and 6.48% of our total gross revenues in 2019, 2018 and 2017, 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 treasury 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.

Fees generated through the deposit services we offer accounted for approximately 7.78%, 9.52% and 10.57% of our total gross revenues in 2019, 2018 and 2017, respectively. 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 2019, the Wealth Management segment contributed total revenue of \$17.4 million, or 2.47%, 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 2019, Renasant Insurance contributed total revenue of \$10.8 million, or 1.54%, of the Company's total gross revenues and operated ten offices throughout north and north central 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 and the provision of other financial services (such as treasury management) 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 products and services 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, larger technology and marketing budgets and a broader offering of financial services.

For 2019, 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 the remainder of the markets in which we operate. The following table shows our deposit share in those markets as of June 30, 2019 (which is the latest date that such information is available):

Market	Available Deposits (in billions)	Deposit Share
Mississippi		
Tupelo	\$ 2.3	44.1%
DeSoto County	2.8	14.2%
Oxford	1.3	8.6%
Columbus	1.0	9.2%
Starkville	1.1	32.9%
Jackson	12.6	4.5%
Tennessee		
Memphis	25.9	3.2%
Nashville	51.0	1.0%
Maryville	2.1	3.4%
Alabama		
Birmingham	40.0	0.7%
Decatur	1.9	17.0%
Huntsville/Madison	7.4	1.5%
Montgomery	6.9	1.1%
Tuscaloosa	3.5	1.4%
Florida		
Columbia	1.0	2.5%
Gainesville	4.7	2.2%
Ocala	6.4	2.3%
Georgia		
Alpharetta/Roswell	9.3	2.0%
Canton/Woodstock	3.4	5.0%
Cartersville/Cumming	4.3	4.3%
Gwinnett County	17.2	8.2%
Lowndes County	2.0	3.1%

Source: FDIC, as of June 30, 2019

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 “DBCFC”), as the chartering entity of the bank, and by the FDIC, as the insurer of the Bank’s deposits. As a result of this extensive system of supervision and regulation, the growth and earnings performance of the Company and the Bank are affected not only by management decisions and general and local economic conditions, but also by the statutes, rules, regulations

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

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

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

Supervision and Regulation of Renasant Corporation

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

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

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

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

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.

Status as a Public Company. As a publicly-traded company, we are also subject to laws, rules and regulations, as well as the standards of self-regulatory organizations, relating to corporate governance, financial reporting and public disclosure, and auditor independence, including the Sarbanes-Oxley Act of 2002, the Dodd-Frank Act, SEC rules and regulations and Nasdaq listing rules. We incur significant expense, and devote substantial management time and attention, to complying with these laws, regulations and standards, which are subject to varying interpretations, amendment or outright repeal. We are committed to maintaining high standards of corporate governance, financial reporting and public disclosure, and management continually monitors changes in laws, rules and regulations, as well as best practices, in this area to ensure that we fulfill this commitment.

Supervision and Regulation of Renasant Bank

General. As a Mississippi-chartered bank, the Bank is subject to the regulation and supervision of the DBCF. 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 required, 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. As we have assets in excess of \$10 billion, 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.

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 federal and Mississippi law, the Bank may establish additional branch offices within Mississippi, subject to the approval of the DBCF, and the Bank 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, the Bank 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. Accordingly, our ability to pay dividends depends upon the Bank's earnings and financial condition, as well as upon general economic conditions and other factors, and 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.

Current Expected Credit Loss Treatment. In June 2016, the Financial Accounting Standards Board (“FASB”) issued an accounting standard update, “*Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*” (“Topic 326”), which replaces the current “incurred loss” model for recognizing credit losses with an “expected loss” model referred to as the CECL model. The new CECL standard is effective for us for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years. Under the CECL model, we are required to present certain financial assets carried at amortized cost, such as loans held for investment and held-to-maturity debt securities, at the net amount expected to be collected. The measurement of expected credit losses is based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. On December 21, 2018, the federal banking agencies approved a final rule modifying their regulatory capital rules and providing an option to phase in over a period of three years the day-one regulatory capital effects of the CECL model. The final rule also revises the agencies’ other rules to reflect the update to the accounting standards.

As of January 1, 2020, on account of the implementation of the CECL model, we recognized a one-time cumulative-effect adjustment to our allowance for loan losses (which will be referred to as the “allowance for credit losses” in future periods), consistent with regulatory expectations set forth in interagency guidance issued at the end of 2016. We incurred transition costs and also expect to incur ongoing costs in maintaining the CECL models and methodology along with acquiring forecasts used within the models. The impact at adoption is expected to have an after-tax impact of approximately \$31 million to \$40 million decrease in the opening stockholders’ equity balance.

In October 2019, the federal banking agencies issued a request for comment on a proposed interagency policy statement on the new CECL methodology. The policy statement proposes to harmonize the agencies’ policies on allowance for credit losses with the FASB’s new accounting standards. Specifically, the statement (1) updates concepts and practices from prior policy statements issued in December 2006 and July 2001 and specifies which prior guidance documents are no longer relevant; (2) describes the appropriate CECL methodology, in light of Topic 326, for determining Allowance for Credit Losses (“ACL”) on financial assets measured at amortized cost, net investments in leases, and certain off-balance sheet credit exposures; and (3) describes how to estimate an ACL for an impaired available-for-sale debt security in line with Topic 326. The proposed policy statement would be effective at the time that each institution adopts the new standards required by FASB.

See Note 1, “Summary of Significant Accounting Policies,” in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data, in this report for additional information on the impact of our adoption of the CECL model.

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.

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.

- *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. 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 Federal Reserve, the FDIC and the Office of the Comptroller of the Currency rules for calculating risk-weighted assets have been revised in recent years 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.

For example, residential mortgages are risk-weighted between 35% and 200%, depending on 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, while a 150% risk weight applies to

both certain high volatility commercial real estate acquisition, development and construction loans as well as non-residential mortgage loans 90 days past due or on nonaccrual status (in both cases, as opposed to the former 100% risk weight). Also, “hybrid” capital items like trust preferred securities no longer enjoy Tier 1 capital treatment, subject to various grandfathering and transition rules. We and the Bank meet all minimum capital requirements as currently in effect and our grandfathered trust preferred securities qualify for Tier 1 capital treatment.

For a detailed discussion of the Company’s capital ratios, see Note 23, “Regulatory Matters,” in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data, in this report.

- *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, the Bank became 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, 2019, our ADC loans represented 80.84% of our total capital, and our total CRE loans represented 251.84% of our total 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, 2019, 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.

The FDIC and the Office of the Comptroller of the Currency recently proposed substantial changes to the CRA rules and regulations; however, the Federal Reserve Board did not join in the proposed rulemaking, and at this time it is unclear what changes, if any, to the CRA rules and regulations will ultimately be effected. In addition, the U.S. Congress and all banking regulatory agencies have proposed changes to fair lending laws. We will continue to evaluate the impact of any changes to the regulations governing the CRA and fair lending and their impact to our financial condition, results of operations, and/or liquidity.

Financial and State 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. In addition to law and regulation at the federal level, a number of states - some of which we have loan or deposit customers in - have enacted broad statutes governing the use of an individual’s personal information. These statutes typically encompass a broader scope of personal information than the financial information covered by federal privacy laws and regulations, and the statutes generally place more stringent restrictions on the ability of a third party to disclose, share or otherwise use an individual’s personal information than exist under federal law and regulations. Many of these states’ privacy laws and regulations impose severe penalties for violations.

The Bank has adopted a privacy policy and implemented procedures governing the use and disclosure of personal financial information for both customers and non-customers. We believe our policy and procedures currently comply with all applicable laws and regulations, and we continually monitor federal and state laws, as well as changes in the nature and scope of our operations, so that any necessary changes in our privacy policy and procedures can be enacted in a timely manner.

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. Additional information about our funding sources can be found under the heading "Liquidity and Capital Resources" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in this report.

Personnel

At December 31, 2019, we employed 2,527 people throughout all of our segments on a full-time equivalent basis. Of this total, the Bank accounted for 2,461 employees (inclusive of employees in our Community Banks and Wealth Management segments), and Renasant Insurance employed 66 individuals. The Company has no additional employees; however, at December 31, 2019, 18 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, in this report.

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, 2019, 2018 and 2017:

	2019			2018			2017		
	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:									
Non purchased ⁽¹⁾	\$ 6,784,132	\$337,672	4.98%	\$ 6,019,177	\$286,643	4.76%	\$5,060,496	\$226,524	4.48%
Purchased	2,384,423	149,568	6.27%	2,162,410	132,199	6.11%	1,795,306	114,043	6.35%
Total Loans	9,168,555	487,240	5.31%	8,181,587	418,842	5.12%	6,855,802	340,567	4.97%
Loans held for sale	358,735	18,171	5.07%	270,270	12,892	4.77%	174,369	7,469	4.28%
Securities:									
Taxable ⁽²⁾	1,051,124	29,786	2.83%	844,692	23,713	2.81%	746,557	17,408	2.33%
Tax-exempt	193,252	7,821	4.05%	217,190	9,232	4.25%	329,430	15,838	4.81%
Total securities	1,244,376	37,607	3.02%	1,061,882	32,945	3.10%	1,075,987	33,246	3.09%
Interest-bearing balances with banks	256,374	5,891	2.30%	148,677	3,076	2.07%	195,072	2,314	1.19%
Total interest-earning assets	11,028,040	548,909	4.98%	9,662,416	467,755	4.84%	8,301,230	383,596	4.62%
Cash and due from banks	179,991			163,286			140,742		
Intangible assets	976,065			747,008			565,507		
Other assets	691,890			531,857			501,829		
Total assets	<u>\$12,875,986</u>			<u>\$11,104,567</u>			<u>\$9,509,308</u>		
Liabilities and shareholders’ equity									
Interest-bearing liabilities:									
Deposits:									
Interest-bearing demand ⁽³⁾	\$ 4,754,201	\$ 40,991	0.86%	\$ 4,246,585	\$ 23,678	0.56%	\$3,609,567	\$ 9,559	0.26%
Savings deposits	647,271	1,258	0.19%	596,990	868	0.15%	567,723	394	0.07%
Time deposits	2,320,775	39,746	1.71%	2,040,675	25,214	1.24%	1,715,828	14,667	0.85%
Total interest-bearing deposits	7,722,247	81,995	1.06%	6,884,250	49,760	0.72%	5,893,118	24,620	0.42%
Borrowed funds	405,975	16,928	4.17%	388,077	15,569	4.01%	419,070	13,233	3.16%
Total interest-bearing liabilities	8,128,222	98,923	1.22%	7,272,327	65,329	0.90%	6,312,188	37,853	0.60%
Noninterest-bearing deposits	2,463,436			2,036,754			1,724,834		
Other liabilities	176,496			94,152			91,336		
Shareholders’ equity	2,107,832			1,701,334			1,380,950		
Total liabilities and shareholders’ equity	<u>\$12,875,986</u>			<u>\$11,104,567</u>			<u>\$9,509,308</u>		
Net interest income/ net interest margin		<u>\$449,986</u>	4.08%		<u>\$402,426</u>	4.16%		<u>\$345,743</u>	4.16%

(1) Shown net of unearned income.

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

(3) 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.

	2019 Compared to 2018			2018 Compared to 2017		
	Volume	Rate	Net	Volume	Rate	Net
Interest income:						
Loans:						
Not purchased	\$ 37,643	\$ 13,386	\$ 51,029	\$ 44,963	\$ 15,156	\$ 60,119
Purchased	13,855	3,514	17,369	22,200	(4,044)	18,156
Loans held for sale	4,068	1,211	5,279	4,916	507	5,423
Securities:						
Taxable	5,848	225	6,073	2,471	3,834	6,305
Tax-exempt	(984)	(427)	(1,411)	(4,929)	(1,677)	(6,606)
Interest-bearing balances with banks	2,442	373	2,815	(358)	1,120	762
Total interest-earning assets	62,872	18,282	81,154	69,263	14,896	84,159
Interest expense:						
Interest-bearing demand deposits	3,108	14,205	17,313	1,944	12,175	14,119
Savings deposits	78	312	390	21	453	474
Time deposits	3,811	10,721	14,532	3,145	7,402	10,547
Borrowed funds	733	626	1,359	(879)	3,215	2,336
Total interest-bearing liabilities	7,730	25,864	33,594	4,231	23,245	27,476
Change in net interest income	<u>\$ 55,142</u>	<u>\$ (7,582)</u>	<u>\$ 47,560</u>	<u>\$ 65,032</u>	<u>\$ (8,349)</u>	<u>\$ 56,683</u>

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, 2019. Information regarding the carrying value of the investment securities listed below as of December 31, 2019, 2018 and 2017 is contained under the heading “Financial Condition – Investments” in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, in this report.

	<u>Amount</u>	<u>Yield</u>
Available for Sale:		
U.S. Treasury securities		
Maturing within one year	\$ 498	1.99%
Obligations of other U.S. Government agencies and corporations		
Maturing within one year	1,507	3.02%
Maturing after one year through five years	1,011	2.67%
Obligations of states and political subdivisions		
Maturing within one year	15,126	4.65%
Maturing after one year through five years	28,958	3.32%
Maturing after five years through ten years	66,393	3.82%
Maturing after ten years	107,885	3.07%
Trust preferred securities		
Maturing after ten years	12,153	2.49%
Other debt securities - corporate debt		
Maturing after one year through five years	1,000	5.05%
Maturing after five years through ten years	12,500	4.70%
Residential mortgage backed securities not due at a single maturity date:		
Government agency MBS	708,970	2.77%
Government agency CMO	172,178	2.57%
Commercial mortgage backed securities not due at a single maturity date:		
Government agency MBS	30,372	3.37%
Government agency CMO	76,456	3.03%
Other debt securities not due at a single maturity date	41,864	3.58%
	<u>\$ 1,276,871</u>	<u>3.02%</u>

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, 2019, 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	\$ 894,878	\$ 384,639	\$ 88,455	\$ 1,367,972
Lease financing	2,642	57,034	22,199	81,875
Real estate – construction	620,218	119,419	86,846	826,483
Real estate – 1-4 family mortgage	953,760	707,433	1,205,420	2,866,613
Real estate – commercial mortgage	1,365,120	2,161,485	717,660	4,244,265
Installment loans to individuals	43,938	87,070	171,422	302,430
	<u>\$ 3,880,556</u>	<u>\$ 3,517,080</u>	<u>\$ 2,292,002</u>	<u>\$ 9,689,638</u>

The following table sets forth the fixed and variable rate loans maturing or scheduled to reprice after one year as of December 31, 2019:

	Interest Sensitivity	
	Fixed Rate	Variable Rate
Due after one year through five years	\$ 2,861,800	\$ 655,280
Due after five years	1,371,575	920,427
	<u>\$ 4,233,375</u>	<u>\$ 1,575,707</u>

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, 2019:

	Certificates of Deposit	Other
Three Months or Less	\$ 211,975	\$ 8,315
Over Three through Six Months	180,492	2,341
Over Six through Twelve Months	398,976	16,285
Over 12 Months	448,685	21,504
	<u>\$ 1,240,128</u>	<u>\$ 48,445</u>

ITEM 1A. RISK FACTORS

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

Risks Related To Our Business and Industry

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

General business and economic conditions in the United States and abroad can materially affect our business and operations. A weak U.S. economy is likely to cause uncertainty about the federal fiscal policymaking process, the medium and long-term fiscal outlook of the federal government and future tax rates. In addition, economic and other conditions in foreign countries could affect the stability of global financial markets, which could hinder U.S. economic growth. As an example, the recent outbreak of a novel coronavirus in Wuhan, China has resulted in the extended shutdown of certain businesses in the region. Depending on future developments (including the extent of the virus's spread and the measures, such as quarantines and travel restrictions, taken to contain such spread), may adversely affect economic conditions in the United States generally and our markets in particular.

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 C&I 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, 2019, approximately 66.45% of our loan portfolio consisted of C&I, 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 C&I, 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 C&I, construction and commercial real estate loan portfolios are discussed in more detail under the heading "Operations – Operations of Community Banks" in Item 1, Business, in this report.

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

At December 31, 2019, approximately 81.92% 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 most 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, 2019, we had approximately \$4.8 billion in commercial real estate loans, representing approximately 49.26% of our loans outstanding on that date, as follows:

<i>(thousands)</i>	December 31, 2019
	Commercial Real Estate
Owner-occupied	\$ 1,637,281
Non-owner occupied	2,450,895
Construction	528,504
Land Development:	
Commercial mortgage	156,089
Total Commercial real estate loans	<u>\$ 4,772,769</u>

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.

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 2008-2009 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, in this report.

FASB has recently issued an accounting standard update that will result in a significant change in how we recognize credit losses and may have a material impact on our financial condition or results of operations.

In June 2016, FASB issued an accounting standard update, “*Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*” (“Topic 326”) which replaces the current “incurred loss” model for recognizing credit losses with an “expected loss” model referred to as the CECL model. The new CECL standard is effective for us for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years. Under the CECL model, we are required to present certain financial assets carried at amortized cost, such as loans held for investment and held-to-maturity debt securities, at the net amount expected to be collected. The measurement of expected credit losses is to be based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This measurement will take place at the time the financial asset is first added to the balance sheet and periodically thereafter. This differs significantly from the “incurred loss” model required under GAAP for periods ending on or before December 31, 2019, which delays recognition until it is probable a loss has been incurred. The CECL model may create more volatility in the level of our allowance for loan losses.

As of January 1, 2020, upon the effectiveness of the CECL model, we recognized a one-time cumulative-effect adjustment to our allowance for loan losses (which will be referred to the “allowance for credit losses” in future periods), consistent with regulatory expectations set forth in interagency guidance issued at the end of 2016. We incurred transition costs and also expect to incur ongoing costs in maintaining the CECL models and methodology along with acquiring forecasts used within the models. We also anticipate that the methodology will result in increased capital costs. The impact at adoption is expected to have an after-tax impact of approximately \$31 million to \$40 million decrease in the opening stockholders' equity balance.

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. The rising rate environment over the last several years, where the Federal Reserve has increased the federal funds target rate by 25 basis points on eight separate occasions since December 2016, changed during 2019 as the Federal Reserve decreased the federal funds target rate by 25 basis points on three separate occasions. 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 in this report.

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

The planned phasing out of LIBOR as a financial benchmark presents risks to the financial instruments originated or held by the Company. LIBOR is the reference rate used for many of our transactions, including a substantial portion of our variable rate loans as well as our borrowing and purchase and sale of securities; in addition, the derivatives that we use to manage risk related to the foregoing transactions are tied to LIBOR. However, a reduced volume of interbank unsecured term borrowing coupled with recent legal and regulatory proceedings related to rate manipulation by certain financial institutions has led to international reconsideration of LIBOR as a financial benchmark. The United Kingdom Financial Conduct Authority (“FCA”), which regulates the process for establishing LIBOR, announced in July 2017 that the sustainability of LIBOR cannot be guaranteed. Accordingly, the FCA intends to stop persuading, or compelling, banks to submit to LIBOR after 2021. Until such time, however, FCA panel banks have agreed to continue to support LIBOR.

It is not clear at this time how LIBOR will be determined for purposes of financial instruments that are currently referencing LIBOR if and when it ceases to exist. If LIBOR is discontinued after 2021 as expected, there may be uncertainty or differences in the calculation of the applicable interest rate or payment amount depending on the terms of the governing instruments. Such discontinuation may cause us to incur significant expense in amending these governing instruments and otherwise effecting the transition to a new reference rate. Discontinuation also may increase operational and other risks to the Company and the industry.

While there is no consensus on what rate or rates may become accepted alternatives to LIBOR, a steering committee comprised of large U.S. financial institutions, the Alternative Reference Rate Committee, or ARRC, selected the Secured Overnight Finance Rate (“SOFR”) as an alternative to LIBOR. SOFR has been published by the Federal Reserve Bank of New York (“FRBNY”) since May 2018, and it is intended to be a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities. ARRC has proposed a paced market transition plan to SOFR from LIBOR and organizations are currently considering industry wide and company-specific transition plans as it relates to derivatives and cash markets exposed to LIBOR.

The Company has not yet decided if it will adopt SOFR or another rate as the reference rate for its lending or borrowing transactions, and there can be no assurances that, regardless of the Company’s decision, SOFR will be widely adopted as the replacement reference rate for LIBOR. In addition, because SOFR is published by the FRBNY based on data received from other sources, we have no control over its determination, calculation or publication. Finally, there can be no assurance that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the parties that utilize SOFR as the reference rate for transactions.

The market transition away from LIBOR to an alternative reference rate, including SOFR, is complex and could have a range of adverse effects on our business, financial condition, and results of operations. In particular, any such transition could:

- adversely affect the interest rates paid or received on, and the revenue and expenses associated with, our floating rate obligations, loans, deposits, derivatives and other financial instruments tied to LIBOR rates, or other securities or financial arrangements given LIBOR's role in determining market interest rates globally;
- adversely affect the value of the our floating rate obligations, loans, deposits, derivatives and other financial instruments tied to LIBOR rates, or other securities or financial arrangements given LIBOR's role in determining market interest rates globally;
- result in disputes, litigation or other actions with counterparties regarding the interpretation and enforceability of certain fallback language in LIBOR-based securities; and
- require the transition to or development of appropriate systems and analytics to effectively transition our risk management processes from LIBOR-based products to those based on the applicable alternative pricing benchmark.

Finally, the implementation of LIBOR reform proposals may result in increased compliance costs and operational costs, including costs related to continued participation in LIBOR and the transition to a replacement reference rate or rates. We cannot reasonably estimate the expected cost.

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 and reliably 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 and mobile 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, identity theft, electronic fraudulent activity and attempted theft of financial assets. These threats are very sophisticated and constantly evolving. In addition, our systems are threatened by unpredictable events such as power outages or tornadoes or other natural disasters.

We have invested a significant amount of time and expense, in security infrastructure investments and the development of policies and procedures governing our operations as well as employee training, 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 have built redundancy into our systems, and we have located equipment at facilities that have been hardened to withstand natural disasters and have back-up power generating capacity. In addition, we require our third party service providers to be similarly diligent in protecting their own systems from such existing and new threats, and a critical factor in our selection of an external service provider is the results of our evaluation of its business continuity planning. 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, lasting 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 and mitigate these risks. However, all risk management frameworks are inherently limited, for a number of reasons. First, we may not have identified all material risks affecting our operations. Next, our current procedures may not anticipate future development of currently unanticipated or unknown risks. Also, we may have underestimated the impact of known risks or overestimated the effectiveness of the policies and procedures we have implemented to mitigate these 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.

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 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 branches in new markets, 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 in addition to other smaller acquisitions. 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.

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 acquisitions.

The success of our acquisitions 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:

- deposit attrition, customer loss and revenue loss;
- the loss of key employees;
- the disruption of our operations and business;
- our inability to maintain and increase competitive presence;
- possible inconsistencies in standards, control procedures and policies; and/or
- unexpected 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, the attention and effort devoted to the integration of an acquired business may divert management's attention from other important issues and could harm our business.

We may face risks with respect to future acquisitions.

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

- the time and costs associated with identifying and evaluating potential acquisition and merger targets;
- 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, in this report 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, the benefits of larger scale when making investments in new technology 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. We are also subject to state laws regulating the privacy of individual's private information, many of which are more restrictive, and have more severe sanctions for noncompliance, than the GLB Act. 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 regulatory or governmental investigations and/or fines, sanctions and other expenses which could have a material adverse effect on our financial condition and results of operations.

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 23, “Regulatory Matters,” in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data, in this report 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 November 2018, the DIF reached the minimum reserve ratio of 1.35% required under the Dodd-Frank Act, which resulted in the discontinuance of the assessment surcharges that had been charged to banks, with greater than \$10 billion in assets like the Bank. However, under the Dodd-Frank Act, if the reserve ratio falls or is projected within 6 months to fall below 1.35%, or 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, in this report, 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 CFPB 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 has reduced our noninterest income. These additional expenses 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 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. We have discussed the risks associated with our implementation of the CECL model. 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.

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.

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 21, 2020, the average daily trading volume for Renasant common stock was 203,727 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 our 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 our debt, pay our 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 22, “Restrictions on Cash, Securities, Bank Dividends, Loans or Advances,” in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data, in this report 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. 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 acquisition). 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 21, 2020, there were 150,000,000 shares of our common stock authorized, of which 56,562,634 shares were outstanding.

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, 2019, Renasant operated 160 full-service branches, 12 limited-service branches and ATM and Interactive Teller Machine (ITM) networks, which includes 180 at on-premise locations and 30 located at off-premise sites. Our Community Banks and Wealth Management segments operate out of all of these offices.

The Bank also operates 22 locations used exclusively for mortgage banking, three locations used exclusively for loan production and two locations used exclusively for investment services.

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

We own or lease our facilities and believe all of our properties are in good condition to meet our business needs. 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 2019.

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 21, 2020, the Company had approximately 4,455 shareholders of record and the closing sales price of the Company's common stock was \$31.95.

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 Purchased ⁽¹⁾	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Share Repurchase Plans	Maximum Number of Shares or Approximate Dollar Value That May Yet Be Purchased Under Share Repurchase Plans ⁽²⁾
October 1, 2019 to October 31, 2019	206,251	\$ 34.75	206,251	\$ 44,125
November 1, 2019 to November 31, 2019	117,168	35.33	116,916	39,994
December 1, 2019 to December 31, 2019	283,925	35.48	281,910	29,994
Total	607,344	\$ 35.20	605,077	

- (1) The Company announced a \$50.0 million stock repurchase program on October 24, 2018, under which the Company was authorized to repurchase outstanding shares of its common stock either in open market purchases or privately-negotiated transactions. The stock repurchase program was completed during the first week of October 2019, with a total of 37,151 shares repurchased in October 2019. The Company also announced a new \$50.0 million stock repurchase program in October 2019. During the fourth quarter of 2019, the Company repurchased 567,926 shares under the new program. The program will remain in effect until the earlier of October 2020 or the repurchase of the entire amount of common stock authorized to be repurchased by the Board of Directors.

Share amounts in this column also include shares of Renasant common stock withheld to satisfy federal and state tax liabilities related to the vesting of time-based restricted stock awards and to satisfy the exercise price and tax liabilities related to the exercise of stock options during the three month period ended December 31, 2019. A total of 2,267 shares were withheld for such purposes in November and December 2019; no shares were withheld for tax purposes in October 2019.

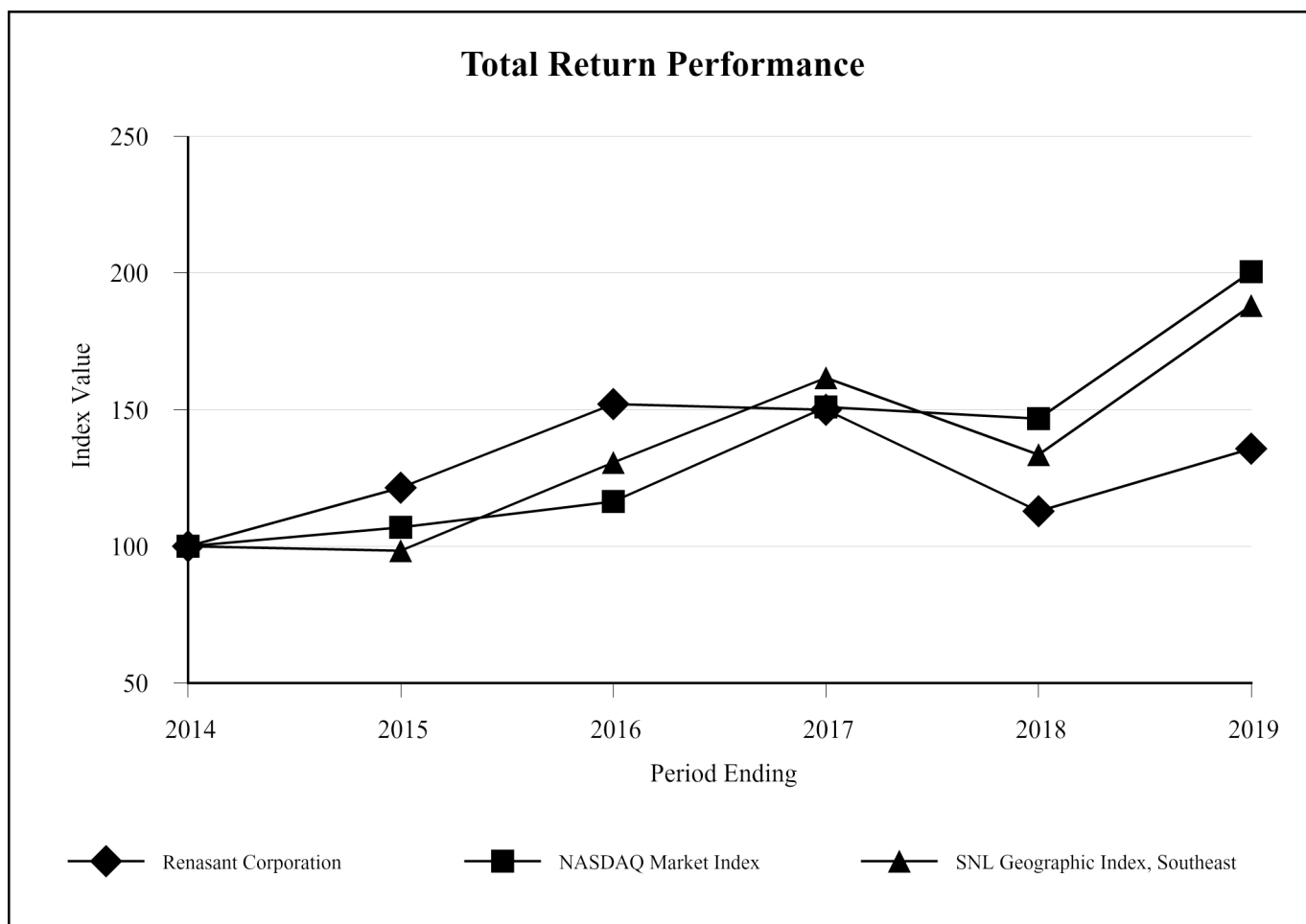
- (2) Dollars in thousands

Unregistered Sales of Equity Securities

The Company did not sell any unregistered equity securities during 2019.

Stock Performance Graph

The following performance graph, obtained from S&P Global Market Intelligence, 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, 2014, and that all dividends were reinvested.



	Period Ending December 31,					
	2014	2015	2016	2017	2018	2019
Renasant Corporation	\$ 100.00	\$ 121.49	\$ 152.06	\$ 149.91	\$ 112.85	\$ 135.70
NASDAQ Market Index	100.00	106.96	116.45	150.96	146.67	200.49
SNL Geographic Index, Southeast ⁽¹⁾	100.00	98.44	130.68	161.65	133.56	188.08

(1) The SNL Geographic Index, Southeast, is a peer group of 70 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,	2019	2018	2017	2016	2015
Interest income	\$ 542,580	\$ 461,854	\$ 374,750	\$ 329,138	\$ 263,023
Interest expense	98,923	65,329	37,853	28,147	21,665
Net interest income	443,657	396,525	336,897	300,991	241,358
Provision for loan losses	7,050	6,810	7,550	7,530	4,750
Noninterest income	153,254	143,961	132,140	137,415	108,270
Noninterest expense	374,174	345,029	301,618	295,099	245,114
Income before income taxes	215,687	188,647	159,869	135,777	99,764
Income taxes	48,091	41,727	67,681	44,847	31,750
Net income	<u>\$ 167,596</u>	<u>\$ 146,920</u>	<u>\$ 92,188</u>	<u>\$ 90,930</u>	<u>\$ 68,014</u>
Per Common Share					
Net income – Basic	\$ 2.89	\$ 2.80	\$ 1.97	\$ 2.18	\$ 1.89
Net income – Diluted	2.88	2.79	1.96	2.17	1.88
Book value at December 31	37.39	34.91	30.72	27.81	25.73
Closing price ⁽²⁾	35.42	30.18	40.89	42.22	34.41
Cash dividends declared and paid	0.87	0.80	0.73	0.71	0.68
Dividend payout	30.21%	37.24%	37.24%	32.72%	36.17%
At December 31,					
Assets	\$13,400,618	\$12,934,878	\$ 9,829,981	\$ 8,699,851	\$ 7,926,496
Loans, net of unearned income	9,689,638	9,083,129	7,620,322	6,202,709	5,413,462
Securities	1,290,613	1,250,777	671,488	1,030,530	1,105,205
Deposits	10,213,168	10,128,557	7,921,075	7,059,137	6,218,602
Borrowings	865,598	651,324	297,360	312,135	570,496
Shareholders' equity	2,125,689	2,043,913	1,514,983	1,232,883	1,036,818
Selected Ratios					
Return on average:					
Total assets	1.30%	1.32%	0.97%	1.08%	0.99%
Shareholders' equity	7.95%	8.64%	6.68%	8.15%	7.76%
Average shareholders' equity to average assets	16.37%	15.32%	14.52%	13.26%	12.76%
At December 31,					
Shareholders' equity to assets	15.86%	15.80%	15.41%	14.17%	13.08%
Allowance for loan losses to total loans, net of unearned income ⁽³⁾	0.69%	0.77%	0.83%	0.91%	1.11%
Allowance for loan losses to nonperforming loans ⁽³⁾	208.92%	379.96%	348.37%	320.08%	283.46%
Nonperforming loans to total loans, net of unearned income ⁽³⁾	0.33%	0.20%	0.24%	0.28%	0.39%

(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 acquisition, 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 Metropolitan acquisition, 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 for the year ended December 31, 2018, filed with the SEC on February 27, 2019. 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)

The following discussion and analysis of our financial condition and results of operations should be read together with the cautionary language regarding forward-looking statements at the beginning of Part I of this Annual Report on Form 10-K and our consolidated financial statements and related notes included under Part II, Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K, as well as Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the year ended December 31, 2018, which provides a discussion of 2017 items and year-to-year comparisons between 2018 and 2017 that are not included in this Annual Report on Form 10-K.

Performance Overview

Net income was \$167,596 for 2019 compared to \$146,920 for 2018. Basic and diluted earnings per share ("EPS") were \$2.89 and \$2.88, respectively, for 2019 compared to \$2.80 and \$2.79, respectively, for 2018. At December 31, 2019, total assets increased to \$13,400,618 from \$12,934,878 at December 31, 2018. The comparability of our financial condition and results of operations from 2018 to 2019 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, the Company acquired assets with a fair value of \$2,334,333 which included gross loans with a fair value of \$1,580,339, and assumed liabilities with a fair value of \$1,859,880, including deposits with a fair value of \$1,714,177. The acquisition expanded the Company's footprint in the greater Atlanta, Georgia metropolitan area.

Financial Highlights

- Net interest income increased 11.89% to \$443,657 for 2019 as compared to \$396,525 for 2018. The increase from 2018 to 2019 was due primarily to the increase in average earnings assets from the acquisition of Brand 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 Company capitalized on the rising rate environment over the last two years, ending in July 2019, by replacing maturing loans with new or renewed loans at similar or higher rates. These efforts helped offset the negative impact to our net interest income and net interest margin from not only rising costs of our deposits and borrowings as competition increased in response to the aforementioned rate environment but also the impact of loan yields as rates decreased in the latter half of 2019.
- Net charge-offs as a percentage of average loans decreased to 0.04% in 2019 compared to 0.05% in 2018. The provision for loan losses was \$7,050 for 2019 compared to \$6,810 for 2018.
- Noninterest income was \$153,254 for 2019 compared to \$143,961 for 2018. The growth in noninterest income is primarily attributable to the Brand acquisition and growth in our mortgage banking operations. Effective July 1, 2019, we became subject to the limitations on interchange fees imposed pursuant to §1075 of the Dodd-Frank Act (this provision, commonly referred to as the "Durbin Amendment," is discussed in more detail under the heading "Supervision and Regulation" in Item 1, Business, in this report). The Durbin Amendment limitations reduced interchange fees by approximately \$6,000 during the second half of 2019.
- Noninterest expense was \$374,174 and \$345,029 for 2019 and 2018, respectively. The increase in noninterest expense and its related components is primarily attributable to the Brand acquisition as well as increases in salaries and employee benefits as the Company engaged in above-average hiring of new production team members over the course of 2019 to support its long term growth strategy. The Company recorded merger expense related to its recent acquisitions of \$279 and \$14,246 in 2019 and 2018, respectively. Merger expense did not impact diluted EPS in 2019, but decreased it by \$0.21 in 2018.
- Loans, net of unearned income, were \$9,689,638 at December 31, 2019 compared to \$9,083,129 at December 31, 2018, which represents an increase of 6.68% from the previous year. Excluding purchased loans of \$2,101,664 and \$2,693,417 at December 31, 2019 and 2018, respectively, the portfolio increased by \$1,198,262, or 18.75%, from December 31, 2018.
- Deposits totaled \$10,213,168 at December 31, 2019 compared to \$10,128,557 at December 31, 2018. Noninterest bearing deposits averaged \$2,463,436, or 24.19% of average deposits, for 2019 compared to \$2,036,754, or 22.83% of average deposits, for 2018.

A historical look at key performance indicators is presented below.

	2019	2018	2017	2016	2015
Diluted EPS	\$ 2.88	\$ 2.79	\$ 1.96	\$ 2.17	\$ 1.88
Diluted EPS Growth	3.23%	42.35%	(9.68)%	15.43%	—%
Shareholders' equity to assets	15.86%	15.80%	15.41 %	14.17%	13.08%
Tangible shareholders' equity to tangible assets ⁽¹⁾	9.25%	8.92%	9.56 %	9.00%	7.54%
Return on Average Assets	1.30%	1.32%	0.97 %	1.08%	0.99%
Return on Average Tangible Assets ⁽¹⁾	1.46%	1.47%	1.08 %	1.20%	1.11%
Return on Average Shareholders' Equity	7.95%	8.64%	6.68 %	8.15%	7.76%
Return on Average Tangible Shareholders' Equity ⁽¹⁾	15.36%	15.98%	11.84 %	15.28%	14.50%

(1) These performance indicators are non-GAAP financial measures. A reconciliation of these financial measures from GAAP to non-GAAP as well as an explanation of why the Company provides these non-GAAP financial measures 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, in this report. The following discussion details the accounting policies governing 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 (“FASB”) Accounting Standards Codification Topic (“ASC”) 450, “Contingencies” (“ASC 450”), in our loan portfolio. Collective impairment is calculated based on loans grouped by grade. Another component of the allowance is losses on loans assessed as impaired under ASC 310, “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.”

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, and liabilities assumed are recorded at fair value and recognized separately from goodwill. For a purchased loan, no allowance for loan losses is recorded on the acquisition date because the fair value measurements incorporate assumptions regarding credit risk. This applies even to a purchased loan with evidence of credit deterioration since origination pursuant to ASC 310-30, “Loans and Debt Securities Acquired with Deteriorated Credit Quality” (“ASC 310-30”). Generally speaking, rather than carry over an allowance for loan losses, as part of the acquisition we establish a “Day 1 Fair Value” of a purchased loan or pools of purchased loans sharing common risk characteristics, which equals the outstanding balance of a purchased loan or pool on the acquisition date less any credit and/or yield discount applied against the purchased loan or pool of loans. In other words, these loans or pools of loans are carried at values which represent our estimate of their future cash flows. After the acquisition date, a purchased loan or pool of loans will either meet or exceed the performance expectations established in determining the Day 1 Fair Values or deteriorate from such expected performance. If the cash flows expected to be collected on a purchased loan or pool of loans decreases from expectations established in determining the Day 1 Fair Values or since our most recent review of such portfolio’s performance, then the decrease is recognized as an impairment, and the Company provides for such loan or pool in the provision for loan losses in its consolidated statement of income; ultimately,

the Company may partially or fully charge-off the carrying value thereof. If performance expectations are exceeded such that we increase our expectations of cash flows to be collected on the loan or pool, then the Company reverses any previous provision for such loan or pool and, if it continues to exceed expectations subsequent to the reversal of any previously-established provision, then we adjust the amount of accretable yield recognized on a prospective basis over the loan's or pool's remaining life, which has a positive impact on interest income.

Additional detail about our loans acquired in connection with our mergers, including our acquisition of Brand, 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, in this report.

Financial Condition

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

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 being the surviving banking corporation in the merger. The assets acquired and liabilities assumed, as presented in the table below, have been recorded at fair value.

	September 1, 2018
Cash and cash equivalents	\$ 193,436
Securities	71,122
Loans including loans held for sale	1,580,339
Premises and equipment	20,070
Intangible assets	356,171
Other assets	113,195
Total assets	\$ 2,334,333
Deposits	\$ 1,714,177
Borrowings	89,273
Other liabilities	56,430
Total liabilities	\$ 1,859,880

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:

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.

See Note 2, “Mergers and Acquisitions,” in the Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, in this report, for details regarding the Company’s recent mergers and acquisitions.

Assets

Total assets were \$13,400,618 at December 31, 2019 compared to \$12,934,878 at December 31, 2018. The acquisition of Brand increased total assets \$2,334,333 at September 1, 2018.

Investments

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

	2019		2018		2017	
	Balance	% of Portfolio	Balance	% of Portfolio	Balance	% of Portfolio
U.S. Treasury securities	\$ 499	0.04%	\$ —	—%	\$ —	—%
Obligations of other U.S. Government agencies and corporations	2,531	0.20	2,511	0.20	3,564	0.53
Obligations of states and political subdivisions	223,131	17.29	203,269	16.25	234,481	34.92
Mortgage backed securities	998,101	77.33	990,437	79.19	406,765	60.58
Trust preferred securities	9,986	0.77	10,633	0.85	9,388	1.40
Other debt securities	56,365	4.37	43,927	3.51	17,290	2.57
	<u>\$1,290,613</u>	<u>100.00%</u>	<u>\$1,250,777</u>	<u>100.00%</u>	<u>\$ 671,488</u>	<u>100.00%</u>

During 2019, we purchased \$492,018 in investment securities. Mortgage backed securities and collateralized mortgage obligations (“CMOs”), in the aggregate, comprised approximately 79% 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. Obligations of state and political subdivisions comprised approximately 17% of purchases made during 2019. 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 2019 totaled \$212,137, resulting in a net gain of \$348, while proceeds from maturities and calls of securities during 2019 totaled \$262,287, which were primarily reinvested in the securities portfolio.

The Company successfully implemented 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. 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. 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 CMOs, in the aggregate, comprised approximately 97% of the purchases. The carrying value of securities sold during 2018 totaled \$2,403 resulting in a net loss of \$16. Proceeds from maturities and calls of securities during 2018 totaled \$160,703, which were primarily reinvested in the securities portfolio. The Brand acquisition in 2018 contributed \$71,122 at the acquisition date to the securities portfolio.

At December 31, 2019, unrealized losses of \$4,878 were recorded on available for sale investment securities with a carrying value of \$364,723. At December 31, 2018, unrealized losses of \$18,269 were recorded on available for sale securities with a carrying value of \$822,506. 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, 2019 and 2018.

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 Held for Sale

Loans held for sale were \$318,272 at December 31, 2019 compared to \$411,427 at December 31, 2018. Included in the balance at December 31, 2018 is a portfolio of non-mortgage consumer loans of approximately \$191,578 acquired from Brand. In the third quarter of 2019, the Company reclassified this portfolio from loans held for sale to loans held for investment. At the time of transfer, the portfolio totaled approximately \$134,335. Aside from these loans, loans held for sale primarily consists of residential mortgage loans being held until they are sold on the secondary market.

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.

Loans

Loans, excluding loans held for sale, are the Company’s most significant earning asset, comprising 72.31% and 70.22% of total assets at December 31, 2019 and 2018, respectively. The table below sets forth the balance of loans outstanding by loan type at December 31:

	2019	2018	2017	2016	2015
Commercial, financial, agricultural	\$ 1,367,972	\$ 1,295,912	\$ 1,039,393	\$ 717,490	\$ 636,837
Lease financing	81,875	61,865	54,013	46,841	34,815
Real estate – construction	826,483	740,668	633,389	552,679	357,665
Real estate – 1-4 family mortgage	2,866,613	2,795,343	2,343,721	1,878,177	1,735,323
Real estate – commercial mortgage	4,244,265	4,051,509	3,427,530	2,898,895	2,533,729
Installment loans to individuals	302,430	137,832	122,276	108,627	115,093
Total loans, net of unearned income	<u>\$ 9,689,638</u>	<u>\$ 9,083,129</u>	<u>\$ 7,620,322</u>	<u>\$ 6,202,709</u>	<u>\$ 5,413,462</u>

The Brand acquisition on September 1, 2018 increased the loan portfolio by \$1,322,207 on the acquisition date.

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

	2019	2018	2017	2016	2015
Commercial, financial, agricultural	14.12%	14.27%	13.64%	11.57%	11.76%
Lease financing	0.84	0.68	0.71	0.75	0.64
Real estate – construction	8.53	8.15	8.31	8.91	6.61
Real estate – 1-4 family mortgage	29.58	30.78	30.76	30.28	32.06
Real estate – commercial mortgage	43.81	44.60	44.98	46.74	46.80
Installment loans to individuals	3.12	1.52	1.60	1.75	2.13
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

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, 2019, there were no concentrations of loans exceeding 10% of total loans other than loans disclosed in the table above.

In 2018 and 2019, the Company experienced organic loan growth across all categories of loans. 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, contributed \$173,295 of the total increase in loans from December 31, 2018.

Looking at the change in loans geographically, loans in our Western Region (which includes Mississippi), Eastern Region (which includes Georgia and east Florida) and Central Region (which includes Alabama and the Florida panhandle) markets increased

\$114,978, \$379,214 and \$142,999, respectively, when compared to December 31, 2018, while loans in our Northern Region (which includes Tennessee) decreased by \$30,682.

The following tables provide a breakdown of non purchased loans and purchased loans from previous acquisitions as of the dates presented:

	December 31, 2019		
	Non Purchased	Purchased	Total Loans
Commercial, financial, agricultural	\$ 1,052,353	\$ 315,619	\$ 1,367,972
Lease financing	81,875	—	81,875
Real estate – construction:			
Residential	272,643	16,407	289,050
Commercial	493,329	35,175	528,504
Condominiums	8,929	—	8,929
Total real estate – construction	<u>774,901</u>	<u>51,582</u>	<u>826,483</u>
Real estate – 1-4 family mortgage:			
Primary	1,449,219	332,729	1,781,948
Home equity	456,265	117,275	573,540
Rental/investment	291,931	43,169	335,100
Land development	152,711	23,314	176,025
Total real estate – 1-4 family mortgage	<u>2,350,126</u>	<u>516,487</u>	<u>2,866,613</u>
Real estate – commercial mortgage:			
Owner-occupied	1,209,204	428,077	1,637,281
Non-owner occupied	1,803,587	647,308	2,450,895
Land development	116,085	40,004	156,089
Total real estate – commercial mortgage	<u>3,128,876</u>	<u>1,115,389</u>	<u>4,244,265</u>
Installment loans to individuals	199,843	102,587	302,430
Total loans, net of unearned income	<u>\$ 7,587,974</u>	<u>\$ 2,101,664</u>	<u>\$ 9,689,638</u>

	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	<u>635,519</u>	<u>105,149</u>	<u>740,668</u>
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	<u>2,087,890</u>	<u>707,453</u>	<u>2,795,343</u>
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	<u>2,628,365</u>	<u>1,423,144</u>	<u>4,051,509</u>
Installment loans to individuals	100,424	37,408	137,832
Total loans, net of unearned income	<u>\$ 6,389,712</u>	<u>\$ 2,693,417</u>	<u>\$ 9,083,129</u>

Loans secured by real estate represented 81.92%, 83.53%, 84.05%, 85.93% and 85.47% of the Company's total loan portfolio at December 31, 2019, 2018, 2017, 2016 and 2015, 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:

	2019	2018	2017	2016	2015
Real estate – construction:					
Residential	\$ 289,050	\$ 269,548	\$ 203,441	\$ 216,311	\$ 168,615
Commercial	528,504	471,120	417,079	335,109	186,569
Condominiums	8,929	—	12,869	1,259	2,481
Total real estate – construction	826,483	740,668	633,389	552,679	357,665
Real estate – 1-4 family mortgage:					
Primary	1,781,948	1,679,943	1,328,105	1,029,399	1,031,909
Home equity	573,540	609,493	562,139	486,599	382,255
Rental/investment	335,100	362,187	354,252	282,154	251,966
Land development	176,025	143,720	99,225	80,025	69,193
Total real estate – 1-4 family mortgage	2,866,613	2,795,343	2,343,721	1,878,177	1,735,323
Real estate – commercial mortgage:					
Owner-occupied	1,637,281	1,600,262	1,374,455	1,212,265	1,082,554
Non-owner occupied	2,450,895	2,272,859	1,873,692	1,504,131	1,272,259
Land development	156,089	178,388	179,383	182,499	178,916
Total real estate – commercial mortgage	4,244,265	4,051,509	3,427,530	2,898,895	2,533,729
Total loans secured by real estate	\$ 7,937,361	\$ 7,587,520	\$ 6,404,640	\$ 5,329,751	\$ 4,626,717

Deposits

Noninterest-Bearing Deposits to Total Deposits	
2019	2018
24.99%	22.89%

The Company relies on deposits as its major source of funds. Total deposits were \$10,213,168 and \$10,128,557 at December 31, 2019 and 2018, respectively. Noninterest-bearing deposits were \$2,551,770 and \$2,318,706 at December 31, 2019 and 2018, respectively, while interest-bearing deposits were \$7,661,398 and \$7,809,851 at December 31, 2019 and 2018, respectively. The increase in noninterest-bearing deposits in 2019 was attributable to organic growth throughout our footprint, as discussed below, and highlights the emphasis the Company has placed on growing core deposits (that is, deposits other than time and public fund deposits). The acquisition of Brand 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.

Management continues to focus on growing and maintaining a stable source of funding, specifically noninterest-bearing deposits and other core deposits. Non-interest bearing deposits increased to 24.99% of total deposits at December 31, 2019, as compared to 22.89% of total deposits at December 31, 2018. Under certain circumstances, however, management may elect to acquire non-core deposits in the form of time deposits or public fund deposits (which are deposits of counties, municipalities or other political subdivisions). The source of funds that we select depends on the terms and how those terms assist us in mitigating interest rate risk, maintaining our liquidity position and managing our net interest margin. Accordingly, funds are acquired to meet anticipated funding needs at the rate and with other terms that, in management's view, best address our interest rate risk, liquidity and net interest margin parameters.

Public fund deposits may be readily obtained based on the Company's pricing bid in comparison with competitors. Since public fund deposits are obtained through a bid process, these deposit balances may fluctuate as competitive and market forces change. Although the Company has focused on growing stable sources of deposits to reduce reliance on public fund deposits, we participate in the bidding process for these deposits when pricing and other terms make it reasonable under the circumstances given market conditions or when management perceives that other factors, such as the public entity's use of our treasury management or other products and services, make such participation advisable. Our public fund transaction accounts are principally obtained from municipalities including school boards and utilities. Public fund deposits at December 31, 2019 were \$1,367,827 compared to \$1,271,139 at December 31, 2018.

Looking at the change in deposits geographically, deposits in our Western Region (which includes corporately managed deposits, such as brokered deposits), Eastern Region and Central Region markets increased \$11,121, \$85,695 and \$53,424, respectively, when compared to December 31, 2018, while deposits in our Northern Region markets decreased \$65,629.

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 \$489,091 of short-term borrowings on the balance sheet at December 31, 2019, consisting of security repurchase agreements of \$9,091 and short-term borrowings from the FHLB of \$480,000, compared to security repurchase agreements of \$7,706 and short-term borrowings from the FHLB of \$380,000 at December 31, 2018.

At December 31, 2019, long-term debt totaled \$376,507 compared to \$263,618 at December 31, 2018. Long-term FHLB borrowings are used to match-fund against large, fixed rate commercial or real estate loans with long-term maturities, which negates interest rate exposure when rates rise. This was our primary use of long-term FHLB borrowings in 2018 and the first three quarters of 2019; in the fourth quarter of 2019, as interest rates declined following the Federal Reserve's interest rate cuts, we used long-term FHLB borrowings as a source of liquidity in lieu of higher-costing deposits, which had not repriced as quickly following the interest rate cuts. Long-term FHLB advances were \$152,337 and \$6,690 December 31, 2019 and December 31, 2018, respectively. At December 31, 2019, there were \$4 in long-term FHLB advances outstanding scheduled to mature within twelve months or less. The Company had \$3,159,942 of availability on unused lines of credit with the FHLB at December 31, 2019 compared to \$3,301,543 at December 31, 2018. The weighted-average interest rates on outstanding advances at December 31, 2019 and 2018 were 1.53% and 3.28%, 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 \$110,215 at December 31, 2019 compared to \$109,636 at December 31, 2018. The Company assumed \$23,198 of junior subordinated debentures as a result of the acquisition of Brand.

The Company owns subordinated notes that, net of unamortized debt issuance costs, totaled \$113,955 at December 31, 2019 compared to \$147,239 at December 31, 2018. As part of the Brand acquisition, the Company assumed \$30,000 of 8.50% fixed rate subordinated notes. We redeemed these notes during the third quarter of 2019 due to the 8.50% fixed interest rate and the fact that their preferential capital treatment began to phase out in 2019. The Company has used the net proceeds from the subordinated notes offerings for general corporate purposes, including 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 subordinated 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 subordinated 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, 2019 was \$167,596 compared to net income of \$146,920 for the year ended December 31, 2018. Basic earnings per share for the year ended December 31, 2019 was \$2.89 as compared to \$2.80 for the year ended December 31, 2018. Diluted earnings per share for the year ended December 31, 2019 was \$2.88 as compared to \$2.79 for the year ended December 31, 2018.

In 2018 and 2019, 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 thereof. The following table presents the impact of these expenses and charges on reported earnings per share for the periods presented:

	Twelve Months Ended December 31,					
	2019			2018		
	Pre-tax	After-tax	Impact to Diluted EPS	Pre-tax	After-tax	Impact to Diluted EPS
Merger and conversion expenses	\$ 279	\$ 216	\$ —	\$14,246	\$ 11,095	\$ 0.21
Mortgage servicing rights valuation adjustment	1,836	1,427	0.03	—	—	—
Debt prepayment penalty	54	41	—	—	—	—

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 74.59% of total net revenue in 2019. 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 11.89% to \$443,657 for 2019 compared to \$396,525 in 2018. On a tax equivalent basis, net interest income increased \$47,560 to \$449,986 in 2019 as compared to \$402,426 in 2018. Net interest margin was 4.08% for 2019 as compared to 4.16% for 2018.

Net interest income and net interest margin are influenced by internal and external factors. Internal factors include balance sheet changes in volume and mix as well as loan and deposit pricing decisions. External factors include changes in market interest rates, competition and the shape of the interest rate yield curve. As discussed in more detail below, growth in the Company’s loan portfolio was the largest contributing factor to the increase in net interest income year over year. The Company capitalized on the rising interest rate environment over the last several years, ending in July 2019, by replacing maturing loans with new or renewed loans at similar or higher rates. These efforts helped offset the negative impact to our net interest income and net interest margin from rising costs of our deposits and borrowings as competition increased in response to the aforementioned interest rate environment.

Interest income, on a tax equivalent basis, was \$548,909 for 2019 compared to \$467,755 for 2018, an increase of \$81,154. The following table presents the percentage of total average earning assets, by type and yield, for 2019 and 2018:

	Percentage of Total		Yield	
	2019	2018	2019	2018
Loans held for investment	83.15%	84.67%	5.31%	5.12%
Loans held for sale	3.25	2.80	5.07	4.77
Securities	11.28	10.99	3.02	3.10
Other	2.32	1.54	2.30	2.07
Total earning assets	100.00%	100.00%	4.98%	4.84%

In 2019, interest income on loans held for investment, on a tax equivalent basis, increased \$68,398 to \$487,240 from \$418,842 in 2018. The increase year over year is a result of the increase in the average balance of loans due to non purchased loan growth and the Brand acquisition, as well as an increase in yield on the loan portfolio.

Interest income on loans held for sale, on a tax equivalent basis, increased \$5,279 to \$18,171 in 2019 from \$12,892 in 2018. This increase is primarily due to the impact of the portfolio of non-mortgage consumer loans, acquired from Brand and supplemented by additional loans purchased in the second quarter of 2019, that was classified as held for sale until the third quarter of 2019 when the portfolio was reclassified to loans held for investment. The following table presents reported taxable equivalent yield on loans for the periods presented:

	Twelve months ended December 31,	
	2019	2018
Taxable equivalent interest income on loans	\$ 505,411	\$ 431,734
Average loans, including loans held for sale	\$ 9,527,290	\$ 8,451,857
Loan yield	5.30%	5.11%

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

	Twelve months ended December 31,	
	2019	2018
Net interest income collected on problem loans	\$ 4,042	\$ 2,861
Accretable yield recognized on purchased loans ⁽¹⁾	27,227	24,454
Total impact to interest income on loans	\$ 31,269	\$ 27,315
Impact to total loan yield	0.33%	0.32%
Impact to net interest margin	0.28%	0.28%

(1) Includes additional interest income recognized in connection with the acceleration of paydowns and payoffs from purchased loans of \$14,635 and \$12,460 for the twelve months ended December 31, 2019 and 2018, respectively, which increased loan yield by 15 basis points for 2019 and 2018.

In 2019, investment income, on a tax equivalent basis, increased \$4,662 to \$37,607 from \$32,945 in 2018. The following table presents the taxable equivalent yield on securities for the periods presented:

	Twelve months ended December 31,	
	2019	2018
Taxable equivalent interest income on securities	\$ 37,607	\$ 32,945
Average securities	\$ 1,244,376	\$ 1,061,882
Taxable equivalent yield on securities	3.02%	3.10%

Although the tax equivalent yield on securities was down in 2019 as compared to 2018, the average balance in the investment portfolio increased over the same time frame and, as a result, investment income, on a tax equivalent basis, increased in 2019. The decrease in taxable equivalent yield on securities was a result of an increase in premium amortization caused by the increase

in prepayment speeds experienced in the Company's mortgage backed securities portfolio given the current interest rate environment.

Interest expense was \$98,923 in 2019 compared to \$65,329 in 2018. The following table presents, by type, the Company's funding sources, which consist of total average deposits and borrowed funds, and the total cost of each funding source for each of the years presented:

	Percentage of Total		Cost of Funds	
	2019	2018	2019	2018
Noninterest-bearing demand	23.26%	21.88%	—%	—%
Interest-bearing demand	44.89	45.62	0.86	0.56
Savings	6.11	6.41	0.19	0.15
Time deposits	21.91	21.92	1.71	1.24
Short-term borrowings	1.17	1.67	2.43	2.10
Long-term Federal Home Loan Bank advances	0.35	0.08	1.51	3.29
Subordinated notes	1.27	1.35	6.24	5.54
Other long-term borrowed funds	1.04	1.07	4.48	5.11
Total deposits and borrowed funds	100.00%	100.00%	0.93%	0.70%

Interest expense on deposits was \$81,995 and \$49,760 for 2019 and 2018, respectively. The cost of total deposits was 0.81% and 0.56% for the years ending December 31, 2019 and 2018, respectively. The cost of interest-bearing deposits was 1.06% and 0.72% for the same periods. The increase in both deposit expense and cost is attributable to both the increase in the average balance of all interest-bearing deposits resulting from the Brand acquisition and organic deposit growth as well as an increase in the interest rates on interest-bearing deposits. During 2019, the Company continued its efforts to grow noninterest-bearing deposits, resulting in an increase of \$233,064. Although the Company continues to seek changes in the mix of its deposits from higher costing time deposits to lower costing interest-bearing deposits and noninterest-bearing deposits, rates offered on the Company's interest-bearing deposit accounts, including time deposits, have increased to match competitive market interest rates in order to maintain stable sources of funding.

Interest expense on total borrowings was \$16,928 and \$15,569 for the years ending December 31, 2019 and 2018, respectively, while the cost of total borrowings was 4.17% and 4.01% for the years ended December 31, 2019 and 2018, respectively. The Company assumed subordinated notes and junior subordinated debentures in its acquisition of Brand, increasing the rate and mix of higher costing long-term borrowings. Additional interest expense from these assumed notes, coupled with higher interest rates charged on our short-term FHLB advances as rates rose through July 2019, resulted in the increase to interest expense and cost of total borrowings.

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

Noninterest Income

Noninterest Income to Average Assets (Excludes securities gains/losses)	
2019	2018
1.19%	1.30%

Total noninterest income includes fees generated from deposit services and other fees and commissions, income from our insurance, wealth management and mortgage banking operations, realized gains on the sale of securities and all other noninterest income. Our focus is to develop and enhance our products that generate noninterest income in order to diversify our revenue sources. Noninterest income as a percentage of total net revenues was 25.41% and 26.35% for 2019 and 2018, respectively.

Noninterest income was \$153,254 for the year ended December 31, 2019, an increase of \$9,293, or 6.46%, as compared to \$143,961 for 2018. While the acquisition of Brand boosted the growth of our noninterest income, our continued focus on diversification of our income streams also resulted in an increase in nearly all of the Company's components of noninterest income, some of which was offset by the impact of the Durbin Amendment.

Service charges on deposit accounts include maintenance fees on accounts, per item charges, account enhancement charges for additional packaged benefits and overdraft fees. Service charges on deposit accounts were \$35,972 and \$34,660 for the twelve months ended December 31, 2019 and 2018, respectively. Overdraft fees, the largest component of service charges on deposits, decreased to \$23,097 for the twelve months ended December 31, 2019 compared to \$24,105 for the same period in 2018.

Fees and commissions decreased to \$19,430 in 2019 as compared to \$23,868 for the same period in 2018. Fees and commissions include fees related to deposit services, such as ATM fees and interchange fees on debit card transactions. Interchange fees on debit card transactions, the largest component of fees and commissions, were \$15,352 for the twelve months ended December 31, 2019 compared to \$20,390 for the same period in 2018. Effective July 1, 2019, we became subject to the limitations on interchange fees imposed pursuant to the Durbin Amendment. The Durbin Amendment limitations reduced interchange fees by approximately \$6,000 over the last half of 2019. Management is continuing to develop and enhance strategies to offset this impact.

Through Renasant Insurance, we offer a range of commercial and personal insurance products through major insurance carriers. Income earned on insurance products was \$8,919 and \$8,590 for the years ended December 31, 2019 and 2018, respectively. Contingency income is a bonus received from the insurance underwriters and is based both on commission income and claims experience on our clients' policies during the previous year. Increases and decreases in contingency income are reflective of corresponding increases and decreases in the amount of claims paid by insurance carriers. Contingency income, which is included in the "Other noninterest income" line item on the Consolidated Statements of Income, was \$828 and \$832 for 2019 and 2018, respectively.

Our Wealth Management segment has two primary divisions: Trust and Financial Services. The Trust division operates on a custodial basis which includes administration of benefit plans, as well as accounting and money management for trust accounts. The division manages a number of trust accounts inclusive of personal and corporate benefit accounts, self-directed IRAs, and custodial accounts. Fees for managing these accounts are based on changes in market values of the assets under management in the account, with the amount of the fee depending on the type of account. The Financial Services division provides specialized products and services to our customers, which include fixed and variable annuities, mutual funds, and stocks offered through a third party provider. Wealth Management revenue was \$14,433 for 2019 compared to \$13,540 for 2018. The market value of assets under management or administration was \$3,888,253 and \$3,307,879 at December 31, 2019 and 2018, respectively.

Mortgage banking income is derived from the origination and sale of mortgage loans and the servicing of mortgage loans that the Company has sold but retained the right to service. Although loan fees and some interest income are derived from mortgage loans held for sale, the main source of income is gains from the sale of these loans in the secondary market. Originations of mortgage loans to be sold totaled \$2,381,178 in 2019 and \$1,763,246 in 2018. The increase in mortgage loan originations is due to the current interest rate environment as well as an increase in producers throughout our footprint in 2019. In addition to organic growth in the number of producers, in the second quarter of 2019 we acquired the wholesale mortgage operations of another financial institution, including all of its producers. Mortgage banking income, specifically mortgage servicing income, was negatively impacted during 2019 by a mortgage servicing rights valuation adjustment of \$1,836, as actual prepayment speeds of the mortgages the Company serviced exceeded the Company's estimates of prepayment speeds.

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

	2019	2018
Mortgage servicing income, net	\$ 657	\$ 3,846
Gain on sales of loans, net	45,854	40,318
Fees, net	11,385	5,978
Mortgage banking income, net	<u>\$ 57,896</u>	<u>\$ 50,142</u>

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

Noninterest income for the twelve months ended December 31, 2019 includes the Company's net gains on sale of securities of \$348, as the Company sold securities with a carrying value \$212,137 at the time of sale for net proceeds of \$212,485. Losses on sales of securities for the twelve months ended 2018 were \$16, resulting from the sale of approximately \$2,403 in securities. For more information on securities sold during the two year period ended December 31, 2019, see Note 3, "Securities," in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data, in this report.

Bank-owned life insurance ("BOLI") income is derived from changes in the cash surrender value of the bank-owned life insurance policies and can fluctuate upon the collection of death benefit proceeds. BOLI income increased to \$6,109 in 2019 as compared to \$4,644 for the same period in 2018. In connection with the acquisition of Brand, the Company acquired BOLI with a cash surrender value of \$40,081.

Other noninterest income includes contingency income from our insurance underwriters, income from our SBA banking division, and other miscellaneous income and can fluctuate based on the claims experience in our Insurance agency, production in our SBA banking division, and recognition of other unseasonal income items. Other noninterest income was \$10,147 for 2019 compared to \$8,533 for 2018.

Noninterest Expense

Noninterest Expense to Average Assets	
2019	2018
2.91%	3.11%

Noninterest expense was \$374,174 and \$345,029 for 2019 and 2018, respectively. As mentioned previously, the Company incurred expenses in connection with certain transactions with respect to which management is unable to accurately predict when these expenses will be incurred or, when incurred, the amount of such expenses. The following table presents these expenses for the periods presented:

	Twelve Months Ended December 31,	
	2019	2018
Merger and Conversion expenses	\$ 279	\$ 14,246
Debt prepayment penalty	54	—

Aside from the expenses presented above, the increase in noninterest expense from 2018 to 2019 was primarily driven by the additional expenses associated with the acquisition of Brand's operations, as discussed in more detail in the remainder of this section. Included in noninterest expense for the year ended December 31, 2018 is \$4,398 attributable to BMG.

Salaries and employee benefits is the largest component of noninterest expense and represented 67.02% and 62.11% of total noninterest expense at December 31, 2019 and 2018, respectively. During 2019, salaries and employee benefits increased \$36,490, or 17.03%, to \$250,784 as compared to \$214,294 for 2018. The increase in salaries and employee benefits is primarily attributable to new employees added in the Brand acquisition, production hires made by the Company during 2019 throughout our footprint and the impact of the wholesale mortgage operations acquired in the second quarter of 2019.

The compensation expense recorded in connection with awards of restricted stock, which is included within salaries and employee benefits, was \$9,456 and \$6,633 for 2019 and 2018, respectively. A portion of restricted stock awards in both years was subject to the satisfaction of performance-based conditions.

Data processing costs increased \$1,052 to \$19,679 in 2019 from \$18,627 in 2018. Increased costs resulting from the acquired operations of Brand have been slightly offset by cost savings realized through contract renegotiations.

Net occupancy and equipment expense in 2019 was \$49,553, an increase of \$7,442, compared to \$42,111 for 2018. Aside from the increase attributable to the additional locations and assets from Brand, the increase in net occupancy and equipment expense is also attributable to investments in our IT infrastructure in response to banking and governmental regulation and increased global risk from cyber security breaches.

Expenses related to other real estate owned for 2019 were \$2,013, compared to \$1,892 in 2018. Expenses on other real estate owned for 2019 include write downs of \$1,265 of the carrying value to fair value on certain pieces of property held in other real estate owned compared to write downs of \$1,545 in 2018. Other real estate owned with a cost basis of \$6,498 was sold during 2019, resulting in a net loss of \$94, compared to other real estate owned with a cost basis of \$7,127 sold during 2018 for a net gain of \$423.

Professional fees include fees for legal and accounting services. Professional fees were \$10,166 for 2019 as compared to \$8,753 for 2018. Professional fees remain elevated in large part due to additional legal, accounting and consulting fees associated with compliance costs of newly enacted as well as existing banking and governmental regulation.

Advertising and public relations expense was \$11,607 for 2019, an increase of \$2,143 compared to \$9,464 for 2018. This year-over-year increase is attributable to advertising and marketing costs associated with the Company's increased focus on digital marketing and branding throughout our footprint as well as an increase in the marketing of the Company's community involvement.

Amortization of intangible assets totaled \$8,105 for 2019 compared to \$7,179 for 2018. This amortization relates to finite-lived intangible assets which are being amortized over the useful lives as determined at acquisition. These finite-lived intangible assets have remaining estimated useful lives ranging from approximately 1 year to approximately 10 years.

Communication expenses are those expenses incurred for communication to clients and between employees. Communication expenses were \$8,858 for 2019 as compared to \$8,318 for 2018. The increased costs over the last two years is due to the overall increase in size and growth of the Company.

Efficiency Ratio

	Efficiency Ratio	
	2019	2018
Efficiency ratio (GAAP)	62.03%	63.15%
Impact on efficiency ratio from:		
Net gains on sales of securities	0.04	—
Intangible amortization	(1.34)	(1.32)
Merger and conversion related expenses	(0.05)	(2.61)
Extinguishment of debt	(0.01)	—
Mortgage servicing rights valuation adjustment	(0.19)	—
Adjusted efficiency ratio ⁽¹⁾	60.48%	59.22%

⁽¹⁾ Adjusted efficiency ratio is a non-GAAP financial measure. A reconciliation of this financial measure from GAAP to non-GAAP as well as an explanation of why the Company provides non-GAAP financial measures 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, in this report.

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

Income Taxes

Income tax expense for 2019 and 2018 was \$48,091 and \$41,727, respectively. The effective tax rates for those years were 22.30% and 22.12%, respectively. For additional information regarding the Company’s income taxes, please refer to in Note 16, “Income Taxes,” in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data, in this report.

Risk Management

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

Credit Risk and Allowance for Loan Losses

Inherent in any lending activity is credit risk, that is, the risk of loss should a borrower default. The Company’s credit quality remained strong in 2019, and the Company continues to see the lowest levels of charge-offs and nonperforming loans since the 2008-2009 recession. These results are due in part to current economic conditions both nationally and in the Company’s markets, declining unemployment levels, improved labor participation rate, improved performance of the housing market, and the Company’s continued efforts to bring problem credits to resolution.

Management of Credit Risk. Credit risk is monitored and managed on an ongoing basis by a credit administration department, a problem asset resolution committee and the Board of Directors Loan Committee. Credit quality, adherence to policies and loss mitigation are major concerns of credit administration and these committees. The Company’s central appraisal review department

reviews and approves third-party appraisals obtained by the Company on real estate collateral and monitors loan maturities to ensure updated appraisals are obtained. This department is managed by a State Certified General Real Estate Appraiser and employs four additional State Certified General Real Estate Appraisers and four real estate evaluators.

We have a number of documented loan policies and procedures that set forth the approval and monitoring process of the lending function. Adherence to these policies and procedures is monitored by management and the Board of Directors. A number of committees and an underwriting staff oversee the lending operations of the Company. These include in-house problem asset resolution committees and the Board of Directors Loan Committee. In addition, we maintain a loan review staff to independently monitor loan quality and lending practices. Loan review personnel monitor and, if necessary, adjust the grades assigned to loans through periodic examination, focusing their review on commercial and real estate loans rather than consumer and small balance consumer mortgage loans, such as 1-4 family mortgage loans.

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

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

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

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

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

The Company's practice is to charge off estimated losses as soon as such loss is identified and reasonably quantified. Net charge-offs for 2019 were \$3,914, or 0.04% as a percentage of average loans, compared to net charge-offs of \$3,995, or 0.05% as a percentage of average loans, for 2018. The charge-offs in 2019 were fully reserved for in the Company's allowance for loan losses and resulted in no additional provision for loan loss expense.

Allowance for Loan Losses; Provision for Loan Losses. The allowance for loan losses is available to absorb probable credit losses inherent in the entire loan portfolio.

The allowance for loan losses is established after input from management, loan review and the problem asset resolution committee. Factors considered by management in evaluating the adequacy of the allowance, which occurs on a quarterly basis, include the internal risk rating of individual credits, loan segmentation, historical and current trends in net charge-offs, trends in nonperforming loans, trends in past due loans, trends in the market values of underlying collateral securing loans and the unemployment rate and other current economic conditions in the markets in which we operate. In addition, on a regular basis, management and the Board of Directors review loan ratios. These ratios include the allowance for loan losses as a percentage of total loans, net charge-offs as a percentage of average loans, the provision for loan losses as a percentage of average loans, nonperforming loans as a percentage of total loans and the allowance coverage on nonperforming loans. Also, management reviews past due ratios by officer, community bank and the Company as a whole. Additional information about our accounting policies applicable to the allowance for loan losses can be found in the "Critical Accounting Policies" section above under the headings "Allowance for Loan Losses" and "Business Combinations, Accounting for Purchased Loans."

The allowance for loan losses was \$52,162 and \$49,026 at December 31, 2019 and 2018, respectively. The following table presents the allocation of the allowance for loan losses by loan category and the percentage of loans in each category to total loans at December 31 for each of the years presented.

	2019		2018		2017		2016		2015	
	Balance	% of Total	Balance	% of Total	Balance	% of Total	Balance	% of Total	Balance	% of Total
Commercial, financial, agricultural	\$10,658	14.12%	\$ 8,269	14.27%	\$ 5,542	13.64%	\$ 5,486	11.57%	\$ 4,186	11.76%
Real estate – construction	5,029	8.53%	4,755	8.15%	3,428	8.31%	2,380	8.91%	1,852	6.61%
Real estate – 1-4 family mortgage	9,814	29.58%	10,139	30.78%	12,009	30.76%	14,294	30.28%	13,908	32.06%
Real estate – commercial mortgage	24,990	43.80%	24,492	44.60%	23,384	44.98%	19,059	46.73%	21,111	46.80%
Installment loans to individuals ⁽¹⁾	1,671	3.97%	1,371	2.20%	1,848	2.31%	1,518	2.51%	1,380	2.77%
Total	\$52,162	100.00%	\$49,026	100.00%	\$46,211	100.00%	\$42,737	100.00%	\$42,437	100.00%

(1) Includes lease financing receivables.

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

	2019	2018	2017	2016	2015
Specific reserves for impaired loans	\$ 2,012	\$ 1,514	\$ 2,674	\$ 4,141	\$ 7,600
Allocated reserves for remaining portfolio	48,179	44,960	41,760	35,776	33,131
Purchased with deteriorated credit quality	1,971	2,552	1,777	2,820	1,706
Total	\$ 52,162	\$ 49,026	\$ 46,211	\$ 42,737	\$ 42,437

The fair value of purchased loans accounted for in accordance with ASC 310-30 was \$172,264 and \$222,254 at December 31, 2019 and 2018, respectively. The Company continually monitors these loans as part of our normal credit review and monitoring procedures for changes in the estimated future cash flows. The period end amount of our allowance for loan losses allocated to loans accounted for under ASC 310-30 totaled \$1,971 and \$2,552 during 2019 and 2018, respectively.

The provision for loan losses charged to operating expense is an amount which, in the judgment of management, is necessary to maintain the allowance for loan losses at a level that is believed to be adequate to meet the inherent risks of losses in our loan portfolio. The provision for loan losses was \$7,050 and \$6,810 for 2019 and 2018, respectively. The Company continues to experience low levels of classified loans and nonperforming loans, as illustrated in the nonperforming loan tables later in this section, which has allowed a relatively flat provision over the last three years.

Provision for Loan Losses to Average Loans	
2019	2018
0.08%	0.08%

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

	2019	2018	2017	2016	2015
Balance at beginning of year	\$ 49,026	\$ 46,211	\$ 42,737	\$ 42,437	\$ 42,289
Provision for loan losses	7,050	6,810	7,550	7,530	4,750
Charge-offs					
Commercial, financial, agricultural	2,681	2,415	2,874	2,725	943
Lease financing	278	202	87	—	419
Real estate – construction	—	51	—	—	26
Real estate – 1-4 family mortgage	1,602	2,023	1,713	3,906	2,173
Real estate – commercial mortgage	1,490	1,197	1,791	2,123	2,613
Installment loans to individuals ⁽¹⁾	7,427	540	543	717	602
Total charge-offs	13,478	6,428	7,008	9,471	6,776
Recoveries					
Commercial, financial, agricultural	1,428	618	422	331	361
Lease financing	7	—	—	—	—
Real estate – construction	21	13	105	47	26
Real estate – 1-4 family mortgage	712	573	733	997	1,064
Real estate – commercial mortgage	689	1,108	1,565	757	614
Installment loans to individuals ⁽¹⁾	6,707	121	107	109	109
Total recoveries	9,564	2,433	2,932	2,241	2,174
Net charge-offs	3,914	3,995	4,076	7,230	4,602
Balance at end of year	\$ 52,162	\$ 49,026	\$ 46,211	\$ 42,737	\$ 42,437
Net charge-offs to average loans	0.04%	0.05%	0.06%	0.12%	0.10%
Net charge-offs to allowance for loan losses	7.50%	8.15%	8.82%	16.92%	10.84%
Allowance for loan losses to loans	0.54%	0.54%	0.61%	0.69%	0.78%
Allowance for loan losses to loans ⁽²⁾	0.69%	0.77%	0.83%	0.91%	1.11%
Allowance for loan losses to nonperforming loans ⁽²⁾	208.92%	379.96%	348.37%	320.08%	283.46%

(1) The increase in 2019 is related to the non-mortgage consumer loans acquired in the Brand acquisition and transferred to the held for investment category in the third quarter of 2019. These loans accounted for \$6,565 in charge-offs and \$6,565 in recoveries in 2019 and, therefore, had no impact on net charge-offs for the year.

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Real estate – construction:					
Residential	\$ (21)	\$ 38	\$ (105)	\$ (45)	\$ 5
Commercial	—	—	—	—	—
Condominiums	—	—	—	(2)	(5)
Total real estate – construction	(21)	38	(105)	(47)	—
Real estate – 1-4 family mortgage:					
Primary	917	351	1,058	941	1,141
Home equity	121	823	221	210	68
Rental/investment	79	(54)	(131)	121	179
Land development	(227)	330	(168)	1,637	(279)
Total real estate – 1-4 family mortgage	890	1,450	980	2,909	1,109
Real estate – commercial mortgage:					
Owner-occupied	474	162	335	522	1,976
Non-owner occupied	372	134	184	439	177
Land development	(45)	(207)	(293)	405	(154)
Total real estate – commercial mortgage	801	89	226	1,366	1,999
Total net charge-offs of loans secured by real estate	\$ 1,670	\$ 1,577	\$ 1,101	\$ 4,228	\$ 3,108

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

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

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

	<u>Non Purchased</u>	<u>Purchased</u>	<u>Total</u>
December 31, 2019			
Nonaccruing loans	\$ 21,509	\$ 7,038	\$ 28,547
Accruing loans past due 90 days or more	3,458	4,317	7,775
Total nonperforming loans	<u>24,967</u>	<u>11,355</u>	<u>36,322</u>
Other real estate owned	2,762	5,248	8,010
Total nonperforming assets	<u>\$ 27,729</u>	<u>\$ 16,603</u>	<u>\$ 44,332</u>
Nonperforming loans to total loans			0.37%
Nonperforming assets to total assets			0.33%
December 31, 2018			
Nonaccruing loans	\$ 10,218	\$ 5,836	\$ 16,054
Accruing loans past due 90 days or more	2,685	7,232	9,917
Total nonperforming loans	<u>12,903</u>	<u>13,068</u>	<u>25,971</u>
Other real estate owned	4,853	6,187	11,040
Total nonperforming assets	<u>\$ 17,756</u>	<u>\$ 19,255</u>	<u>\$ 37,011</u>
Nonperforming loans to total loans			0.29%
Nonperforming assets to total assets			0.29%

Excluding the purchased nonperforming loans from the Company's acquisitions, nonperforming loans increased \$12,064 from December 31, 2018, while non purchased other real estate owned decreased \$2,091 from December 31, 2018.

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

	2019	2018	2017	2016	2015
Commercial, financial, agricultural	\$ 8,458	\$ 2,461	\$ 2,921	\$ 3,709	\$ 1,504
Lease financing	226	89	159	138	—
Real estate – construction:					
Residential	—	68	—	466	176
Total real estate – construction	—	68	—	466	176
Real estate – 1-4 family mortgage:					
Primary	14,270	10,102	6,221	6,179	9,764
Home equity	2,328	2,047	2,701	2,777	1,900
Rental/investment	1,958	757	395	2,292	5,142
Land development	367	980	1,078	1,656	2,091
Total real estate – 1-4 family mortgage	18,923	13,886	10,395	12,904	18,897
Real estate – commercial mortgage:					
Owner-occupied	4,526	3,779	5,473	8,282	9,177
Non-owner occupied	2,459	3,933	3,087	6,821	8,372
Land development	1,109	958	1,090	2,757	7,139
Total real estate – commercial mortgage	8,094	8,670	9,650	17,860	24,688
Installment loans to individuals	621	797	295	437	162
Total nonperforming loans	<u>\$ 36,322</u>	<u>\$ 25,971</u>	<u>\$ 23,420</u>	<u>\$ 35,514</u>	<u>\$ 45,427</u>

The Company continues its efforts to bring problem credits to resolution. The Company's coverage ratio, or its allowance for loan losses as a percentage of nonperforming loans, was 143.61% as of December 31, 2019 as compared to 188.77% as of December 31, 2018. The coverage ratio for non purchased, nonperforming loans was 208.92% as of December 31, 2019 as compared to 379.96% as of December 31, 2018.

Management has evaluated the aforementioned loans and other loans classified as nonperforming and believes that all nonperforming loans have been adequately reserved for in the allowance for loan losses at December 31, 2019. Management also continually monitors past due loans for potential credit quality deterioration. Total loans 30-89 days past due on which interest was still accruing were \$37,668 at December 31, 2019 as compared to \$36,597 at December 31, 2018.

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

As shown below, restructured loans totaled \$11,954 at December 31, 2019 compared to \$12,820 at December 31, 2018. At December 31, 2019, loans restructured through interest rate concessions represented 26% of total restructured loans, while loans restructured by a concession in payment terms represented the remainder. The following table provides further details of the Company's restructured loans at December 31 for each of the years presented:

	2019	2018
Commercial, financial, agricultural	\$ 523	\$ 337
Real estate – 1-4 family mortgage:		
Primary	6,987	6,261
Home equity	213	186
Rental/investment	596	2,005
Land development	—	1
Total real estate – 1-4 family mortgage	7,796	8,453
Real estate – commercial mortgage:		
Owner-occupied	3,096	3,189
Non-owner occupied	503	722
Land development	36	56
Total real estate – commercial mortgage	3,635	3,967
Installment loans to individuals	—	63
Total restructured loans	<u>\$ 11,954</u>	<u>\$ 12,820</u>

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

	2019	2018
Balance as of January 1	\$ 12,820	\$ 14,553
Additional loans with concessions	3,829	2,573
Reclassified as performing	2,183	730
Reductions due to:		
Reclassified as nonperforming	(2,772)	(1,868)
Paid in full	(951)	(2,300)
Charge-offs	(101)	—
Paydowns	(678)	(868)
Measurement period adjustment on recently acquired loans	(2,376)	—
Balance as of December 31	<u>\$ 11,954</u>	<u>\$ 12,820</u>

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

	2019	2018	2017	2016	2015
Nonaccruing loans	\$ 28,547	\$ 16,054	\$ 14,674	\$ 22,620	\$ 29,034
Accruing loans past due 90 days or more	7,775	9,917	8,746	12,894	16,393
Total nonperforming loans	36,322	25,971	23,420	35,514	45,427
Restructured loans	11,954	12,820	14,553	11,475	13,453
Total nonperforming and restructured loans	<u>\$ 48,276</u>	<u>\$ 38,791</u>	<u>\$ 37,973</u>	<u>\$ 46,989</u>	<u>\$ 58,880</u>
Nonperforming loans to loans	0.37%	0.29%	0.31%	0.57%	0.84%

The following table provides details of the Company's other real estate owned as of December 31 for each of the years presented:

	2019	2018
Residential real estate	\$ 1,305	\$ 2,333
Commercial real estate	3,654	4,297
Residential land development	899	1,099
Commercial land development	2,152	3,311
Total other real estate owned	\$ 8,010	\$ 11,040

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

	2019	2018
Balance as of January 1	\$ 11,040	\$ 15,934
Transfers of loans	4,764	3,826
Impairments	(1,265)	(1,545)
Dispositions	(6,498)	(7,127)
Other	(31)	(48)
Balance as of December 31	\$ 8,010	\$ 11,040

We realized net losses of \$94 and net gains of \$423 on dispositions of other real estate owned during 2019 and 2018, respectively.

Interest Rate Risk

Market risk is the risk of loss from adverse changes in market prices and rates. The majority of assets and liabilities of a financial institution are monetary in nature and therefore differ greatly from most commercial and industrial companies that have significant investments in fixed assets and inventories. Our market risk arises primarily from interest rate risk inherent in lending and deposit-taking activities. Management believes a significant impact on the Company's financial results stems from our ability to react to changes in interest rates. A sudden and substantial change in interest rates may adversely impact our earnings because the interest rates borne by assets and liabilities do not change at the same speed, to the same extent or on the same basis.

Because of the impact of interest rate fluctuations on our profitability, the Board of Directors and management actively monitor and manage our interest rate risk exposure. We have an Asset/Liability Committee (the "ALCO") that is authorized by the Board of Directors to monitor our interest rate sensitivity and to make decisions relating to that process. The ALCO's goal is to structure our asset/liability composition to maximize net interest income while managing interest rate risk so as to minimize the adverse impact of changes in interest rates on net interest income and capital. The ALCO uses an asset/liability model as the primary quantitative tool in measuring the amount of interest rate risk associated with changing market rates. The model is used to perform both net interest income forecast simulations for multiple year horizons, and economic value of equity ("EVE") analyses, each under various interest rate scenarios, which could impact the results presented in the table below.

Net interest income simulations measure the short and medium-term earnings exposure from changes in market interest rates in a rigorous and explicit fashion. Our current financial position is combined with assumptions regarding future business to calculate net interest income under various hypothetical rate scenarios. EVE measures our long-term earnings exposure from changes in market rates of interest. EVE is defined as the present value of assets minus the present value of liabilities at a point in time for a given set of market rate assumptions. An increase in EVE due to a specified rate change indicates an improvement in the long-term earnings capacity of the balance sheet assuming that the rate change remains in effect over the life of the current balance sheet.

The following table presents the projected impact of a change in interest rates on (1) static EVE and (2) earnings at risk (that is, net interest income) for the 1-12 and 13-24 month periods commencing January 1, 2020, in each case as compared to the result under rates present in the market on December 31, 2019. The changes in interest rates assume an instantaneous and parallel shift in the yield curve and does not take into account changes in the slope of the yield curve.

Immediate Change in Rates of:	Percentage Change In:		
	Economic Value Equity (EVE)	Earning at Risk (EAR) (Net Interest Income)	
	Static	1-12 Months	13-24 Months
+400	15.83%	2.64%	11.63%
+300	12.84%	2.05%	9.01%
+200	8.63%	1.45%	6.12%
+100	4.72%	0.75%	2.97%
-100	(4.31)%	(1.86)%	(4.28)%

The rate shock results for the EVE and net interest income simulations for the next 24 months produce an asset sensitive position at December 31, 2019 and are all within the parameters set by the Board of Directors.

The preceding measures assume no change in the size or asset/liability compositions of the balance sheet, and they do not reflect future actions the ALCO may undertake in response to such changes in interest rates.

The scenarios assume instantaneous movements in interest rates in increments of plus 100, 200, 300 and 400 basis points and minus 100 basis points. As interest rates are adjusted over a period of time, it is our strategy to proactively change the volume and mix of our balance sheet in order to mitigate our interest rate risk. The computation of the prospective effects of hypothetical interest rate changes requires numerous assumptions including asset prepayment speeds, the impact of competitive factors on our pricing of loans and deposits, how responsive our deposit repricing is to the change in market rates and the expected life of non-maturity deposits. These business assumptions are based upon our experience, business plans and published industry experience. Such assumptions may not necessarily reflect the manner or timing in which cash flows, asset yields and liability costs respond to changes in market rates. Because these assumptions are inherently uncertain, actual results will differ from simulated results.

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

Liquidity and Capital Resources

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

Core deposits, which are deposits excluding time deposits and public fund deposits, are a major source of funds used by the Bank to meet cash flow needs. Maintaining the ability to acquire these funds as needed in a variety of markets is the key to assuring the Bank's liquidity. Our Asset/Liability Management Committee has established targets for our liquidity ratio, which helps determine the Bank's ability to meet cash and funding obligations under current financial and economic conditions, as well as the ratio of our non-core funding to our total funding. Management continually monitors these ratios and also stresses our sources of liquidity under various scenarios to ensure that we maintain sufficient liquidity.

Our investment portfolio is another alternative for meeting liquidity needs. These assets generally have readily available markets that offer conversions to cash as needed. Within the next twelve months the securities portfolio is forecasted to generate cash flow through principal payments and maturities equal to 24.47% of the carrying value of the total securities portfolio. Securities within our investment portfolio are also used to secure certain deposit types and short-term borrowings. At December 31, 2019, securities with a carrying value of \$444,603 were pledged to secure government, public, trust, and other deposits and as collateral for short-term borrowings and derivative instruments as compared to \$637,607 at December 31, 2018.

Other sources available for meeting liquidity needs include federal funds purchased and short-term and long-term advances from the FHLB. Interest is charged at the prevailing market rate on federal funds purchased and FHLB advances. Federal funds are short term borrowings, generally overnight borrowings, between financial institutions that are used to maintain reserve requirements at the Federal Reserve Bank. There were no federal funds purchased outstanding at December 31, 2019 or 2018. The balance of

short-term borrowing from the FHLB (i.e., advances with original maturities less than one year) at December 31, 2019 was \$480,000, as compared to \$380,000 at December 31, 2018. Long-term FHLB borrowings are used to match-fund against large, fixed rate commercial or real estate loans with long-term maturities, which negates interest rate exposure when rates rise. This was our primary use of long-term FHLB borrowings in 2018 and the first three quarters of 2019; in the fourth quarter of 2019, as interest rates declined following the Federal Reserve's interest rate cuts, we used long-term FHLB borrowings as a source of liquidity in lieu of higher-costing deposits, which had not repriced as quickly following the rate cuts. At December 31, 2019, the balance of our outstanding long-term advances with the FHLB was \$152,337 as compared to \$6,690 at December 31, 2018. The total amount of the remaining credit available to us from the FHLB at December 31, 2019 was \$3,159,942. We also maintain lines of credit with other commercial banks totaling \$150,000. These are unsecured, uncommitted lines of credit maturing at various times within the next twelve months. There were no amounts outstanding under these lines of credit at December 31, 2019 or 2018.

In 2016 we accessed the capital markets to generate liquidity through the sale of our subordinated notes. Additionally, as part of previous acquisitions in 2017 and 2018, the Company assumed other subordinated notes. For more information concerning the offering of our subordinated notes and the details of the assumed subordinated notes please see Note 13, "Long-Term Debt" in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data, in this report.

Our strategy in choosing funds is focused on minimizing cost along with considering our balance sheet composition and interest rate risk position. Accordingly, management targets growth of non-interest bearing deposits. While we do not control the types of deposit instruments our clients choose, we do influence those choices with the rates and the deposit specials we offer. We constantly monitor our funds position and evaluate the effect that various funding sources have on our financial position. The following table presents, by type, the Company's funding sources, which consist of total average deposits and borrowed funds, and the total cost of each funding source for each of the years presented:

	Percentage of Total		Cost of Funds	
	2019	2018	2019	2018
Noninterest-bearing demand	23.26%	21.88%	—%	—%
Interest-bearing demand	44.89	45.62	0.86	0.56
Savings	6.11	6.41	0.19	0.15
Time deposits	21.91	21.92	1.71	1.24
Short-term borrowings	1.17	1.67	2.43	2.10
Long-term Federal Home Loan Bank advances	0.35	0.08	1.51	3.29
Subordinated notes	1.27	1.35	6.24	5.54
Other long-term borrowings	1.04	1.07	4.48	5.11
Total deposits and borrowed funds	100.00%	100.00%	0.93%	0.70%

Cash and cash equivalents were \$414,930 at December 31, 2019, compared to \$569,111 at December 31, 2018. Cash used in investing activities for the year ended December 31, 2019 was \$505,910 compared to \$503,287 in 2018. Proceeds from the sale, maturity or call of securities within our investment portfolio were \$474,772 for 2019 compared to \$163,090 for 2018. These proceeds from the investment portfolio were primarily reinvested back into the securities portfolio or used to fund loan growth. Purchases of investment securities were \$492,018 for 2019 compared to \$686,887 for 2018.

Cash provided by financing activities for the year ended December 31, 2019 was \$188,106 compared to \$708,833 for the year ended December 31, 2018. Overall deposits, excluding deposits acquired during each year, increased \$85,925 for the year ended December 31, 2019 compared to an increase of \$496,404 for the same period in 2018.

Restrictions on Bank Dividends, Loans and Advances

The Company's liquidity and capital resources, as well as its ability to pay dividends to our shareholders, are substantially dependent on the ability of the Bank to transfer funds to the Company in the form of dividends, loans and advances. Under Mississippi law, a Mississippi bank may not pay dividends unless its earned surplus is in excess of three times capital stock. A Mississippi bank with earned surplus in excess of three times capital stock may pay a dividend, subject to the approval of the DBCF. In addition, the FDIC has the authority to prohibit the Bank from engaging in business practices that the FDIC considers to be unsafe or unsound, which, depending on the financial condition of the Bank, could include the payment of dividends. Accordingly, the approval of the DBCF is required prior to the Bank paying dividends to the Company, and under certain circumstances the approval of the FDIC may be required.

Federal Reserve regulations also limit the amount the Bank may loan to the Company unless such loans are collateralized by specific obligations. At December 31, 2019, the maximum amount available for transfer from the Bank to the Company in the form of loans was \$138,862. The Company maintains a line of credit collateralized by cash with the Bank totaling \$3,061. There were no amounts outstanding under this line of credit at December 31, 2019. These restrictions did not have any impact on the Company's ability to meet its cash obligations in 2019, nor does management expect such restrictions to materially impact the Company's ability to meet its currently-anticipated cash obligations.

Off-Balance Sheet Transactions

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

Loan commitments and standby letters of credit do not necessarily represent future cash requirements of the Company in that while the borrower has the ability to draw upon these commitments at any time, these commitments often expire without being drawn upon. The Company's unfunded loan commitments and standby letters of credit outstanding at December 31, 2019 and 2018 were as follows:

	2019	2018
Loan commitments	\$ 2,324,262	\$ 2,068,749
Standby letters of credit	94,824	104,664

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

The Company utilizes derivative financial instruments, including interest rate contracts such as swaps, caps and/or floors, as part of its ongoing efforts to mitigate its interest rate risk exposure and to facilitate the needs of its customers. The Company enters into derivative instruments that are not designated as hedging instruments to help its commercial customers manage their exposure to interest rate fluctuations. To mitigate the interest rate risk associated with these customer contracts, the Company enters into an offsetting derivative contract position with other financial institutions. The Company manages its credit risk, or potential risk of default by its commercial customers, through credit limit approval and monitoring procedures. At December 31, 2019, the Company had notional amounts of \$219,664 on interest rate contracts with corporate customers and \$219,664 in offsetting interest rate contracts with other financial institutions to mitigate the Company's rate exposure on its corporate customers' contracts.

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

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

For more information about the Company's off-balance sheet transactions, see Note 15, "Derivative Instruments" and Note 21, "Commitments, Contingent Liabilities and Financial Instruments with Off-Balance Sheet Risk," in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data, in this report.

Contractual Obligations

The following table presents, as of December 31, 2019, significant fixed and determinable contractual obligations to third parties by payment date. The Note Reference below refers to the applicable footnote in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data, in this report.

	Note Reference	Payments Due In:				Total
		Less Than One Year	One to Three Years	Three to Five Years	Over Five Years	
Lease liabilities ⁽¹⁾	26	\$ 9,725	\$ 17,309	\$ 15,680	\$ 78,124	\$ 120,838
Deposits without a stated maturity ⁽²⁾	11	8,052,536	—	—	—	8,052,536
Time deposits ⁽²⁾	11	1,403,585	714,613	39,115	3,319	2,160,632
Short-term borrowings	12	489,091	—	—	—	489,091
Federal Home Loan Bank advances	13	4	624	—	151,709	152,337
Junior subordinated debentures	13	—	—	—	110,215	110,215
Subordinated notes	13	—	—	—	113,955	113,955
Total contractual obligations		<u>\$ 9,954,941</u>	<u>\$ 732,546</u>	<u>\$ 54,795</u>	<u>\$ 457,322</u>	<u>\$ 11,199,604</u>

(1) Represents the undiscounted cash flows.

(2) Excludes interest.

Shareholders' Equity and Regulatory Matters

Total shareholders' equity of the Company was \$2,125,689 and \$2,043,913 at December 31, 2019 and 2018, respectively. Book value per share was \$37.39 and \$34.91 at December 31, 2019 and 2018, respectively. The growth in shareholders' equity was attributable to earnings retention and changes in accumulated other comprehensive income offset by dividends declared and common stock repurchased through the stock repurchase program.

The Company maintains a shelf registration statement with the SEC. The shelf registration statement, which was effective upon filing, allows the Company to raise capital from time to time through the sale of common stock, preferred stock, debt securities, warrants and units, or a combination thereof, subject to market conditions. Specific terms and prices will be determined at the time of any offering under a separate prospectus supplement that the Company will be required to file with the SEC at the time of the specific offering. The proceeds of the sale of securities, if and when offered, will be used for general corporate purposes as described in any prospectus supplement and could include the expansion of the Company's banking, insurance and wealth management operations as well as other business opportunities.

The Company completed its previously announced \$50,000 stock repurchase program in October 2019. The weighted average price of all shares of common stock repurchased over the entire repurchase program was \$34.45.

In October 2019, the Company's Board of Directors approved a new stock repurchase program, authorizing the Company to repurchase up to \$50,000 of its outstanding common stock, either in open market purchases or privately-negotiated transactions. During the fourth quarter of 2019, the Company repurchased \$20.0 million of common stock at a weighted average price of \$35.23 under the new program. The program will remain in effect until the earlier of October 2020 or the repurchase of the entire amount of common stock authorized to be repurchased by the Board of Directors.

The Company has junior subordinated debentures with a carrying value of \$110,215 at December 31, 2019, of which \$106,624 are included in the Company's Tier 1 capital. Federal Reserve guidelines limit the amount of securities that, similar to our junior subordinated debentures, are includable in Tier 1 capital, but these guidelines did not impact the amount of debentures we include in Tier 1 capital. Although our existing junior subordinated debentures are currently unaffected by these Federal Reserve guidelines, on account of changes enacted as part of the Dodd-Frank Act, any new trust preferred securities are not includable in Tier 1 capital. Further, if as a result of an acquisition we exceed \$15,000,000 in assets, or if we make any acquisition after we have exceeded \$15,000,000 in assets, we will lose Tier 1 treatment of our junior subordinated debentures.

The Company has subordinated notes with a carrying value of \$113,955 at December 31, 2019, of which \$113,617 are included in the Company's Tier 2 capital.

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

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

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

	Actual		Minimum Capital Requirement to be Well Capitalized		Minimum Capital Requirement to be Adequately Capitalized (including the phase-in of the Capital Conservation Buffer)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2019						
Renasant Corporation:						
Tier 1 leverage ratio	\$ 1,262,588	10.37%	\$ 608,668	5.00%	\$ 486,934	4.00%
Common equity tier 1 capital ratio	1,156,828	11.12%	676,106	6.50%	728,114	7.00%
Tier 1 risk-based capital ratio	1,262,588	12.14%	832,131	8.00%	884,139	8.50%
Total risk-based capital ratio	1,432,949	13.78%	1,040,163	10.00%	1,092,171	10.50%
Renasant Bank:						
Tier 1 leverage ratio	\$ 1,331,809	10.95%	\$ 607,907	5.00%	\$ 486,326	4.00%
Common equity tier 1 capital ratio	1,331,809	12.81%	675,581	6.50%	727,548	7.00%
Tier 1 risk-based capital ratio	1,331,809	12.81%	831,484	8.00%	883,452	8.50%
Total risk-based capital ratio	1,388,553	13.36%	1,039,355	10.00%	1,091,323	10.50%
December 31, 2018						
Renasant Corporation:						
Tier 1 leverage ratio	\$ 1,188,412	10.11%	\$ 587,939	5.00%	\$ 470,352	4.00%
Common equity tier 1 capital ratio	1,085,751	11.05%	638,468	6.50%	626,189	6.375%
Tier 1 risk-based capital ratio	1,188,412	12.10%	785,806	8.00%	773,528	7.875%
Total risk-based capital ratio	1,386,507	14.12%	982,258	10.00%	969,979	9.875%
Renasant Bank:						
Tier 1 leverage ratio	\$ 1,276,976	10.88%	\$ 587,090	5.00%	\$ 469,672	4.00%
Common equity tier 1 capital ratio	1,276,976	13.02%	637,552	6.50%	625,291	6.375%
Tier 1 risk-based capital ratio	1,276,976	13.02%	784,679	8.00%	772,418	7.875%
Total risk-based capital ratio	1,331,619	13.58%	980,849	10.00%	968,588	9.875%

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

Non-GAAP Financial Measures

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

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

	2019	2018	2017	2016	2015
Net income (GAAP)	\$ 167,596	\$ 146,920	\$ 92,188	\$ 90,930	\$ 68,014
Amortization of intangibles	8,105	7,179	6,530	6,747	6,069
Tax effect of adjustment noted above ⁽¹⁾	(1,808)	(1,588)	(2,172)	(2,229)	(1,932)
Tangible net income (non-GAAP)	173,893	152,511	96,546	95,448	72,151
Average shareholders' equity (GAAP)	2,107,832	1,701,334	1,380,950	1,116,038	876,915
Intangibles	976,065	747,008	565,507	491,530	379,469
Average tangible shareholders' equity (non-GAAP)	1,131,767	954,326	815,443	624,508	497,446
Average total assets (GAAP)	12,875,986	11,104,567	9,509,308	8,416,510	6,874,982
Intangibles	976,065	747,008	565,507	491,530	379,469
Average tangible assets (non-GAAP)	11,899,921	10,357,559	8,943,801	7,924,980	6,495,513
Return on (average) shareholders' equity (GAAP)	7.95%	8.64%	6.68%	8.15%	7.76%
Effect of adjustment for intangible assets	7.41%	7.34%	5.16%	7.13%	6.74%
Return on average tangible shareholders' equity (non-GAAP)	15.36%	15.98%	11.84%	15.28%	14.50%
Return on (average) assets (GAAP)	1.30%	1.32%	0.97%	1.08%	0.99%
Effect of adjustment for intangible assets	0.16%	0.15%	0.11%	0.12%	0.12%
Return on average tangible assets (non-GAAP)	1.46%	1.47%	1.08%	1.20%	1.11%

(1) Tax effect is calculated based on the respective periods’ effective tax rate. The effective tax rate for 2017 was calculated ignoring the impact from the revaluation of net deferred tax assets.

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

	2019	2018	2017	2016	2015
Actual shareholders' equity (GAAP)	\$ 2,125,689	\$ 2,043,913	\$ 1,514,983	\$ 1,232,883	\$ 1,036,818
Intangibles	976,943	977,793	635,556	494,608	474,682
Actual tangible shareholders' equity (non-GAAP)	1,148,746	1,066,120	879,427	738,275	562,136
Actual total assets (GAAP)	13,400,618	12,934,878	9,829,981	8,699,851	7,926,496
Intangibles	976,943	977,793	635,556	494,608	474,682
Actual tangible assets (non-GAAP)	12,423,675	11,957,085	9,194,425	8,205,243	7,451,814

Tangible Common Equity Ratio

Shareholders' equity to actual assets (GAAP)	15.86%	15.80%	15.41%	14.17%	13.08%
Effect of adjustment for intangible assets	6.61%	6.88%	5.85%	5.17%	5.54%
Tangible shareholders' equity to tangible assets (non-GAAP)	9.25%	8.92%	9.56%	9.00%	7.54%

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

	2019	2018	2017
Net income (GAAP)	\$ 167,596	\$ 146,920	\$ 92,188
Merger and conversion expense	279	14,246	10,378
Debt prepayment penalties	54	—	205
MSR valuation adjustment	1,836	—	—
Revaluation of net deferred tax assets	—	—	14,486
Tax effect of adjustments noted above ⁽¹⁾	(484)	(3,151)	(3,521)
Net income with exclusions (non-GAAP)	169,281	158,015	113,736
Amortization of intangibles	8,105	7,179	6,530
Tax effect of adjustment noted above ⁽¹⁾	(1,808)	(1,588)	(2,172)
Tangible net income with exclusions (non-GAAP)	175,578	163,606	118,094
Average shareholders' equity (GAAP)	2,107,832	1,701,334	1,380,950
Intangibles	976,065	747,008	565,507
Average tangible shareholders' equity (non-GAAP)	1,131,767	954,326	815,443
Average total assets (GAAP)	12,875,986	11,104,567	9,509,308
Intangibles	976,065	747,008	565,507
Average tangible assets (non-GAAP)	11,899,921	10,357,559	8,943,801
Return on average shareholders' equity with exclusions (non-GAAP)	8.03%	9.29%	8.24%
Effect of adjustment for intangible assets	7.48%	7.85%	6.24%
Return on average tangible shareholders' equity with exclusions (non-GAAP)	15.51%	17.14%	14.48%
Return on average assets with exclusions (non-GAAP)	1.31%	1.42%	1.20%
Effect of adjustment for intangible assets	0.17%	0.16%	0.12%
Return on average tangible assets with exclusions(non-GAAP)	1.48%	1.58%	1.32%

(1) Tax effect is calculated based on the respective periods' effective tax rate. The effective tax rate for 2017 was calculated ignoring the impact from the revaluation of net deferred tax assets.

Adjusted Efficiency Ratio

	2019	2018
Interest income (fully tax equivalent basis)	\$ 548,909	\$ 467,755
Interest expense	98,923	65,329
Net interest income (fully tax equivalent basis)	449,986	402,426
Total noninterest income	153,254	143,961
Net gains on sales of securities	348	(16)
MSR valuation adjustment	(1,836)	—
Adjusted noninterest income	154,742	143,977
Total noninterest expense	374,174	345,029
Intangible amortization	8,105	7,179
Merger and conversion related expenses	279	14,246
Extinguishment of debt	54	—
Adjusted noninterest expense	365,736	323,604
Efficiency Ratio (GAAP)	62.03%	63.15%
Adjusted Efficiency Ratio (non-GAAP)	60.48%	59.22%

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

SEC Form 10-K

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

RENASANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2019, 2018 and 2017

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

Renasant Corporation (the “Company”) is responsible for the preparation, integrity and fair presentation of the consolidated financial statements included in this annual report. The consolidated financial statements and notes included in this annual report have been prepared in conformity with accounting principles generally accepted in the United States and necessarily include some amounts that are based on management’s best estimates and judgments.

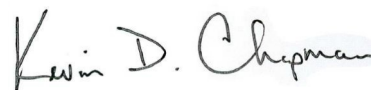
Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. The Company’s internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of any unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

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

Management, with the participation of the Company’s principal executive officer and principal financial officer, conducted an assessment of the effectiveness of the Company’s system of internal control over financial reporting as of December 31, 2019, based on criteria for effective internal control over financial reporting described in the “Internal Control - Integrated Framework,” (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as of December 31, 2019, the Company’s system of internal control over financial reporting is effective and meets the criteria of the “Internal Control – Integrated Framework.” HORNE LLP, the Company’s independent registered public accounting firm that has audited the Company’s financial statements included in this annual report, has issued an attestation report on the Company’s internal control over financial reporting which is included herein.



C. Mitchell Waycaster
President and
Chief Executive Officer



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

February 26, 2020

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Renasant Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Renasant Corporation (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes to the consolidated financial statements (collectively, referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (the "PCAOB"), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in the *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated February 26, 2020, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

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

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

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (i) relates to accounts or disclosures that are material to the financial statements and (ii) involved especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Loan Losses

As described in Notes 1 and 6 to the financial statements, the Company's allowance for loan losses is a valuation allowance that reflects the Company's estimation of incurred losses in its loan portfolio to the extent they are both probable and reasonable to estimate. The allowance for loan losses was \$52,162,000 at December 31, 2019, which consists of two components; the allowance for loans individually evaluated for impairment ("specific reserves") and the allowance for loans collectively evaluated for impairment ("general reserves").

The Company's general reserves include reserves based on historical charge-off factors and qualitative general reserve factors. The component for qualitative general reserve factors involves an evaluation of items which are not yet reflected in the factors for historical charge-offs including changes in: lending policies and procedures, economic and business conditions, nature and volume of the portfolio, lending staff, volume and severity of delinquent loans, loan review systems, collateral values, and concentrations of credit. The evaluation of these items results in qualitative general reserve factors, which contribute significantly to the general reserve component of the estimate of the allowance for loan losses.

We identified management's estimate of the aggregate effect of the qualitative reserve factors on the allowance for loan losses as a critical audit matter as it involved subjective auditor judgment. Management's determination of qualitative general reserve factors involved especially subjective judgment because management's estimate relies on qualitative analysis to determine the quantitative impact the items have on the allowance.

The primary procedures we performed to address this critical audit matter included:

Evaluated the design and tested the operating effectiveness of controls over the determination of items used to estimate the qualitative general reserve factors, including controls addressing:

- The data used as the basis for the adjustments relating to qualitative general reserve factors.
- Management's determination of loans excluded from qualitative general reserve factors calculation.
- Management's review of the qualitative and quantitative conclusions related to the qualitative general reserve factors and the resulting allocation to the allowance.

Substantively tested the general reserves related to qualitative general reserve factors which included:

- Evaluation of the completeness and accuracy of data inputs used as a basis for the adjustments relating to the qualitative general reserve factors.
- Evaluation of loans excluded from the qualitative general reserve calculation for propriety of classification.
- Evaluation of the reasonableness of management's judgments related to the qualitative and quantitative assessment of the data used in the determination of qualitative general reserve factors and the resulting allocation to the allowance. Our evaluation considered the weight of confirming and disconfirming evidence from internal and external sources, loan portfolio performance and third-party data, and whether management's assumptions were applied consistently period to period.

/s/ HORNE LLP

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

Memphis, Tennessee

February 26, 2020

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Renasant Corporation

Opinion on the Internal Control Over Financial Reporting

We have audited Renasant Corporation's (the "Company") internal control over financial reporting as of December 31, 2019, based on criteria established in the *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria for effective internal control over financial reporting described in the *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (the "PCAOB"), the consolidated financial statements of the Company as of December 31, 2019 and our report dated February 26, 2020 expressed an unqualified opinion.

Basis for Opinion

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

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

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ HORNE LLP
Memphis, Tennessee
February 26, 2020

Renaissance Corporation and Subsidiaries
Consolidated Balance Sheets

(In Thousands, Except Share Data)

	December 31,	
	2019	2018
Assets		
Cash and due from banks	\$ 191,065	\$ 198,515
Interest-bearing balances with banks	223,865	370,596
Cash and cash equivalents	414,930	569,111
Securities available for sale, at fair value	1,290,613	1,250,777
Loans held for sale (\$318,272 and \$219,848 carried at fair value at December 31, 2019 and 2018, respectively)	318,272	411,427
Loans, net of unearned income:		
Non purchased loans and leases	7,587,974	6,389,712
Purchased loans	2,101,664	2,693,417
Total loans, net of unearned income	9,689,638	9,083,129
Allowance for loan losses	(52,162)	(49,026)
Loans, net	9,637,476	9,034,103
Premises and equipment, net	309,697	209,168
Other real estate owned:		
Non purchased	2,762	4,853
Purchased	5,248	6,187
Total other real estate owned, net	8,010	11,040
Goodwill	939,683	932,928
Other intangible assets, net	37,260	44,865
Bank-owned life insurance	225,942	220,608
Mortgage servicing rights	53,208	48,230
Other assets	165,527	202,621
Total assets	\$ 13,400,618	\$ 12,934,878
Liabilities and shareholders' equity		
Liabilities		
Deposits		
Noninterest-bearing	\$ 2,551,770	\$ 2,318,706
Interest-bearing	7,661,398	7,809,851
Total deposits	10,213,168	10,128,557
Short-term borrowings	489,091	387,706
Long-term debt	376,507	263,618
Other liabilities	196,163	111,084
Total liabilities	11,274,929	10,890,965
Shareholders' equity		
Preferred stock, \$.01 par value – 5,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$.50 par value – 150,000,000 shares authorized; 59,296,725 shares issued; 56,855,002 and 58,546,480 shares outstanding, respectively	296,483	296,483
Treasury stock, at cost, 2,441,723 and 750,245 shares, respectively	(83,189)	(24,245)
Additional paid-in capital	1,294,276	1,288,911
Retained earnings	617,355	500,660
Accumulated other comprehensive income (loss), net of taxes	764	(17,896)
Total shareholders' equity	2,125,689	2,043,913
Total liabilities and shareholders' equity	\$ 13,400,618	\$ 12,934,878

See Notes to Consolidated Financial Statements.

Renasant Corporation and Subsidiaries
Consolidated Statements of Income

(In Thousands, Except Share Data)

	Year Ended December 31,		
	2019	2018	2017
Interest income			
Loans	\$ 501,336	\$ 428,374	\$ 344,472
Securities			
Taxable	29,875	23,948	18,531
Tax-exempt	5,477	6,456	9,433
Other	5,892	3,076	2,314
Total interest income	542,580	461,854	374,750
Interest expense			
Deposits	81,995	49,760	24,620
Borrowings	16,928	15,569	13,233
Total interest expense	98,923	65,329	37,853
Net interest income	443,657	396,525	336,897
Provision for loan losses	7,050	6,810	7,550
Net interest income after provision for loan losses	436,607	389,715	329,347
Noninterest income			
Service charges on deposit accounts	35,972	34,660	33,224
Fees and commissions	19,430	23,868	21,934
Insurance commissions	8,919	8,590	8,361
Wealth management revenue	14,433	13,540	11,884
Mortgage banking income	57,896	50,142	43,415
Net gains (losses) on sales of securities	348	(16)	148
BOLI income	6,109	4,644	4,353
Other	10,147	8,533	8,821
Total noninterest income	153,254	143,961	132,140
Noninterest expense			
Salaries and employee benefits	250,784	214,294	184,540
Data processing	19,679	18,627	16,474
Net occupancy and equipment	49,553	42,111	37,756
Other real estate owned	2,013	1,892	2,470
Professional fees	10,166	8,753	7,150
Advertising and public relations	11,607	9,464	8,248
Intangible amortization	8,105	7,179	6,530
Communications	8,858	8,318	7,578
Merger and conversion related expenses	279	14,246	10,378
Extinguishment of debt	54	—	205
Other	13,076	20,145	20,289
Total noninterest expense	374,174	345,029	301,618
Income before income taxes	215,687	188,647	159,869
Income taxes	48,091	41,727	67,681
Net income	\$ 167,596	\$ 146,920	\$ 92,188
Basic earnings per share	\$ 2.89	\$ 2.80	\$ 1.97
Diluted earnings per share	\$ 2.88	\$ 2.79	\$ 1.96
Cash dividends per common share	\$ 0.87	\$ 0.80	\$ 0.73

See Notes to Consolidated Financial Statements.

Renasant Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income

(In Thousands)

	Year Ended December 31,		
	2019	2018	2017
Net income	\$ 167,596	\$ 146,920	\$ 92,188
Other comprehensive income, net of tax:			
Securities available for sale:			
Unrealized holding gains (losses) on securities	18,625	(8,315)	(2,218)
Reclassification adjustment for losses (gains) realized in net income	1,872	12	(91)
Unrealized holding gains on securities transferred from held to maturity to available for sale	—	—	8,108
Amortization of unrealized holding gains on securities transferred to the held to maturity category	—	—	(173)
Total securities available for sale	20,497	(8,303)	5,626
Derivative instruments:			
Unrealized holding (losses) gains on derivative instruments	(2,217)	365	536
Total derivative instruments	(2,217)	365	536
Defined benefit pension and post-retirement benefit plans:			
Net gain arising during the period	68	308	1,028
Amortization of net actuarial loss recognized in net periodic pension cost	312	245	249
Total defined benefit pension and post-retirement benefit plans	380	553	1,277
Other comprehensive income (loss), net of tax	18,660	(7,385)	7,439
Comprehensive income	\$ 186,256	\$ 139,535	\$ 99,627

See Notes to Consolidated Financial Statements.

Renasant Corporation and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity

(In Thousands, Except Share Data)

	Common Stock		Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount					
Balance at January 1, 2017	44,332,273	\$ 225,535	\$ (21,692)	\$ 707,408	\$ 337,536	\$ (15,904)	\$ 1,232,883
Net income					92,188		92,188
Other comprehensive income						7,439	7,439
Comprehensive income							99,627
Reclassification of the income tax effects of the Tax Cuts and Jobs Act to Retained earnings					2,046	(2,046)	—
Cash dividends (\$0.73 per share)					(34,416)		(34,416)
Common stock issued in connection with an acquisition	4,883,182	24,416		189,174			213,590
Issuance of common stock for stock-based compensation awards	105,776		1,786	(3,976)			(2,190)
Stock-based compensation expense				5,293			5,293
Other, net				196	—		196
Balance at December 31, 2017	<u>49,321,231</u>	<u>\$ 249,951</u>	<u>\$ (19,906)</u>	<u>\$ 898,095</u>	<u>\$ 397,354</u>	<u>\$ (10,511)</u>	<u>\$ 1,514,983</u>
Net income					146,920		146,920
Other comprehensive loss						(7,385)	(7,385)
Comprehensive income							139,535
Repurchase of shares in connection with stock repurchase program	(199,065)		(7,062)				(7,062)
Cash dividends (\$0.80 per share)					(43,614)		(43,614)
Common stock issued in connection with an acquisition	9,306,477	46,532		387,987			434,519
Repurchase of shares in connection with acquisition related to stock-based compensation awards	(2,000)		(93)				(93)
Issuance of common stock for stock-based compensation awards	119,837		2,816	(4,679)			(1,863)
Stock-based compensation expense				7,251			7,251
Other, net				257			257
Balance at December 31, 2018	<u>58,546,480</u>	<u>\$ 296,483</u>	<u>\$ (24,245)</u>	<u>\$ 1,288,911</u>	<u>\$ 500,660</u>	<u>\$ (17,896)</u>	<u>\$ 2,043,913</u>
Net income					167,596		167,596
Other comprehensive income						18,660	18,660
Comprehensive income							186,256
Repurchase of shares in connection with stock repurchase program	(1,820,202)		(62,944)				(62,944)
Cash dividends (\$0.87 per share)					(50,901)		(50,901)
Issuance of common stock for stock-based compensation awards	128,724		4,000	(4,831)			(831)
Stock-based compensation expense				10,196			10,196
Balance at December 31, 2019	<u>56,855,002</u>	<u>\$ 296,483</u>	<u>\$ (83,189)</u>	<u>\$ 1,294,276</u>	<u>\$ 617,355</u>	<u>\$ 764</u>	<u>\$ 2,125,689</u>

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2019	2018	2017
Operating activities			
Net income	\$ 167,596	\$ 146,920	\$ 92,188
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	7,050	6,810	7,550
Depreciation, amortization and accretion	8,185	3,496	4,832
Deferred income tax expense	20,041	16,444	23,461
Revaluation of net deferred tax assets due to changes in tax law	—	—	14,486
Funding of mortgage loans held for sale	(2,381,178)	(1,763,246)	(1,683,454)
Proceeds from sales of mortgage loans held for sale	2,328,607	1,698,141	1,775,450
Gains on sales of mortgage loans held for sale	(45,854)	(40,318)	(19,675)
Valuation adjustment to mortgage servicing rights	1,836	—	—
(Gains) losses on sales of securities	(348)	16	(148)
Penalty on prepayment of debt	54	—	205
(Gains) losses on sales of premises and equipment	(881)	(198)	565
Stock-based compensation	10,196	7,251	5,293
Net change in other loans held for sale	59,885	60,599	—
Decrease (increase) in other assets	683	(11,849)	(1,139)
Decrease in other liabilities	(12,249)	(41,954)	(12,572)
Net cash provided by operating activities	163,623	82,112	207,042
Investing activities			
Purchases of securities available for sale	(492,018)	(686,887)	(210,190)
Proceeds from sales of securities available for sale	212,485	2,387	495,340
Proceeds from call/maturities of securities available for sale	262,287	160,703	169,445
Proceeds from call/maturities of securities held to maturity	—	—	15,882
Net increase in loans	(465,182)	(115,208)	(440,205)
Purchases of premises and equipment	(34,966)	(22,360)	(13,047)
Proceeds from sales of premises and equipment	3,728	921	2,101
Net change in FHLB stock	(11,315)	(4,706)	(5,481)
Proceeds from sales of other assets	18,404	8,361	14,131
Net cash (paid) received in acquisition	(250)	153,502	41,685
Other, net	917	—	—
Net cash (used in) provided by investing activities	(505,910)	(503,287)	69,661
Financing activities			
Net increase in noninterest-bearing deposits	233,064	49,087	11,588
Net (decrease) increase in interest-bearing deposits	(147,139)	447,317	(88,717)
Net increase (decrease) in short-term borrowings	101,385	263,753	(19,862)
Proceeds from long-term debt	150,000	—	—
Repayment of long-term debt	(35,359)	(849)	(170,240)
Cash paid for dividends	(50,901)	(43,614)	(34,416)
Repurchase of shares in connection with stock repurchase program	(62,944)	(7,062)	—
Cash received on exercise of stock options	—	201	173
Net cash provided by (used in) financing activities	188,106	708,833	(301,474)
Net (decrease) increase in cash and cash equivalents	(154,181)	287,658	(24,771)
Cash and cash equivalents at beginning of year	569,111	281,453	306,224
Cash and cash equivalents at end of year	\$ 414,930	\$ 569,111	\$ 281,453

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

	Year Ended December 31,		
	2019	2018	2017
Supplemental disclosures			
Cash paid for interest	\$ 98,396	\$ 66,706	\$ 36,888
Cash paid for income taxes	\$ 26,727	\$ 24,520	\$ 32,556
Noncash transactions:			
Transfers of loans to other real estate	\$ 4,764	\$ 3,826	\$ 6,699
Financed sales of other real estate owned	\$ 611	\$ 531	\$ 773
Transfers of mortgage loans held for sale to loans held for investment	\$ 189	\$ 1,732	\$ 563
Transfers of other loans held for sale to loans held for investment	\$ 134,335	\$ —	\$ —
Common stock issued in acquisition of businesses	\$ —	\$ 434,519	\$ 213,590
Recognition of operating right-of-use assets	\$ 91,181	\$ —	\$ —
Recognition of operating lease liabilities	\$ 94,700	\$ —	\$ —

See Notes to Consolidated Financial Statements.

Note 1 – Significant Accounting Policies

(Dollar amounts in thousands)

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

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

Consolidation: The accompanying Consolidated Financial Statements and these Notes to Consolidated Financial Statements include the accounts of the Company and its consolidated subsidiaries, all of which are wholly-owned. All intercompany balances and transactions have been eliminated. Certain prior year amounts have been reclassified to conform to the current year presentation. Reclassifications had no effect on prior years’ net income or shareholders’ equity.

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

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

The amortized cost of securities, regardless of classification, is adjusted for amortization of premiums and accretion of discounts. Such amortization and accretion is included in interest income from securities, as is dividend income. Realized gains and losses on sales of securities are reflected under the line item “Net gains (losses) on sales of securities” on the Consolidated Statements of Income. The cost of securities sold is based on the specific identification method.

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

Recognition of investment interest is discontinued on debt securities that are transferred to nonaccrual status. A number of qualitative factors, including but not limited to the financial condition of the underlying issuer and current and projected deferrals or defaults, are considered by management in the determination of whether the debt security should be transferred to nonaccrual status. The interest on nonaccrual investment securities is accounted for on the cash-basis method until the debt security qualifies for return to accrual status. See Note 3, “Securities,” for further details regarding the Company’s securities portfolio.

Note 1 – Significant Accounting Policies (continued)

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

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

In connection with the acquisition of Brand (as defined below in Note 2, “Mergers and Acquisitions”), the Company acquired a portfolio of non-mortgage consumer loans, which were also included in the line item “Loans held for sale” on the Company’s Consolidated Balance Sheet as of December 31, 2018. During 2019, the Company made the decision to hold the portfolio for the foreseeable future and therefore transferred the loans from the held for sale category to the held for investment category. While these non-mortgage consumer loans were classified as held for sale, the Company carried these loans at the lower of amortized cost or fair value.

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

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

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

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

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

Note 1 – Significant Accounting Policies (continued)

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

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

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

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

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

Effective January 1, 2019, ASC 842, “Leases” requires a lessee to recognize a right-of-use asset and a lease liability for all leases with a term greater than twelve months on its balance sheet regardless of the whether the lease is classified as financing or operating.

All of the Company’s lessee arrangements are operating leases, being real estate leases for Company facilities. Under these arrangements, the Company records right-of-use assets and corresponding lease liabilities, each of which is based on the present value of the remaining lease payments and are discounted at the Company’s incremental borrowing rate. Right-of-use assets are reported in premises and equipment on the Consolidated Balance Sheets and the related lease liabilities are reported in other liabilities. All leases are recorded on the Consolidated Balance Sheets except for leases with an initial term less than 12 months for which the Company elected the short-term lease recognition exemption. Lease terms may contain renewal and extension options and early termination features. Many leases include one or more options to renew, with renewal terms that can extend the lease term from one to 20 years or more. The exercise of lease renewal options is at the Company’s sole discretion. Renewal options which are reasonably certain to be exercised in the future were included in the measurement of right-of-use assets and lease liabilities.

Lease expense is recognized on a straight-line basis over the lease term and is recorded in occupancy and equipment expense in the Consolidated Statements of Income. Variable lease payments consist primarily of common area maintenance and taxes. The Company does not have any material sublease agreements currently in place.

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

Note 1 – Significant Accounting Policies (continued)

to acquisition are charged to earnings and are included under the line item “Other real estate owned” on the Consolidated Statements of Income.

Mortgage Servicing Rights: The Company retains the right to service certain mortgage loans that it sells to secondary market investors. These mortgage servicing rights are recognized as a separate asset on the date the corresponding mortgage loan is sold. Mortgage servicing rights are amortized in proportion to and over the period of estimated net servicing income. These servicing rights are carried at the lower of amortized cost or fair value. Fair value is determined using an income approach with various assumptions including expected cash flows, prepayment speeds, market discount rates, servicing costs, mortgage interest rates and other factors. Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is recognized through a valuation allowance, to the extent that unamortized cost exceeds fair value. If the Company later determines that all or a portion of the impairment no longer exists, a reduction of the valuation allowance may be recorded as an increase to income. Changes in valuation allowances related to servicing rights are reported in the line item “Mortgage banking income” on the Consolidated Statements of Income. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

Goodwill and Other Intangible Assets: Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Other intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights. Intangibles with finite lives are amortized over their estimated useful lives. Goodwill and other intangible assets are subject to impairment testing annually or more frequently if events or circumstances indicate possible impairment. Goodwill is assigned to the Company’s reporting segments. In determining the fair value of the Company’s reporting units, management uses the market approach. Other intangible assets, consisting of core deposit intangibles and customer relationship intangibles, are reviewed for events or circumstances which could impact the recoverability of the intangible asset, such as a loss of core deposits, increased competition or adverse changes in the economy. No impairment was identified for the Company’s goodwill or its other intangible assets as a result of the testing performed during 2019, 2018 or 2017.

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

Revenue from Contracts with Customers: ASC 606, “Revenue from Contracts with Customers,” provides guidance on revenue recognition from contracts with customers. For revenue streams within its scope, ASC 606 requires costs that are incremental to obtaining a contract to be capitalized. In the case of the Company, these costs include sales commissions for insurance and wealth management products. ASC 606 has established, and the Company has utilized, a practical expedient allowing costs that, if capitalized, would have an amortization period of one year or less to instead be expensed as incurred.

Service Charges on Deposit Accounts

Service charges on deposit accounts include maintenance fees on accounts, per item charges, account enhancement charges for additional packaged benefits and overdraft fees. The contracts with deposit account customers are day-to-day contracts and are considered to be terminable at will by either party. Therefore, the fees are all considered to be earned when charged and simultaneously collected.

Fees and Commissions

Fees and commissions include fees related to deposit services, such as ATM fees and interchange fees on debit card transactions. These fees are earned at the point in time when the services are rendered, and therefore the related revenue is recognized as the Company’s performance obligation is satisfied.

Insurance Commissions

Insurance commissions are earned when policies are placed by customers with the insurance carriers and are collected and recognized using two different methods: the agency bill method and the direct bill method.

Under the agency bill method, Renasant Insurance is responsible for billing the customers directly and then collecting and remitting the premiums to the insurance carriers. Agency bill revenue is recognized at the later of the invoice date or effective date of the policy. The Company has established a reserve for such policies which is derived from historical collection experience and updated

Note 1 – Significant Accounting Policies (continued)

annually. The contract balances (i.e. accounts receivable and accounts payable related to insurance commissions earned and premiums due) and the reserve established are considered inconsequential to the overall financial results of the Company.

Under the direct bill method, premium billing and collections are handled by the insurance carriers, and a commission is then paid to Renasant Insurance. Direct bill revenue is recognized when the cash is received from the insurance carriers. While there is recourse on these commissions in the event of policy cancellations, based on the Company's historical data, significant or material reversals of revenue based on policy cancellations are not anticipated. The Company monitors policy cancellations on a monthly basis and, if a significant or material set of transactions were to occur, the Company would adjust earnings accordingly.

The Company also earns contingency income that it recognizes on a cash basis. Contingency income is a bonus received from the insurance underwriters and is based on commission income and claims experience on the Company's clients' policies during the previous year. Increases and decreases in contingency income are reflective of corresponding increases and decreases in the amount of claims paid by insurance carriers.

Wealth Management Revenue

Fees for managing trust accounts (inclusive of personal and corporate benefit accounts, self-directed IRAs, and custodial accounts) are based on the value of assets under management in the account, with the amount of the fee depending on the type of account. Revenue is recognized on a monthly basis, and there is little to no risk of a material reversal of revenue.

Fees for other wealth management services, such as investment guidance relating to fixed and variable annuities, mutual funds, stocks and other investments, are recognized based on either trade activity, which are recognized at the time of the trade, or assets under management, which are recognized monthly.

Sales of Other Real Estate Owned

The Company continually markets the properties included in the OREO portfolio. The Company will at times, in the ordinary course of business, provide seller-financing on sales of OREO. In cases where a sale is seller-financed, the Company must ensure the commitment of both parties to perform their respective obligations and the collectability of the transaction price in order to properly recognize the revenue on the sale of OREO. This is accomplished through the Company's loan underwriting process. In this process the Company considers things such as the buyer's initial equity in the property, the credit quality of the buyer, the financing terms of the loan and the cash flow from the property, if applicable. If it is determined that the contract criteria in ASC 606 have been met, the revenue on the sale of OREO will be recognized on the closing date of the sale when the Company has transferred title to the buyer and obtained the right to receive payment for the property. In instances where sales are not seller-financed, the Company recognizes revenue on the closing date of the sale when the Company has obtained payment for the property and transferred title to the buyer. For additional information on OREO, please see Note 8, "Other Real Estate Owned."

Income Taxes: Income taxes are accounted for under the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. It is the Company's policy to recognize interest and penalties, if incurred, related to unrecognized tax benefits in income tax expense. The Company and its subsidiaries file a consolidated federal income tax return. Renasant Bank provides for income taxes on a separate-return basis and remits to the Company amounts determined to be currently payable.

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

Fair Value Measurements: ASC 820, "Fair Value Measurements and Disclosures," provides guidance for using fair value to measure assets and liabilities and also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to a valuation based on quoted prices in active markets for identical assets and liabilities (Level 1), moderate priority to a valuation based on quoted prices in active markets for similar assets and liabilities and/or based on assumptions that are observable in the market (Level 2), and the lowest priority to a valuation based on assumptions that are not observable in the market (Level 3). See Note 17, "Fair Value Measurements," for further details regarding the Company's methods and assumptions used to estimate the fair values of the Company's financial assets and liabilities.

Note 1 – Significant Accounting Policies (continued)

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

Cash flow hedges are utilized to mitigate the exposure to variability in expected future cash flows or other types of forecasted transactions. For the Company’s derivatives designated as cash flow hedges, changes in the fair value of cash flow hedges are, to the extent that the hedging relationship is effective, recorded as other comprehensive income and are subsequently recognized in earnings at the same time that the hedged item is recognized in earnings. The ineffective portions of the changes in fair value of the hedging instruments are immediately recognized in earnings. The assessment of the effectiveness of the hedging relationship is evaluated under the hypothetical derivative method.

The Company also utilizes derivative instruments that are not designated as hedging instruments. The Company enters into interest rate cap and/or floor agreements with its customers and then enters into an offsetting derivative contract position with other financial institutions to mitigate the interest rate risk associated with these customer contracts. Because these derivative instruments are not designated as hedging instruments, changes in the fair value of the derivative instruments are recognized currently in earnings.

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

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

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

Retirement Plans: The Company sponsors a noncontributory pension plan and provides retiree medical benefits for certain employees. The Company’s independent actuary firm prepares actuarial valuations of pension cost and obligation under ASC 715, “Compensation – Retirement Benefits” (“ASC 715”), using assumptions and estimates derived in accordance with the guidance set forth in ASC 715. Expense related to the plans is included under the line item “Salaries and employee benefits” on the Consolidated Statements of Income. Actuarial gains and losses are recognized in accumulated other comprehensive income, net of tax, until they are amortized as a component of plan expense. See Note 14, “Employee Benefit and Deferred Compensation Plans,” for further details regarding the Company’s retirement plans.

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

Earnings Per Common Share: Basic net income per common share is calculated by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted net income per common share reflects the pro forma dilution of shares outstanding, assuming outstanding stock options were exercised into common shares and nonvested restricted stock awards, whose vesting is subject to future service requirements, were outstanding common shares as of the awards’ respective grant dates,

Note 1 – Significant Accounting Policies (continued)

calculated in accordance with the treasury method. See Note 20, “Net Income Per Common Share,” for the reconciliation of the numerators and denominators of the basic and diluted earnings per share computations.

Subsequent Events: The Company has evaluated, for consideration of recognition or disclosure, subsequent events that have occurred through the date of issuance of its financial statements, and has determined that no significant events occurred after December 31, 2019 but prior to the issuance of these financial statements that would have a material impact on its Consolidated Financial Statements.

Impact of Recently-Issued Accounting Standards and Pronouncements:

Effective January 1, 2019, the Company adopted Accounting Standards Update (“ASU”) 2016-02, “*Leases (Topic 842)*” and its related amendments (“ASC 842”), which changed the accounting model and disclosure requirements for leases. The former accounting model distinguished between capital leases, which were recognized on the balance sheet, and operating leases, which were not. Under the new standard, the lease classifications are defined as finance leases, which are similar to capital leases under prior GAAP, and operating leases. Further, under the new standard a lessee recognizes a lease liability and a right-of-use asset for all leases with a term greater than 12 months on its balance sheet regardless of the lease’s classification. The accounting model and disclosure requirements for lessors remains substantially unchanged from prior GAAP. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. The Company chose to use the effective date approach and, as such, all periods after January 1, 2019 are presented in accordance with ASC 842 whereas periods prior to January 1, 2019 are presented in accordance with prior lease accounting. Financial information was not updated, and the disclosures required under ASC 842 were not provided for dates and periods before January 1, 2019.

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

Upon adoption, the Company recorded a right-of-use asset in the amount of \$53,042 and a corresponding lease liability in the amount of \$56,562 on January 1, 2019. The Company has included newly applicable lease disclosures in Note 26, “Leases.”

In June 2016, FASB issued ASU 2016-13, “*Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*” (“ASU 2016-13”). This update 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. FASB describes this impairment recognition model as the current expected credit loss (“CECL”) model and believes the CECL model will result in more timely recognition of credit losses since the CECL model incorporates expected credit losses versus incurred credit losses. The scope of FASB’s CECL model includes loans, held-to-maturity debt instruments, lease receivables, loan commitments and financial guarantees that are not accounted for at fair value. Additionally, ASU 2016-13 amends the accounting for credit losses on available for sale securities and purchased financial assets with credit deterioration.

ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Entities should apply the amendment by means of a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. Over the course of 2019, FASB issued a number of updates clarifying various matters arising under ASU 2016-13, including the following: (1) ASU 2018-19 was issued to clarify that receivables arising from operating leases are not within the scope of Subtopic 326-20; instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases; (2) ASU 2019-04 was issued and provides entities alternatives for measurement of accrued interest receivable, clarifies the steps entities should take when recording the transfer of loans or debt securities between measurement classifications or categories and clarifies that entities should include expected recoveries on financial assets; (3) ASU 2019-05 was issued to provide entities that have certain instruments within the scope of Subtopic 320-20 with an option to irrevocably elect the fair value option in Subtopic 825-10; and (4) ASU 2019-11 was issued to clarify and address stakeholders’ specific issues relating to expected recoveries on purchased credit deteriorated assets and transition and disclosure relief related to troubled debt restructured loans and accrued interest, respectively. Early adoption is permitted.

The Company has developed a CECL allowance model which calculates reserves over the life of the loan and is largely driven by portfolio characteristics, risk-grading, economic outlook, and other key methodology assumptions. Those assumptions are based upon the existing probability of default and loss given default framework. The Company currently expects an increase of \$35,000 to \$45,000 in the allowance for credit losses and an increase of \$10,000 to \$15,000 in the reserve for unfunded commitments. The

Note 1 – Significant Accounting Policies (continued)

Company's CECL committee will periodically refine the model as needed. The Company is in the process of finalizing the review of the most recent model run and finalizing assumptions including qualitative adjustments and economic forecasts. As the Company is currently working to finalize the CECL model and the controls and processes around the model, the overall increases discussed above could differ from the numbers disclosed. Once final, the Company will record a one-time cumulative-effect adjustment to our allowance.

In January 2017, FASB issued ASU 2017-04, *"Intangibles - Goodwill and Other (Topic 350)"* ("ASU 2017-04"). ASU 2017-04 amends and simplifies current goodwill impairment testing by eliminating certain testing under the current provisions. Under the new guidance, an entity should perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying value and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if a quantitative impairment test is necessary. ASU 2017-04 became effective January 1, 2020 and is not expected to have a material impact on the Company's financial statements.

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

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

In August 2018, FASB issued ASU 2018-13, *"Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement"* ("ASU 2018-13"). ASU 2018-13 is intended to improve the disclosures on fair value measurements by eliminating, amending and adding certain disclosure requirements. These changes are intended to reduce costs for preparers while providing more useful information for financial statement users. ASU 2019-01 became effective January 1, 2020 and is not expected to have a material impact on the Company's financial statements.

In March 2019, FASB issued ASU 2019-01, *"Leases (Topic 842): Codification Improvements"* ("ASU 2019-01"). ASU 2019-01 is intended to clarify potential implementation questions related to ASC 842. This includes clarification on the determination of fair value of underlying assets by lessors that are not manufacturers or dealers, cash flow presentation of sales-type and direct financing leases and transition disclosures related to accounting changes and error corrections. ASU 2019-01 became effective January 1, 2020 and is not expected to have a material impact on the Company's financial statements.

Note 2 – Mergers and Acquisitions

(Dollar amounts in thousands, except per share data)

Acquisition of Brand Group Holdings, Inc.

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

The Company recorded approximately \$356,171 in intangible assets, which consist of goodwill of \$328,637 and a core deposit intangible of \$27,534. Goodwill resulted from a combination of revenue enhancements from expansion in existing markets and efficiencies resulting from operational synergies. The fair value of the core deposit intangible is being amortized over the estimated useful life, currently expected to be approximately 10 years. The goodwill is not deductible for income tax purposes. The following table summarizes the allocation of purchase price to assets and liabilities acquired in connection with the Company’s acquisition of Brand based on their fair values on September 1, 2018.

Purchase Price:	
Shares issued to common shareholders	9,306,477
Purchase price per share	<u>\$ 46.69</u>
Value of stock paid	\$ 434,519
Cash consideration paid	21,879
Cash paid for fractional shares	4
Cash settlement for stock options, net of tax benefit	17,157
Deal charges paid on behalf of Brand	894
Total Purchase Price	<u>\$ 474,453</u>
Net Assets Acquired:	
Stockholders’ equity at acquisition date	\$ 138,896
Increase (decrease) to net assets as a result of fair value adjustments to assets acquired and liabilities assumed:	
Securities	(323)
Loans, including loans held for sale	(27,611)
Premises and equipment	910
Intangible assets	27,534
Other assets	(4,495)
Deposits	(1,367)
Borrowings	(2,023)
Other liabilities	13,338
Deferred income taxes	957
Total Net Assets Acquired	<u>145,816</u>
Goodwill resulting from merger⁽¹⁾	<u><u>\$ 328,637</u></u>

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

Note 2 - Mergers and Acquisitions (continued)

The following table summarizes the estimated fair value on September 1, 2018 of assets acquired and liabilities assumed on that date in connection with the merger with Brand:

Cash and cash equivalents	\$ 193,436
Securities	71,122
Loans, including loans held for sale	1,580,339
Premises and equipment	20,070
Intangible assets	356,171
Other assets	113,195
Total assets	2,334,333
Deposits	1,714,177
Borrowings	89,273
Other liabilities	56,430
Total liabilities	1,859,880

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

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

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

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

Supplemental Pro Forma Combined Condensed Results of Operations

The following unaudited pro forma combined condensed consolidated financial information presents the results of operations for the twelve months ended December 31, 2019 and 2018 of the Company as though the Brand merger had been completed as of January 1, 2018, except that the results of operations for BMG are only included through its October 31, 2018 divestiture. The unaudited estimated pro forma information combines the historical results of Brand with the Company’s historical consolidated results and includes certain adjustments reflecting the estimated impact of certain fair value adjustments for the periods presented. The pro forma information is not necessarily indicative of what would have occurred had the acquisitions taken place on January 1, 2018. The pro forma information does not include the effect of any cost-saving or revenue-enhancing strategies. Merger expenses are reflected in the period in which they were incurred.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 2 - Mergers and Acquisitions (continued)

	Twelve Months Ended	
	December 31,	
	2019	2018
Net interest income - pro forma (unaudited)	\$ 443,657	\$ 455,513
Noninterest income - pro forma (unaudited)	\$ 153,254	\$ 153,850
Noninterest expense - pro forma (unaudited)	\$ 374,174	\$ 452,699
Net income - pro forma (unaudited)	\$ 167,596	\$ 115,646
Earnings per share - pro forma (unaudited):		
Basic	\$ 2.89	\$ 1.97
Diluted	\$ 2.88	\$ 1.97

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

Renaissance Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 3 – Securities

(In Thousands, Except Number of Securities)

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2019				
U.S. Treasury securities	\$ 498	\$ 1	\$ —	\$ 499
Obligations of other U.S. Government agencies and corporations	2,518	16	(3)	2,531
Obligations of states and political subdivisions	218,362	5,134	(365)	223,131
Residential mortgage backed securities:				
Government agency mortgage backed securities	708,970	8,951	(1,816)	716,105
Government agency collateralized mortgage obligations	172,178	1,322	(262)	173,238
Commercial mortgage backed securities:				
Government agency mortgage backed securities	30,372	659	(24)	31,007
Government agency collateralized mortgage obligations	76,456	1,404	(109)	77,751
Trust preferred securities	12,153	—	(2,167)	9,986
Other debt securities	55,364	1,133	(132)	56,365
	<u>\$ 1,276,871</u>	<u>\$ 18,620</u>	<u>\$ (4,878)</u>	<u>\$ 1,290,613</u>
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2018				
Obligations of other U.S. Government agencies and corporations	\$ 2,536	\$ 13	\$ (38)	\$ 2,511
Obligations of states and political subdivisions	200,798	3,038	(567)	203,269
Residential mortgage backed securities:				
Government agency mortgage backed securities	621,690	719	(9,126)	613,283
Government agency collateralized mortgage obligations	332,697	274	(5,982)	326,989
Commercial mortgage backed securities:				
Government agency mortgage backed securities	21,957	257	(384)	21,830
Government agency collateralized mortgage obligations	28,446	24	(135)	28,335
Trust preferred securities	12,359	—	(1,726)	10,633
Other debt securities	44,046	192	(311)	43,927
	<u>\$ 1,264,529</u>	<u>\$ 4,517</u>	<u>\$ (18,269)</u>	<u>\$ 1,250,777</u>

Note 3 - Securities (continued)

Securities sold were as follows for the periods presented:

	<u>Carrying Value</u>	<u>Net Proceeds</u>	<u>Gain/(Loss)</u>
Twelve months ended December 31, 2019			
Obligations of states and political subdivisions	\$ 11,799	\$ 11,813	\$ 14
Residential mortgage backed securities:			
Government agency mortgage backed securities	72,556	71,944	(612)
Government agency collateralized mortgage obligations	122,692	120,892	(1,800)
Commercial mortgage backed securities:			
Government agency mortgage backed securities	4,838	4,720	(118)
Other debt securities	252	257	5
Other equity securities	—	2,859	2,859
	<u>\$ 212,137</u>	<u>\$ 212,485</u>	<u>\$ 348</u>

	<u>Carrying Value</u>	<u>Net Proceeds</u>	<u>Gain/(Loss)</u>
Twelve months ended December 31, 2018			
Obligations of states and political subdivisions	\$ 901	\$ 893	\$ (8)
Residential mortgage backed securities:			
Government agency mortgage backed securities	943	942	(1)
Government agency collateralized mortgage obligations	559	552	(7)
	<u>\$ 2,403</u>	<u>\$ 2,387</u>	<u>\$ (16)</u>

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

The sales of other equity securities included in the table above for the twelve months ended December 31, 2019 represent the Company's sale of the majority of its shares of Visa Class B common stock during the third quarter of 2019.

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

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 3 - Securities (continued)

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

	Year Ended December 31,		
	2019	2018	2017
Gross gains on sales of securities available for sale	\$ 2,979	\$ 11	\$ 2,497
Gross losses on sales of securities available for sale	(2,631)	(27)	(2,349)
Gain on sales of securities available for sale, net	<u>\$ 348</u>	<u>\$ (16)</u>	<u>\$ 148</u>

At December 31, 2019 and 2018, securities with a carrying value of approximately \$416,849 and \$619,308, respectively, were pledged to secure government, public, trust, and other deposits. Securities with a carrying value of \$27,754 and \$18,299 were pledged as collateral for short-term borrowings and derivative instruments at December 31, 2019 and 2018, respectively.

The amortized cost and fair value of securities at December 31, 2019 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because issuers may call or prepay obligations with or without call or prepayment penalties.

	Available for Sale	
	Amortized Cost	Fair Value
Due within one year	\$ 17,132	\$ 17,294
Due after one year through five years	30,969	31,820
Due after five years through ten years	78,892	81,860
Due after ten years	120,038	118,890
Residential mortgage backed securities:		
Government agency mortgage backed securities	708,970	716,105
Government agency collateralized mortgage obligations	172,178	173,238
Commercial mortgage backed securities:		
Government agency mortgage backed securities	30,372	31,007
Government agency collateralized mortgage obligations	76,456	77,751
Other debt securities	41,864	42,648
	<u>\$ 1,276,871</u>	<u>\$ 1,290,613</u>

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 3 - Securities (continued)

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

	Less than 12 Months			12 Months or More			Total		
	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses
Available for Sale:									
December 31, 2019									
Obligations of other U.S. Government agencies and corporations	0	\$ —	\$ —	1	\$ 1,008	\$ (3)	1	\$ 1,008	\$ (3)
Obligations of states and political subdivisions	26	33,902	(365)	0	—	—	26	33,902	(365)
Residential mortgage backed securities:									
Government agency mortgage backed securities	37	233,179	(1,504)	16	20,775	(312)	53	253,954	(1,816)
Government agency collateralized mortgage obligations	11	45,319	(262)	0	—	—	11	45,319	(262)
Commercial mortgage backed securities:									
Government agency mortgage backed securities	1	4,976	(23)	2	1,190	(1)	3	6,166	(24)
Government agency collateralized mortgage obligations	1	4,910	(109)	0	—	—	1	4,910	(109)
Trust preferred securities	0	—	—	2	9,986	(2,167)	2	9,986	(2,167)
Other debt securities	3	8,737	(131)	1	741	(1)	4	9,478	(132)
Total	79	\$ 331,023	\$ (2,394)	22	\$ 33,700	\$ (2,484)	101	\$ 364,723	\$ (4,878)
December 31, 2018									
Obligations of other U.S. Government agencies and corporations	0	\$ —	\$ —	2	\$ 1,480	\$ (38)	2	\$ 1,480	\$ (38)
Obligations of states and political subdivisions	34	22,159	(193)	26	16,775	(374)	60	38,934	(567)
Residential mortgage backed securities:									
Government agency mortgage backed securities	91	354,731	(3,945)	73	125,757	(5,181)	164	480,488	(9,126)
Government agency collateralized mortgage obligations	24	97,451	(840)	60	140,076	(5,142)	84	237,527	(5,982)
Commercial mortgage backed securities:									
Government agency mortgage backed securities	5	6,506	(74)	4	7,468	(310)	9	13,974	(384)
Government agency collateralized mortgage obligations	2	9,950	(23)	1	4,888	(112)	3	14,838	(135)
Trust preferred securities	0	—	—	2	10,633	(1,726)	2	10,633	(1,726)
Other debt securities	12	19,011	(88)	3	5,621	(223)	15	24,632	(311)
Total	168	\$ 509,808	\$ (5,163)	171	\$ 312,698	\$ (13,106)	339	\$ 822,506	\$ (18,269)

The Company does not intend to sell any of the securities in an unrealized loss position, and it is not more likely than not that the Company will be required to sell any such security prior to the recovery of its amortized cost basis, which may be maturity. Furthermore, even though a number of these securities have been in a continuous unrealized loss position for a period greater than twelve months, the Company is collecting principal and interest payments from the respective issuers as scheduled. As such, the Company did not record any other-than-temporary impairment for the years ended December 31, 2019 and 2018.

The Company holds investments in pooled trust preferred securities that had a cost basis of \$12,153 and \$12,359 and a fair value of \$9,986 and \$10,633 at December 31, 2019 and 2018, respectively. As of December 31, 2019, the investments in pooled trust preferred securities consisted of two securities representing interests in various tranches of trusts collateralized by debt issued by 148 financial institutions. Management's determination of the fair value of each of its holdings in pooled trust preferred securities is based on the current credit ratings, the known deferrals and defaults by the underlying issuing financial institutions and the degree to which future deferrals and defaults would be required to occur before the cash flow for the Company's tranches is negatively impacted. In addition, management continually monitors key credit quality and capital ratios of the issuing institutions.

Note 3 - Securities (continued)

This determination is further supported by quarterly valuations, which are performed by third parties, of each security obtained by the Company. The Company does not intend to sell the investments before recovery of the investments' amortized cost, and it is not more likely than not that the Company will be required to sell the investments before recovery of the investments' amortized cost, which may be at maturity. At December 31, 2019, management did not, and does not currently, believe such securities will be settled at a price less than the amortized cost of each investment, but the Company previously concluded that it was probable that there had been an adverse change in estimated cash flows for both trust preferred securities and recognized credit related impairment losses on these securities in 2011. For the years ended December 31, 2019, 2018 and 2017, the Company determined the pooled trust preferred securities and their estimated cash flow were fairly valued, and no additional impairment was recognized during these periods.

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

Name	Single/ Pooled	Class/ Tranche	Amortized Cost	Fair Value	Unrealized Loss	Lowest Credit Rating	Issuers Currently in Deferral or Default
XXIII	Pooled	B-2	\$ 8,182	\$ 6,410	\$ (1,772)	BB	15%
XXVI	Pooled	B-2	3,971	3,576	(395)	B	19%
			<u>\$ 12,153</u>	<u>\$ 9,986</u>	<u>\$ (2,167)</u>		

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

	2019	2018
Balance at January 1	\$ (261)	\$ (261)
Additions related to credit losses for which OTTI was not previously recognized	—	—
Increases in credit loss for which OTTI was previously recognized	—	—
Reductions for securities sold during the period	—	—
Balance at December 31	<u>\$ (261)</u>	<u>\$ (261)</u>

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 4 – Non Purchased Loans

(In Thousands, Except Number of Loans)

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

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

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

	2019	2018
Commercial, financial, agricultural	\$ 1,052,353	\$ 875,649
Lease financing	85,700	64,992
Real estate – construction	774,901	635,519
Real estate – 1-4 family mortgage	2,350,126	2,087,890
Real estate – commercial mortgage	3,128,876	2,628,365
Installment loans to individuals	199,843	100,424
Gross loans	<u>7,591,799</u>	<u>6,392,839</u>
Unearned income	(3,825)	(3,127)
Loans, net of unearned income	<u>\$ 7,587,974</u>	<u>\$ 6,389,712</u>

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 4 - Non Purchased Loans (continued)

Past Due and Nonaccrual Loans

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

	Accruing Loans				Nonaccruing Loans				Total Loans	
	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans		
December 31, 2019										
Commercial, financial, agricultural	\$ 605	\$ 476	\$ 1,045,802	\$ 1,046,883	\$ 387	\$ 5,023	\$ 60	\$ 5,470	\$ 1,052,353	
Lease financing	—	—	85,474	85,474	—	226	—	226	85,700	
Real estate – construction	794	—	774,107	774,901	—	—	—	—	774,901	
Real estate – 1-4 family mortgage	18,020	2,502	2,320,328	2,340,850	623	6,571	2,082	9,276	2,350,126	
Real estate – commercial mortgage	2,362	276	3,119,785	3,122,423	372	4,655	1,426	6,453	3,128,876	
Installment loans to individuals	1,000	204	198,555	199,759	—	17	67	84	199,843	
Unearned income	—	—	(3,825)	(3,825)	—	—	—	—	(3,825)	
Total	\$ 22,781	\$ 3,458	\$ 7,540,226	\$ 7,566,465	\$ 1,382	\$ 16,492	\$ 3,635	\$ 21,509	\$7,587,974	
December 31, 2018										
Commercial, financial, agricultural	\$ 3,397	\$ 267	\$ 870,457	\$ 874,121	\$ —	\$ 1,356	\$ 172	\$ 1,528	\$ 875,649	
Lease financing	607	89	64,296	64,992	—	—	—	—	64,992	
Real estate – construction	887	—	634,632	635,519	—	—	—	—	635,519	
Real estate – 1-4 family mortgage	10,378	2,151	2,071,401	2,083,930	238	2,676	1,046	3,960	2,087,890	
Real estate – commercial mortgage	1,880	13	2,621,902	2,623,795	—	2,974	1,596	4,570	2,628,365	
Installment loans to individuals	368	165	99,731	100,264	3	157	—	160	100,424	
Unearned income	—	—	(3,127)	(3,127)	—	—	—	—	(3,127)	
Total	\$ 17,517	\$ 2,685	\$ 6,359,292	\$ 6,379,494	\$ 241	\$ 7,163	\$ 2,814	\$ 10,218	\$6,389,712	

Restructured loans that are not performing in accordance with their restructured terms that are either contractually 90 days or more past due or placed on nonaccrual status are reported as nonperforming loans. There were two restructured loans totaling \$164 that were contractually 90 days past due or more and still accruing at December 31, 2019. There was one restructured loan totaling \$41 that was contractually 90 days past due or more and still accruing at December 31, 2018. The outstanding balance of restructured loans on nonaccrual status was \$3,058 and \$3,128 at December 31, 2019 and 2018, respectively.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 4 - Non Purchased Loans (continued)

Impaired Loans

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

	As of December 31, 2019			Year Ended December 31, 2019	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a related allowance recorded:					
Commercial, financial, agricultural	\$ 5,722	\$ 6,623	\$ 1,222	\$ 6,787	\$ 30
Lease financing	226	226	3	231	—
Real estate – construction	—	—	—	—	—
Real estate – 1-4 family mortgage	13,689	14,018	143	14,364	200
Real estate – commercial mortgage	7,361	8,307	390	7,034	120
Installment loans to individuals	84	91	1	97	2
Total	\$ 27,082	\$ 29,265	\$ 1,759	\$ 28,513	\$ 352
With no related allowance recorded:					
Commercial, financial, agricultural	\$ —	\$ —	\$ —	\$ —	\$ —
Lease financing	—	—	—	—	—
Real estate – construction	9,145	9,145	—	8,516	438
Real estate – 1-4 family mortgage	—	—	—	—	—
Real estate – commercial mortgage	1,080	2,760	—	1,159	33
Installment loans to individuals	—	—	—	—	—
Total	\$ 10,225	\$ 11,905	\$ —	\$ 9,675	\$ 471
Totals	\$ 37,307	\$ 41,170	\$ 1,759	\$ 38,188	\$ 823

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 4 - Non Purchased Loans (continued)

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

The average recorded investment in impaired loans for the year ended December 31, 2017 was \$21,998. Interest income recognized on impaired loans for the year ended December 31, 2017 was \$573.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 4 - Non Purchased Loans (continued)

Restructured Loans

At December 31, 2019, 2018 and 2017, there were \$4,679, \$5,325 and \$5,588, respectively, of restructured loans. The following table illustrates the impact of modifications classified as restructured loans held on the Consolidated Balance Sheets and still performing in accordance with their restructured terms at period end, segregated by class, as of the periods presented.

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment
December 31, 2019			
Commercial, financial, agricultural	2	\$ 187	\$ 185
Real estate – 1-4 family mortgage	5	460	459
Total	7	\$ 647	\$ 644
December 31, 2018			
Real estate – 1-4 family mortgage	9	\$ 1,764	\$ 1,763
Real estate – commercial mortgage	2	94	89
Total	11	\$ 1,858	\$ 1,852
December 31, 2017			
Commercial, financial, agricultural	2	\$ 331	\$ 330
Real estate – 1-4 family mortgage	8	598	586
Real estate – commercial mortgage	3	683	313
Installment loans to individuals	1	4	3
Total	14	\$ 1,616	\$ 1,232

At December 31, 2018 and December 31, 2017 the Company had \$139 and \$184, respectively, in troubled debt restructurings that subsequently defaulted within twelve months of the restructuring. There were no such occurrences for the year ended December 31, 2019.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 4 - Non Purchased Loans (continued)

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

	Number of Loans	Recorded Investment
Totals at January 1, 2018	54	\$ 5,588
Additional advances or loans with concessions	11	1,861
Reclassified as performing	3	295
Reductions due to:		
Reclassified as nonperforming	(8)	(639)
Paid in full	(9)	(1,556)
Principal paydowns	—	(224)
Totals at December 31, 2018	51	\$ 5,325
Additional advances or loans with concessions	7	661
Reclassified as performing	5	252
Reductions due to:		
Reclassified as nonperforming	(9)	(808)
Paid in full	(8)	(581)
Principal paydowns	—	(170)
Totals at December 31, 2019	46	\$ 4,679

The allocated allowance for loan losses attributable to restructured loans was \$125 and \$34 at December 31, 2019 and 2018, respectively. The Company had no remaining availability under commitments to lend additional funds on these restructured loans at December 31, 2019 and \$42 in remaining availability under commitments to lend additional funds on these restructured loans at December 31, 2018.

Note 4 - Non Purchased Loans (continued)

Credit Quality

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

	Pass	Watch	Substandard	Total
December 31, 2019				
Commercial, financial, agricultural	\$ 779,798	\$ 11,949	\$ 11,715	\$ 803,462
Real estate – construction	698,950	501	9,209	708,660
Real estate – 1-4 family mortgage	339,079	3,856	3,572	346,507
Real estate – commercial mortgage	2,737,629	31,867	26,711	2,796,207
Installment loans to individuals	6	—	—	6
Total	\$ 4,555,462	\$ 48,173	\$ 51,207	\$ 4,654,842
December 31, 2018				
Commercial, financial, agricultural	\$ 615,803	\$ 18,326	\$ 6,973	\$ 641,102
Real estate – construction	558,494	2,317	8,157	568,968
Real estate – 1-4 family mortgage	321,564	4,660	4,260	330,484
Real estate – commercial mortgage	2,210,100	54,579	24,144	2,288,823
Installment loans to individuals	—	—	—	—
Total	\$ 3,705,961	\$ 79,882	\$ 43,534	\$ 3,829,377

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 4 - Non Purchased Loans (continued)

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

	Performing	Non-Performing	Total
December 31, 2019			
Commercial, financial, agricultural	\$ 247,575	\$ 1,316	\$ 248,891
Lease financing	81,649	226	81,875
Real estate – construction	66,241	—	66,241
Real estate – 1-4 family mortgage	1,992,331	11,288	2,003,619
Real estate – commercial mortgage	330,714	1,955	332,669
Installment loans to individuals	199,549	288	199,837
Total	<u>\$ 2,918,059</u>	<u>\$ 15,073</u>	<u>\$ 2,933,132</u>
December 31, 2018			
Commercial, financial, agricultural	\$ 233,046	\$ 1,501	\$ 234,547
Lease financing	61,776	89	61,865
Real estate – construction	66,551	—	66,551
Real estate – 1-4 family mortgage	1,751,994	5,412	1,757,406
Real estate – commercial mortgage	338,367	1,175	339,542
Installment loans to individuals	100,099	325	100,424
Total	<u>\$ 2,551,833</u>	<u>\$ 8,502</u>	<u>\$ 2,560,335</u>

Related Party Loans

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

Loans at December 31, 2018	\$ 22,225
New loans and advances	5,378
Payments received	(1,723)
Changes in related parties	36
Loans at December 31, 2019	<u>\$ 25,916</u>

No related party loans were classified as past due, nonaccrual, impaired or restructured at December 31, 2019 or 2018. Unfunded commitments to certain executive officers and directors and their associates totaled \$7,266 and \$6,982 at December 31, 2019 and 2018, respectively.

Note 5 – Purchased Loans

(In Thousands, Except Number of Loans)

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

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

	2019	2018
Commercial, financial, agricultural	\$ 315,619	\$ 420,263
Lease financing	—	—
Real estate – construction	51,582	105,149
Real estate – 1-4 family mortgage	516,487	707,453
Real estate – commercial mortgage	1,115,389	1,423,144
Installment loans to individuals	102,587	37,408
Gross loans	<u>2,101,664</u>	<u>2,693,417</u>
Unearned income	—	—
Loans, net of unearned income	<u><u>\$ 2,101,664</u></u>	<u><u>\$ 2,693,417</u></u>

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 5 – Purchased Loans (continued)

Past Due and Nonaccrual Loans

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

	Accruing Loans				Nonaccruing Loans				Total Loans	
	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans	30-89 Days Past Due	90 Days or More Past Due	Current Loans	Total Loans		
December 31, 2019										
Commercial, financial, agricultural	\$ 1,889	\$ 998	\$ 311,218	\$ 314,105	\$ —	\$ 1,246	\$ 268	\$ 1,514	\$ 315,619	
Lease financing	—	—	—	—	—	—	—	—	—	
Real estate – construction	319	—	51,263	51,582	—	—	—	—	51,582	
Real estate – 1-4 family mortgage	5,516	2,244	503,826	511,586	605	2,762	1,534	4,901	516,487	
Real estate – commercial mortgage	3,454	922	1,110,570	1,114,946	—	123	320	443	1,115,389	
Installment loans to individuals	3,709	153	98,545	102,407	1	51	128	180	102,587	
Unearned income	—	—	—	—	—	—	—	—	—	
Total	\$ 14,887	\$ 4,317	\$ 2,075,422	\$ 2,094,626	\$ 606	\$ 4,182	\$ 2,250	\$ 7,038	\$2,101,664	
December 31, 2018										
Commercial, financial, agricultural	\$ 1,811	\$ 97	\$ 417,786	\$ 419,694	\$ —	\$ 477	\$ 92	\$ 569	\$ 420,263	
Lease financing	—	—	—	—	—	—	—	—	—	
Real estate – construction	1,235	68	103,846	105,149	—	—	—	—	105,149	
Real estate – 1-4 family mortgage	8,981	4,455	690,697	704,133	202	1,881	1,237	3,320	707,453	
Real estate – commercial mortgage	5,711	2,410	1,413,346	1,421,467	—	1,401	276	1,677	1,423,144	
Installment loans to individuals	1,342	202	35,594	37,138	2	24	244	270	37,408	
Unearned income	—	—	—	—	—	—	—	—	—	
Total	\$ 19,080	\$ 7,232	\$ 2,661,269	\$ 2,687,581	\$ 204	\$ 3,783	\$ 1,849	\$ 5,836	\$2,693,417	

Restructured loans that are not performing in accordance with their restructured terms that are either contractually 90 days or more past due or placed on nonaccrual status are reported as nonperforming loans. There were two restructured loans totaling \$106 that were contractually 90 days past due or more and still accruing at December 31, 2019. There were eight restructured loans totaling \$413 that were contractually 90 days past due or more and still accruing at December 31, 2018. The outstanding balance of restructured loans on nonaccrual status was \$1,667 and \$1,868 at December 31, 2019 and 2018, respectively.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 5 – Purchased Loans (continued)

Impaired Loans

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

	As of December 31, 2019			Year Ended December 31, 2019	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a related allowance recorded:					
Commercial, financial, agricultural	\$ 1,837	\$ 2,074	\$ 212	\$ 1,700	\$ 8
Lease financing	—	—	—	—	—
Real estate – construction	2,499	2,490	16	2,386	3
Real estate – 1-4 family mortgage	2,801	2,914	17	2,900	41
Real estate – commercial mortgage	981	1,017	6	1,031	40
Installment loans to individuals	110	110	2	96	—
Total	\$ 8,228	\$ 8,605	\$ 253	\$ 8,113	\$ 92
With no related allowance recorded:					
Commercial, financial, agricultural	\$ 901	\$ 905	\$ —	\$ 912	\$ —
Lease financing	—	—	—	—	—
Real estate – construction	772	779	—	770	—
Real estate – 1-4 family mortgage	3,772	4,550	—	4,134	73
Real estate – commercial mortgage	128	131	—	137	7
Installment loans to individuals	71	92	—	85	—
Total	\$ 5,644	\$ 6,457	\$ —	\$ 6,038	\$ 80
Totals	\$ 13,872	\$ 15,062	\$ 253	\$ 14,151	\$ 172

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 5 – Purchased Loans (continued)

	As of December 31, 2018			Year Ended December 31, 2018	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a related allowance recorded:					
Commercial, financial, agricultural	\$ 600	\$ 658	\$ 173	\$ 614	\$ 10
Lease financing	—	—	—	—	—
Real estate – construction	576	576	5	576	6
Real estate – 1-4 family mortgage	1,381	1,404	18	1,362	18
Real estate – commercial mortgage	2,066	2,116	338	2,011	40
Installment loans to individuals	246	247	3	247	1
Total	\$ 4,869	\$ 5,001	\$ 537	\$ 4,810	\$ 75
With no related allowance recorded:					
Commercial, financial, agricultural	\$ 11	\$ 13	\$ —	\$ 13	\$ 1
Lease financing	—	—	—	—	—
Real estate – construction	—	—	—	—	—
Real estate – 1-4 family mortgage	3,780	4,383	—	4,407	111
Real estate – commercial mortgage	146	150	—	159	7
Installment loans to individuals	24	33	—	7	—
Total	\$ 3,961	\$ 4,579	\$ —	\$ 4,586	\$ 119
Totals	\$ 8,830	\$ 9,580	\$ 537	\$ 9,396	\$ 194

The average recorded investment in non credit deteriorated loans that were subsequently impaired for the year ended December 31, 2017 was \$7,687. Interest income recognized on non credit deteriorated loans that were subsequently impaired for the year ended December 31, 2017 was \$299.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 5 – Purchased Loans (continued)

Credit deteriorated loans recognized in conformity with ASC 310-30, segregated by class, were as follows as of the dates and for the periods presented:

	As of December 31, 2019			Year Ended December 31, 2019	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a related allowance recorded:					
Commercial, financial, agricultural	\$ 3,695	\$ 7,370	\$ 292	\$ 6,919	\$ 187
Lease financing	—	—	—	—	—
Real estate – construction	—	—	—	—	—
Real estate – 1-4 family mortgage	10,061	10,372	291	10,369	529
Real estate – commercial mortgage	52,501	55,017	1,386	54,885	2,904
Installment loans to individuals	640	640	2	652	29
Total	\$ 66,897	\$ 73,399	\$ 1,971	\$ 72,825	\$ 3,649
With no related allowance recorded:					
Commercial, financial, agricultural	\$ 25,843	\$ 41,792	\$ —	\$ 37,535	\$ 1,208
Lease financing	—	—	—	—	—
Real estate – construction	863	882	—	618	21
Real estate – 1-4 family mortgage	25,482	32,597	—	26,687	1,665
Real estate – commercial mortgage	50,632	64,912	—	53,586	3,500
Installment loans to individuals	2,547	4,771	—	3,232	335
Total	\$ 105,367	\$ 144,954	\$ —	\$ 121,658	\$ 6,729
Totals	\$ 172,264	\$ 218,353	\$ 1,971	\$ 194,483	\$ 10,378

	As of December 31, 2018			Year Ended December 31, 2018	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a related allowance recorded:					
Commercial, financial, agricultural	\$ 3,779	\$ 4,071	\$ 161	\$ 4,276	\$ 204
Lease financing	—	—	—	—	—
Real estate – construction	—	—	—	—	—
Real estate – 1-4 family mortgage	12,169	12,601	488	12,894	647
Real estate – commercial mortgage	62,003	65,273	1,901	65,756	3,201
Installment loans to individuals	660	660	2	675	29
Total	\$ 78,611	\$ 82,605	\$ 2,552	\$ 83,601	\$ 4,081
With no related allowance recorded:					
Commercial, financial, agricultural	\$ 25,364	\$ 40,332	\$ —	\$ 12,102	\$ 669
Lease financing	—	—	—	—	—
Real estate – construction	—	—	—	—	—
Real estate – 1-4 family mortgage	36,074	41,222	—	36,801	1,647
Real estate – commercial mortgage	78,435	100,427	—	78,368	3,578
Installment loans to individuals	3,770	7,630	—	2,095	109
Total	\$ 143,643	\$ 189,611	\$ —	\$ 129,366	\$ 6,003
Totals	\$ 222,254	\$ 272,216	\$ 2,552	\$ 212,967	\$ 10,084

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 5 – Purchased Loans (continued)

The average recorded investment in credit-deteriorated loans for the year ended December 31, 2017 was \$253,172. Interest income recognized on credit-deteriorated loans for the year ended December 31, 2017 was \$12,869.

Restructured Loans

At December 31, 2019, 2018 and 2017, there were \$7,275, \$7,495 and \$8,965, respectively, of restructured loans. The following table illustrates the impact of modifications classified as restructured loans held on the Consolidated Balance Sheets and still performing in accordance with their restructured terms at period end, segregated by class, as of the periods presented.

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment
December 31, 2019			
Commercial, financial, agricultural	2	\$ 2,778	\$ 2,778
Real estate – 1-4 family mortgage	2	73	73
Real estate – commercial mortgage	1	80	76
Total	<u>5</u>	<u>\$ 2,931</u>	<u>\$ 2,927</u>
December 31, 2018			
Commercial, financial, agricultural	1	\$ 48	\$ 44
Real estate – 1-4 family mortgage	2	142	127
Real estate – commercial mortgage	2	522	381
Total	<u>5</u>	<u>\$ 712</u>	<u>\$ 552</u>
December 31, 2017			
Real estate – 1-4 family mortgage	23	3,744	3,127
Real estate – commercial mortgage	5	3,115	2,231
Total	<u>28</u>	<u>\$ 6,859</u>	<u>\$ 5,358</u>

During the years ended December 31, 2019, 2018 and 2017, the Company had \$101, \$5 and \$212, respectively, in troubled debt restructurings that subsequently defaulted within twelve months of the restructuring.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 5 – Purchased Loans (continued)

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

	Number of Loans	Recorded Investment
Totals at January 1, 2018	72	\$ 8,965
Additional advances or loans with concessions	5	712
Reclassified from nonperforming	4	435
Reductions due to:		
Reclassified as nonperforming	(13)	(1,229)
Paid in full	(14)	(744)
Principal paydowns	—	(644)
Totals at December 31, 2018	54	\$ 7,495
Additional advances or loans with concessions	5	3,168
Reclassified from nonperforming	14	1,931
Reductions due to:		
Reclassified as nonperforming	(11)	(1,964)
Paid in full	(7)	(370)
Charge-offs	(1)	(101)
Principal paydowns	—	(508)
Measurement period adjustment on recently acquired loans	—	(2,376)
Totals at December 31, 2019	54	\$ 7,275

The allocated allowance for loan losses attributable to restructured loans was \$17 and \$58 at December 31, 2019 and 2018, respectively. The Company had \$6 remaining availability under commitments to lend additional funds on these restructured loans at December 31, 2019 and \$3 in remaining availability under commitments to lend additional funds on these restructured loans at December 31, 2018.

Credit Quality

The following table presents the Company’s loan portfolio by risk-rating grades as of the dates presented:

	Pass	Watch	Substandard	Total
December 31, 2019				
Commercial, financial, agricultural	\$ 259,760	\$ 7,166	\$ 5,220	\$ 272,146
Real estate – construction	48,994	—	—	48,994
Real estate – 1-4 family mortgage	78,105	791	3,935	82,831
Real estate – commercial mortgage	909,513	56,334	15,835	981,682
Installment loans to individuals	—	—	—	—
Total	\$ 1,296,372	\$ 64,291	\$ 24,990	\$ 1,385,653
December 31, 2018				
Commercial, financial, agricultural	\$ 333,147	\$ 33,857	\$ 2,744	\$ 369,748
Real estate – construction	101,122	—	842	101,964
Real estate – 1-4 family mortgage	113,874	7,347	7,585	128,806
Real estate – commercial mortgage	1,198,540	43,046	9,984	1,251,570
Installment loans to individuals	—	—	2	2
Total	\$ 1,746,683	\$ 84,250	\$ 21,157	\$ 1,852,090

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 5 – Purchased Loans (continued)

The following table presents the performing status of the Company’s loan portfolio not subject to risk rating as of the dates presented:

	Performing	Non-Performing	Total
December 31, 2019			
Commercial, financial, agricultural	\$ 13,935	\$ —	\$ 13,935
Lease financing	—	—	—
Real estate – construction	1,725	—	1,725
Real estate – 1-4 family mortgage	394,476	3,638	398,114
Real estate – commercial mortgage	30,472	101	30,573
Installment loans to individuals	99,139	261	99,400
Total	<u>\$ 539,747</u>	<u>\$ 4,000</u>	<u>\$ 543,747</u>
December 31, 2018			
Commercial, financial, agricultural	\$ 21,303	\$ 69	\$ 21,372
Lease financing	—	—	—
Real estate – construction	3,185	—	3,185
Real estate – 1-4 family mortgage	526,699	3,705	530,404
Real estate – commercial mortgage	30,951	185	31,136
Installment loans to individuals	32,676	300	32,976
Total	<u>\$ 614,814</u>	<u>\$ 4,259</u>	<u>\$ 619,073</u>

Loans Purchased with Deteriorated Credit Quality

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

	Total Purchased Credit Deteriorated Loans
December 31, 2019	
Commercial, financial, agricultural	\$ 29,538
Lease financing	—
Real estate – construction	863
Real estate – 1-4 family mortgage	35,543
Real estate – commercial mortgage	103,133
Installment loans to individuals	3,187
Total	<u>\$ 172,264</u>
December 31, 2018	
Commercial, financial, agricultural	\$ 29,143
Lease financing	—
Real estate – construction	—
Real estate – 1-4 family mortgage	48,243
Real estate – commercial mortgage	140,438
Installment loans to individuals	4,430
Total	<u>\$ 222,254</u>

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 5 – Purchased Loans (continued)

The following table presents the fair value of loans recognized in accordance with ASC 310-30 at the time of acquisition:

	Total Purchased Credit Deteriorated Loans
December 31, 2019	
Contractually-required principal and interest	\$ 247,383
Nonaccretable difference ⁽¹⁾	(51,087)
Cash flows expected to be collected	196,296
Accretable yield ⁽²⁾	(24,032)
Fair value	<u>\$ 172,264</u>
December 31, 2018	
Contractually-required principal and interest	\$ 319,214
Nonaccretable difference ⁽¹⁾	(62,695)
Cash flows expected to be collected	256,519
Accretable yield ⁽²⁾	(34,265)
Fair value	<u>\$ 222,254</u>

(1) Represents contractual principal cash flows of \$44,115 and \$52,061, respectively, and interest cash flows of \$6,972 and \$10,634, respectively, not expected to be collected.

(2) Represents contractual principal cash flows of \$1,615 and \$1,667, respectively, and interest cash flows of \$22,417 and \$32,598, respectively, expected to be collected.

Changes in the accretable yield of loans purchased with deteriorated credit quality, recognized in accordance with ASC 310-30, were as follows:

	Total Purchased Credit Deteriorated Loans
Balance at January 1, 2018	\$ (32,207)
Additions through acquisition	(10,143)
Reclasses from nonaccretable difference	(7,883)
Accretion	15,340
Charge-off	628
Balance at December 31, 2018	\$ (34,265)
Measurement period adjustment on recently acquired loans	(3,712)
Reclasses from nonaccretable difference	(8,472)
Accretion	20,873
Charge-off	1,544
Balance at December 31, 2019	<u>\$ (24,032)</u>

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

	September 1, 2018
At acquisition date:	
Contractually-required principal and interest	\$ 1,625,079
Nonaccretable difference	(164,554)
Cash flows expected to be collected	1,460,525
Accretable yield	(138,318)
Fair value	<u>\$ 1,322,207</u>

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 6 – Allowance for Loan Losses

(In Thousands, Except Number of Loans)

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

	2019	2018
Commercial, financial, agricultural	\$ 1,367,972	\$ 1,295,912
Lease financing	85,700	64,992
Real estate – construction	826,483	740,668
Real estate – 1-4 family mortgage	2,866,613	2,795,343
Real estate – commercial mortgage	4,244,265	4,051,509
Installment loans to individuals	302,430	137,832
Gross loans	9,693,463	9,086,256
Unearned income	(3,825)	(3,127)
Loans, net of unearned income	9,689,638	9,083,129
Allowance for loan losses	(52,162)	(49,026)
Net loans	<u>\$ 9,637,476</u>	<u>\$ 9,034,103</u>

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 6 – Allowance for Loan Losses (continued)

Allowance for Loan Losses

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

	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other ⁽¹⁾	Total
Year Ended December 31, 2019						
Allowance for loan losses:						
Beginning balance	\$ 8,269	\$ 4,755	\$ 10,139	\$ 24,492	\$ 1,371	\$ 49,026
Charge-offs	(2,681)	—	(1,602)	(1,490)	(7,705)	(13,478)
Recoveries	1,428	21	712	689	6,714	9,564
Net charge-offs	(1,253)	21	(890)	(801)	(991)	(3,914)
Provision for loan losses	3,642	253	565	1,299	1,291	7,050
Ending balance	<u>\$ 10,658</u>	<u>\$ 5,029</u>	<u>\$ 9,814</u>	<u>\$ 24,990</u>	<u>\$ 1,671</u>	<u>\$ 52,162</u>
Period-End Amount Allocated to:						
Individually evaluated for impairment	\$ 1,434	\$ 16	\$ 160	\$ 396	\$ 6	\$ 2,012
Collectively evaluated for impairment	8,932	5,013	9,363	23,208	1,663	48,179
Purchased with deteriorated credit quality	292	—	291	1,386	2	1,971
Ending balance	<u>\$ 10,658</u>	<u>\$ 5,029</u>	<u>\$ 9,814</u>	<u>\$ 24,990</u>	<u>\$ 1,671</u>	<u>\$ 52,162</u>
Year Ended December 31, 2018						
Allowance for loan losses:						
Beginning balance	\$ 5,542	\$ 3,428	\$ 12,009	\$ 23,384	\$ 1,848	\$ 46,211
Charge-offs	(2,415)	(51)	(2,023)	(1,197)	(742)	(6,428)
Recoveries	618	13	573	1,108	121	2,433
Net charge-offs	(1,797)	(38)	(1,450)	(89)	(621)	(3,995)
Provision for loan losses	4,524	1,365	(420)	1,197	144	6,810
Ending balance	<u>\$ 8,269</u>	<u>\$ 4,755</u>	<u>\$ 10,139</u>	<u>\$ 24,492</u>	<u>\$ 1,371</u>	<u>\$ 49,026</u>
Period-End Amount Allocated to:						
Individually evaluated for impairment	\$ 336	\$ 68	\$ 79	\$ 1,027	\$ 4	\$ 1,514
Collectively evaluated for impairment	7,772	4,687	9,572	21,564	1,365	44,960
Purchased with deteriorated credit quality	161	—	488	1,901	2	2,552
Ending balance	<u>\$ 8,269</u>	<u>\$ 4,755</u>	<u>\$ 10,139</u>	<u>\$ 24,492</u>	<u>\$ 1,371</u>	<u>\$ 49,026</u>
Year Ended December 31, 2017						
Allowance for loan losses:						
Beginning balance	\$ 5,486	\$ 2,380	\$ 14,294	\$ 19,059	\$ 1,518	\$ 42,737
Charge-offs	(2,874)	—	(1,713)	(1,791)	(630)	(7,008)
Recoveries	422	105	733	1,565	107	2,932
Net charge-offs	(2,452)	105	(980)	(226)	(523)	(4,076)
Provision for loan losses	2,508	943	(1,305)	4,551	853	7,550
Ending balance	<u>\$ 5,542</u>	<u>\$ 3,428</u>	<u>\$ 12,009</u>	<u>\$ 23,384</u>	<u>\$ 1,848</u>	<u>\$ 46,211</u>
Period-End Amount Allocated to:						
Individually evaluated for impairment	\$ 190	\$ 4	\$ 606	\$ 1,867	\$ 7	\$ 2,674
Collectively evaluated for impairment	5,040	3,424	10,831	20,625	1,840	41,760
Purchased with deteriorated credit quality	312	—	572	892	1	1,777
Ending balance	<u>\$ 5,542</u>	<u>\$ 3,428</u>	<u>\$ 12,009</u>	<u>\$ 23,384</u>	<u>\$ 1,848</u>	<u>\$ 46,211</u>

(1) Includes lease financing receivables.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 6 – Allowance for Loan Losses (continued)

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

	Commercial	Real Estate - Construction	Real Estate - 1-4 Family Mortgage	Real Estate - Commercial Mortgage	Installment and Other ⁽¹⁾	Total
December 31, 2019						
Individually evaluated for impairment	\$ 8,460	\$ 12,416	\$ 20,262	\$ 9,550	\$ 491	\$ 51,179
Collectively evaluated for impairment	1,329,974	813,204	2,810,808	4,131,582	380,627	9,466,195
Acquired with deteriorated credit quality	29,538	863	35,543	103,133	3,187	172,264
Ending balance	<u>\$ 1,367,972</u>	<u>\$ 826,483</u>	<u>\$ 2,866,613</u>	<u>\$ 4,244,265</u>	<u>\$ 384,305</u>	<u>\$ 9,689,638</u>
December 31, 2018						
Individually evaluated for impairment	\$ 2,445	\$ 10,043	\$ 14,238	\$ 8,059	\$ 493	\$ 35,278
Collectively evaluated for impairment	1,264,324	730,625	2,732,862	3,903,012	194,774	8,825,597
Acquired with deteriorated credit quality	29,143	—	48,243	140,438	4,430	222,254
Ending balance	<u>\$ 1,295,912</u>	<u>\$ 740,668</u>	<u>\$ 2,795,343</u>	<u>\$ 4,051,509</u>	<u>\$ 199,697</u>	<u>\$ 9,083,129</u>

(1) Includes lease financing receivables.

Note 7 – Premises and Equipment

(In Thousands)

Bank premises and equipment at December 31 are summarized as follows:

	2019	2018
Premises	\$ 233,345	\$ 218,730
Leasehold improvements	13,582	10,241
Furniture and equipment	61,380	52,043
Computer equipment	25,062	20,972
Autos	147	166
Lease right-of-use assets	84,754	—
Total	<u>418,270</u>	<u>302,152</u>
Accumulated depreciation	(108,573)	(92,984)
Net	<u>\$ 309,697</u>	<u>\$ 209,168</u>

Depreciation expense was \$16,379, \$14,358 and \$13,136 for the years ended December 31, 2019, 2018 and 2017, respectively.

See Note 26, “Leases,” for further details regarding the Company’s right-of-use assets.

Note 8 – Other Real Estate Owned

(In Thousands)

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

	Purchased OREO	Non Purchased OREO	Total OREO
December 31, 2019			
Residential real estate	\$ 890	\$ 415	\$ 1,305
Commercial real estate	2,106	1,548	3,654
Residential land development	530	369	899
Commercial land development	1,722	430	2,152
Total	<u>\$ 5,248</u>	<u>\$ 2,762</u>	<u>\$ 8,010</u>
December 31, 2018			
Residential real estate	\$ 423	\$ 1,910	\$ 2,333
Commercial real estate	2,686	1,611	4,297
Residential land development	678	421	1,099
Commercial land development	2,400	911	3,311
Total	<u>\$ 6,187</u>	<u>\$ 4,853</u>	<u>\$ 11,040</u>

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

	Purchased OREO	Non Purchased OREO	Total OREO
Balance at December 31, 2017	\$ 11,524	\$ 4,410	\$ 15,934
Transfers of loans	906	2,920	3,826
Impairments	(1,021)	(524)	(1,545)
Dispositions	(5,220)	(1,907)	(7,127)
Other	(2)	(46)	(48)
Balance at December 31, 2018	<u>\$ 6,187</u>	<u>\$ 4,853</u>	<u>\$ 11,040</u>
Transfers of loans	2,287	2,477	4,764
Impairments	(890)	(375)	(1,265)
Dispositions	(2,305)	(4,193)	(6,498)
Other	(31)	—	(31)
Balance at December 31, 2019	<u>\$ 5,248</u>	<u>\$ 2,762</u>	<u>\$ 8,010</u>

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

	December 31,		
	2019	2018	2017
Repairs and maintenance	\$ 326	\$ 425	\$ 728
Property taxes and insurance	343	385	423
Impairments	1,265	1,545	1,893
Net losses (gains) on OREO sales	94	(423)	(405)
Rental income	(15)	(40)	(169)
Total	<u>\$ 2,013</u>	<u>\$ 1,892</u>	<u>\$ 2,470</u>

Note 9 – Goodwill and Other Intangible Assets

(In Thousands)

Changes in the carrying amount of goodwill during the years ended December 31, 2019 and 2018 were as follows:

	Community Banks	Insurance	Total
Balance at December 31, 2017	\$ 608,279	\$ 2,767	\$ 611,046
Addition to goodwill from Brand acquisition	321,882	—	321,882
Balance at December 31, 2018	\$ 930,161	\$ 2,767	\$ 932,928
Measurement period adjustments to goodwill from Brand acquisition	6,755	—	6,755
Balance at December 31, 2019	\$ 936,916	\$ 2,767	\$ 939,683

The 2018 addition to goodwill from the Brand acquisition represents the excess of the purchase price over the initial fair value of the assets acquired and liabilities assumed in the transaction. The addition to goodwill in 2019 resulted from measurement period adjustments from the Brand acquisition and is primarily related to adjustments on the fair value of loans, debt and other assets. The purchase accounting related to the Brand acquisition is now final.

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

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
December 31, 2019			
Core deposit intangible	\$ 82,492	\$ (46,599)	\$ 35,893
Customer relationship intangible	2,470	(1,103)	1,367
Total finite-lived intangible assets	\$ 84,962	\$ (47,702)	\$ 37,260
December 31, 2018			
Core deposit intangible	\$ 82,492	\$ (38,634)	\$ 43,858
Customer relationship intangible	1,970	(963)	1,007
Total finite-lived intangible assets	\$ 84,462	\$ (39,597)	\$ 44,865

Core deposit intangible amortization expense for the years ended December 31, 2019, 2018 and 2017 was \$7,965, \$7,048 and \$6,399, respectively. Customer relationship intangible amortization expense for the year ended December 31, 2019 was \$140, whereas the expense for the same time period in each of 2018 and 2017 was \$131. The estimated amortization expense of finite-lived intangible assets for the five succeeding fiscal years is summarized as follows:

	Core Deposit Intangible	Customer Relationship Intangible	Total
2020	\$ 6,940	\$ 181	\$ 7,121
2021	5,860	181	6,041
2022	4,940	181	5,121
2023	4,042	181	4,223
2024	3,498	181	3,679

Note 10 – Mortgage Servicing Rights

(In Thousands)

Changes in the Company’s mortgage servicing rights (“MSRs”) were as follows, for the periods presented:

Carrying Value at January 1, 2018	\$ 39,339
Capitalization	13,905
Amortization	(5,014)
Carrying Value at December 31, 2018	\$ 48,230
Capitalization	13,823
Amortization	(7,009)
Valuation adjustment	(1,836)
Carrying Value at December 31, 2019	\$ 53,208

During 2019, the Company recognized a negative valuation adjustment on MSRs in earnings in the amount of \$1,836, which was included in “Mortgage banking income” in the Consolidated Statements of Income. There were no such adjustments recognized during 2018 or 2017. The movement of mortgage interest rates has an inverse relationship with prepayment speeds and discount rates. The decline in interest rates during 2019, which resulted in higher than estimated prepayment speeds, was the largest contributor to the negative valuation adjustment. A continued decline in mortgage interest rates may cause additional negative adjustments to the valuation of the Company’s MSRs.

Data and key economic assumptions related to the Company’s mortgage servicing rights as of December 31 are as follows:

	2019	2018	2017
Unpaid principal balance	\$ 4,871,155	\$ 4,635,712	\$ 4,012,519
Weighted-average prepayment speed (CPR)	11.48%	7.95%	8.04%
Estimated impact of a 10% increase	\$ (2,469)	\$ (1,264)	\$ (1,592)
Estimated impact of a 20% increase	(4,774)	(2,569)	(3,095)
Discount rate	9.69%	9.45%	9.69%
Estimated impact of a 100bp increase	\$ (2,027)	\$ (2,657)	\$ (2,027)
Estimated impact of a 200bp increase	(3,908)	(5,103)	(3,896)
Weighted-average coupon interest rate	4.04%	4.04%	3.89%
Weighted-average servicing fee (basis points)	29.20	27.47	26.36
Weighted-average remaining maturity (in years)	6.35	8.03	7.98

The Company recorded servicing fees of \$9,491, \$8,876 and \$5,735, respectively, for the twelve months ended December 31, 2019, 2018 and 2017, respectively. These fees are included under the line item “Mortgage banking income” in the Consolidated Statements of Income.

Note 11 – Deposits

(In Thousands)

The following is a summary of deposits as of December 31:

	2019	2018
Noninterest-bearing deposits	\$ 2,551,770	\$ 2,318,706
Interest-bearing demand deposits	4,832,945	4,822,382
Savings deposits	667,821	624,685
Time deposits	2,160,632	2,362,784
Total deposits	\$ 10,213,168	\$ 10,128,557

The approximate scheduled maturities of time deposits at December 31, 2019 are as follows:

2020	\$ 1,403,585
2021	460,652
2022	253,961
2023	21,481
2024	17,634
Thereafter	3,319
Total	\$ 2,160,632

The aggregate amount of time deposits in denominations of \$250 or more at December 31, 2019 and 2018 was \$585,717 and \$549,351, respectively. Certain executive officers and directors and their respective affiliates had amounts on deposit with Renasant Bank of approximately \$33,929 and \$44,327 at December 31, 2019 and 2018, respectively.

Note 12 – Short-Term Borrowings

(In Thousands)

Short-term borrowings as of December 31 are summarized as follows:

	2019	2018
Securities sold under agreements to repurchase	\$ 9,091	\$ 7,706
Federal Home Loan Bank short-term advances	480,000	380,000
Total short-term borrowings	\$ 489,091	\$ 387,706

Securities sold under agreements to repurchase (“repurchase agreements”) represent funds received from customers, generally on an overnight or continuous basis, which are collateralized by investment securities owned or, at times, borrowed and re-hypothecated by the Company. The securities used as collateral consist primarily of U.S. Government agency mortgage backed securities, U.S. Government agency collateralized mortgage obligations, obligations of U.S. Government agencies, and obligations of states and political subdivisions. All securities are maintained by the Company’s safekeeping agents. These securities are reviewed by the Company on a daily basis, and the Company may be required to provide additional collateral due to changes in the fair market value of these securities. The terms of the Company’s repurchase agreements are continuous but may be canceled at any time by the Company or the customer.

Federal Home Loan Bank short-term advances are borrowings with original maturities of less than one year.

Note 12 – Short-Term Borrowings (continued)

The average balances and cost of funds of short-term borrowings for the years ending December 31 are summarized as follows:

	Average Balances			Cost of Funds		
	2019	2018	2017	2019	2018	2017
Federal Home Loan Bank short-term advances	\$ 114,965	\$ 147,749	\$ 208,332	2.59%	2.21%	1.27%
Securities sold under agreements to repurchase	8,479	7,986	9,215	0.15	0.17	0.17
Total short-term borrowings	\$ 123,444	\$ 155,735	\$ 217,547	2.43%	2.10%	1.22%

The Company maintains lines of credit with correspondent banks totaling \$150,000 at December 31, 2019. Interest is charged at the market federal funds rate on all advances. There were no amounts outstanding under these lines of credit at December 31, 2019 or 2018.

Note 13 – Long-Term Debt

(In Thousands)

Long-term debt as of December 31, 2019 and 2018 is summarized as follows:

	2019	2018
Federal Home Loan Bank advances	\$ 152,337	\$ 6,690
Other long-term debt	—	53
Junior subordinated debentures	110,215	109,636
Subordinated notes	113,955	147,239
Total long-term debt	\$ 376,507	\$ 263,618

Federal Home Loan Bank advances

Long-term advances from the FHLB outstanding at December 31, 2019 had maturities ranging from 2020 to 2030 with a combination of fixed and floating rates ranging from 1.09% to 4.34%. Weighted-average interest rates on outstanding advances at December 31, 2019 and 2018 were 1.53% and 3.28%, respectively. These advances are collateralized by a blanket lien on the Company's loans. The Company had availability on unused lines of credit with the FHLB of \$3,159,942 at December 31, 2019.

In connection with the prepayment of \$2,094 in long-term advances from the FHLB during 2019, the Company incurred penalty charges of \$54, which is included under the line item "Extinguishment of debt" in the Consolidated Statements of Income. The Company did not prepay any outstanding long-term advances from the FHLB during 2018 or 2017.

Junior subordinated debentures

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. Distributions on the capital securities are payable quarterly at a rate per annum equal to the interest rate being earned by the trusts on the debentures held by the trusts. The capital securities are subject to mandatory redemption, in whole or in part, upon repayment of the debentures. The Company has entered into an agreement which fully and unconditionally guarantees the capital securities of each trust subject to the terms of the guarantee.

Note 13 – Long-Term Debt (continued)

The following table provides details on the debentures as of December 31, 2019:

	Principal Amount	Interest Rate	Year of Maturity	Amount Included in Tier 1 Capital
PHC Statutory Trust I	\$ 20,619	4.75%	2033	\$ 20,000
PHC Statutory Trust II	31,959	3.76	2035	31,000
Capital Bancorp Capital Trust I	12,372	3.46	2035	12,000
First M&F Statutory Trust I	30,928	3.22	2036	21,098
Brand Group Holdings Statutory Trust I	10,310	3.99	2035	9,108
Brand Group Holdings Statutory Trust II	5,155	4.89	2037	5,058
Brand Group Holdings Statutory Trust III	5,155	4.89	2038	5,058
Brand Group Holdings Statutory Trust IV	3,093	5.64	2038	3,302

During 2003, the Company formed PHC Statutory Trust I to provide funds for the cash portion of the Renasant Bancshares, Inc. acquisition. The interest rate for PHC Statutory Trust I reprices quarterly equal to the three-month LIBOR at the determination date plus 285 basis points. In April 2012, the Company entered into an interest rate swap agreement effective March 17, 2014, pursuant to which the Company receives a variable rate of interest based on the three-month LIBOR plus a spread of 2.85% and pays a fixed rate of interest of 5.49%. The debentures owned by PHC Statutory Trust I are currently redeemable at par.

During 2005, the Company formed PHC Statutory Trust II to provide funds for the cash portion of the Heritage Financial Holding Corporation (“HFHC”) acquisition. The interest rate for PHC Statutory Trust II reprices quarterly equal to the three-month LIBOR at the determination date plus 187 basis points. The debentures owned by PHC Statutory Trust II are currently redeemable at par.

In connection with the acquisition of HFHC, the Company assumed the debentures issued by Heritage Financial Statutory Trust I. On February 22, 2017, the Company redeemed these debentures. The debentures were redeemed for an aggregate amount of \$10,515, which included the principal amount of \$10,310 and a prepayment penalty of \$205.

In connection with the acquisition of Capital Bancorp, Inc. (“Capital”) in 2007, the Company assumed the debentures issued to Capital Bancorp Capital Trust I. The discount associated with the Company’s assumption of the debentures issued to Capital Bancorp Capital Trust I was fully amortized during 2010. The interest rate for Capital Bancorp Capital Trust I reprices quarterly equal to the three-month LIBOR plus 150 basis points. In March 2012, the Company entered into an interest rate swap agreement effective March 31, 2014, whereby the Company receives a variable rate of interest based on the three-month LIBOR plus a spread of 1.50% and pays a fixed rate of interest of 4.42%. The debentures owned by Capital Bancorp Capital Trust I are currently redeemable at par.

In connection with the acquisition of First M&F Corporation (“First M&F”) in 2013, the Company assumed the debentures issued to First M&F Statutory Trust I. The discount associated with the Company’s assumption of the debentures issued to First M&F Statutory Trust I had a carrying value of \$8,902 at December 31, 2019 and \$9,450 at December 31, 2018. The discount is being amortized through March 2036. The interest rate for First M&F Statutory Trust I reprices quarterly equal to the three-month LIBOR plus a spread of 133 basis points. In April 2018, the Company entered into an interest rate swap agreement effective June 15, 2018, which calls for the Company to pay a fixed rate of 4.180% and receive a variable rate of three-month LIBOR plus a spread of 133 basis points on a quarterly basis and will mature in June 2028. The debentures owned by First M&F Statutory Trust I are currently redeemable at par.

In connection with the acquisition of Brand in 2018, the Company assumed the debentures issued to Brand Group Holdings Statutory Trust I, Brand Group Holdings Statutory Trust II, Brand Group Holdings Statutory Trust III and Brand Group Holdings Statutory Trust IV. The interest rate for the each trust acquired from Brand reprices quarterly equal to the three-month LIBOR at the determination date plus 205 basis points for Brand Group Holdings Statutory Trust I, plus 300 basis points for Brand Group Holdings Statutory Trust II and III, and plus 375 basis points for Brand Group Holdings Statutory Trust IV. The debentures owned by the respective trusts listed above are all currently redeemable at par. The net discount associated with the Company’s assumption of the debentures issued to the respective Brand trusts had a carrying value of \$474 at December 31, 2019 and is being amortized through September 2038.

The Company has classified \$106,624 of the debentures described in the above paragraphs as Tier 1 capital. Federal Reserve guidelines limit the amount of securities that, similar to our junior subordinated debentures, are includable in Tier 1 capital, but

Note 13 – Long-Term Debt (continued)

these guidelines did not impact the amount of debentures we include in Tier 1 capital. Although our existing junior subordinated debentures are currently unaffected by these Federal Reserve guidelines, on account of changes enacted as part of the Dodd-Frank Act, any new trust preferred securities are not includable in Tier 1 capital. Further, if as a result of an acquisition we exceed \$15,000,000 in assets, or if we make any acquisition after we have exceeded \$15,000,000 in assets, we will lose Tier 1 treatment of our junior subordinated debentures.

For more information about the Company’s derivative financial instruments, see Note 15, “Derivative Instruments.”

Subordinated notes

On August 22, 2016, the Company issued and sold in an underwritten public offering \$60,000 aggregate principal amount of its 5.00% Fixed-to-Floating Rate Subordinated Notes due 2026 (the “2026 Notes”) and \$40,000 aggregate principal amount of its 5.50% Fixed-to-Floating Rate Subordinated Notes due 2031 (the “2031 Notes”), at a public offering price equal to 100% of the aggregate principal amounts of the Notes. As part of the Metropolitan BancGroup, Inc. (“Metropolitan”; the 2026 Notes, the 2031 Notes and the Metropolitan Notes are referred to collectively as the “Notes”) acquisition in 2017, the Company assumed \$15,000 of 6.50% Fixed-to-Floating Rate Subordinated Notes due 2026 (the “Metropolitan Notes”). As part of the Brand acquisition in 2018, the Company assumed \$30,000 of 8.50% Fixed Rate Subordinated Notes due 2024 (the “Brand Notes”).

During 2019, the Company redeemed the Brand Notes and incurred a debt prepayment penalty of \$900, which was accounted for in the purchase accounting fair value adjustment.

The Metropolitan Notes, 2026 Notes and 2031 Notes mature on July 1, 2026, September 1, 2026 and on September 1, 2031, respectively. Until but excluding July 1, 2021, the Company pays interest on the Metropolitan Notes semi-annually in arrears on each January 1 and July 1 at a fixed annual interest rate equal to 6.50%. From and including July 1, 2021 to but excluding the maturity date or the date of earlier redemption, the interest rate on the Metropolitan Notes will reset quarterly to an annual interest rate equal to the then-current three-month LIBOR rate plus a spread of 554.5 basis points, payable quarterly in arrears on each January 1, April 1, July 1 and October 1. Until but excluding September 1, 2021 and 2026, respectively, the Company pays interest on the 2026 Notes and 2031 Notes semi-annually in arrears on each March 1 and September 1 at a fixed annual interest rate equal to 5.00% and 5.50%, respectively. From and including September 1, 2021 and 2026, respectively, to but excluding the maturity date or the date of earlier redemption, the interest rate on the 2026 Notes and 2031 Notes will reset quarterly to an annual interest rate equal to the then-current three-month LIBOR rate plus a spread of 384 basis points and 407.1 basis points, respectively, payable quarterly in arrears on each March 1, June 1, September 1 and December 1. Notwithstanding the foregoing, for all of the Notes, in the event that three-month LIBOR is less than zero, three-month LIBOR shall be deemed to be zero. Beginning with the interest payment date of July 1, 2021, as to the Metropolitan Notes, September 1, 2021 as to the 2026 Notes, and September 1, 2026, as to the 2031 Notes, and on any interest payment date thereafter, the Company may redeem the applicable Notes in whole or in part at a redemption price equal to 100% of the principal amount of the respective Notes to be redeemed plus accrued and unpaid interest to but excluding the date of redemption.

The Company may also redeem any series of the Notes at any time, at the Company’s option, in whole or in part, if: (i) a change or prospective change in law occurs that could prevent the Company from deducting interest payable on the Notes for U.S. federal income tax purposes; (ii) a subsequent event occurs that could preclude the Notes from being recognized as Tier 2 capital for regulatory capital purposes; or (iii) the Company is required to register as an investment company under the Investment Company Act of 1940, as amended. In each case, the redemption price is 100% of the principal amount of the Notes being redeemed plus any accrued and unpaid interest to but excluding the redemption date. There is no sinking fund for the benefit of the Notes, and none of the Notes are convertible or exchangeable.

The aggregate stated maturities of long-term debt outstanding at December 31, 2019, are summarized as follows:

2020	\$	4
2021		140
2022		484
2023		—
2024		—
Thereafter		375,879
Total	\$	376,507

Note 14 – Employee Benefit and Deferred Compensation Plans

(In Thousands, Except Share Data)

Pension and Post-retirement Medical Plans

The Company sponsors a noncontributory defined benefit pension plan, under which participation and benefit accruals ceased as of December 31, 1996. The Company’s funding policy is to contribute annually to the plan an amount not less than the minimum required contribution, as determined annually by consulting actuaries in accordance with funding standards imposed under the Internal Revenue Code of 1986, as amended. No contributions were made or required in 2019 or 2018. The Company does not anticipate that a contribution will be required in 2020. The plan’s accumulated benefit obligation and projected benefit obligation are substantially the same since benefit accruals have ceased. The accumulated benefit obligation was \$28,020 and \$24,945 at December 31, 2019 and 2018, respectively. There is no additional minimum pension liability required to be recognized.

The Company provides retiree medical benefits, consisting of the opportunity to purchase coverage at subsidized rates under the Company’s group medical plan. Employees eligible to participate must: (i) have been employed by the Company and enrolled in the Company’s group medical plan as of December 31, 2004; and (ii) retire from the Company between ages 55 and 65 with at least 15 years of service or 70 points (points determined as the sum of age and service). The Company periodically determines the portion of the premiums to be paid by each retiree and the portion to be paid by the Company. Coverage ceases when a retiree attains age 65 and is eligible for Medicare. The Company contributed \$151 and \$89 to the plan in 2019 and 2018, respectively; the Company expects to contribute approximately \$155 in 2020.

The Company accounts for its obligations related to retiree benefits in accordance with ASC 715, “Compensation – Retirement Benefits.” The assumed rate of increase in the per capita cost of covered benefits (i.e., the health care cost trend rate) for 2020 is 4.8%. Increasing or decreasing the assumed health care cost trend rates by one percentage point in each year would not materially increase or decrease the accumulated post-retirement benefit obligation or the service and interest cost components of net periodic post-retirement benefit costs as of December 31, 2019 and for the year then ended.

Information relating to the defined benefit pension plan maintained by Renasant Bank (“Pension Benefits - Renasant”) and to the post-retirement health and life plan (“Other Benefits”) as of December 31, 2019 and 2018 is as follows:

	Pension Benefits Renasant		Other Benefits	
	2019	2018	2019	2018
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 24,945	\$ 27,859	\$ 881	\$ 1,170
Service cost	—	—	7	8
Interest cost	1,176	1,043	31	31
Plan participants’ contributions	—	—	60	75
Actuarial loss (gain)	3,671	(2,016)	(60)	(239)
Benefits paid	(1,772)	(1,941)	(212)	(164)
Benefit obligation at end of year	<u>\$ 28,020</u>	<u>\$ 24,945</u>	<u>\$ 707</u>	<u>\$ 881</u>
Change in fair value of plan assets				
Fair value of plan assets at beginning of year	\$ 25,206	\$ 26,913		
Actual return on plan assets	5,151	234		
Contribution by employer	—	—		
Benefits paid	(1,772)	(1,941)		
Fair value of plan assets at end of year	<u>\$ 28,585</u>	<u>\$ 25,206</u>		
Funded status at end of year	<u>\$ 565</u>	<u>\$ 261</u>	<u>\$ (707)</u>	<u>\$ (881)</u>
Weighted-average assumptions as of December 31				
Discount rate used to determine the benefit obligation	3.59%	4.56%	2.91%	4.07%

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 14 – Employee Benefit and Deferred Compensation Plans (continued)

The discount rate assumptions at December 31, 2019 were determined using a yield curve approach. A yield curve was developed for a selection of high quality fixed-income investments whose cash flows approximate the timing and amount of expected cash flows from the plans. The selected discount rate is the rate that produces the same present value of the plans' projected benefit payments.

The components of net periodic benefit cost and other amounts recognized in other comprehensive income for the defined benefit pension and post-retirement health and life plans for the years ended December 31, 2019, 2018 and 2017 are as follows:

	Pension Benefits Renasant			Other Benefits		
	2019	2018	2017	2019	2018	2017
Service cost	\$ —	\$ —	\$ —	\$ 7	\$ 8	\$ 9
Interest cost	1,176	1,043	1,168	31	31	42
Expected return on plan assets	(1,450)	(2,077)	(1,941)	—	—	—
Prior service cost recognized	—	—	—	—	—	—
Recognized actuarial loss	442	328	401	(23)	—	6
Settlement/curtailment/termination losses	—	—	—	—	—	—
Net periodic benefit cost	168	(706)	(372)	15	39	57
Net actuarial (gain) loss arising during the period	(31)	(173)	(1,051)	(60)	(240)	(328)
Net Settlement/curtailment/termination losses	—	—	—	—	—	—
Amortization of net actuarial loss recognized in net periodic pension cost	(442)	(328)	(401)	23	—	(6)
Total recognized in other comprehensive income	(473)	(501)	(1,452)	(37)	(240)	(334)
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ (305)</u>	<u>\$ (1,207)</u>	<u>\$ (1,824)</u>	<u>\$ (22)</u>	<u>\$ (201)</u>	<u>\$ (277)</u>
Weighted-average assumptions as of December 31						
Discount rate used to determine net periodic pension cost	4.56%	3.96%	4.35%	4.07%	3.37%	3.57%
Expected return on plan assets	6.00%	6.00%	8.00%	N/A	N/A	N/A

Future estimated benefit payments under the Renasant defined benefit pension plan and post-retirement health and life plan are as follows:

	Pension Benefits Renasant	Other Benefits
2020	\$ 2,131	\$ 155
2021	2,146	133
2022	2,145	103
2023	2,127	94
2024	2,105	86
2025 - 2029	9,763	195

Note 14 – Employee Benefit and Deferred Compensation Plans (continued)

Amounts recognized in accumulated other comprehensive income, before tax, for the year ended December 31, 2019 are as follows:

	Pension Benefits Renasant	Other Benefits
Prior service cost	\$ —	\$ —
Actuarial loss (gain)	9,090	(192)
Total	\$ 9,090	\$ (192)

The estimated costs that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are as follows:

	Pension Benefits Renasant	Other Benefits
Prior service cost	\$ —	\$ —
Actuarial loss (gain)	318	(67)
Total	\$ 318	\$ (67)

Prior to 2018, the investment objective of the Company’s defined benefit plan was to achieve above average income and moderate long-term growth, by combining an equity income strategy (allocation of 65% to 75% of assets) and an intermediate fixed income strategy (allocation of 25% to 35% of assets) and investing directly in debt and equity securities. In 2018, the Company’s investment committee modified the strategy by focusing on portfolio growth and including interest rate hedging, both of which were intended to preserve the funded status of the plan. Substantially, all of the plan’s assets were liquidated and the proceeds reinvested in a collective trust, which in turn invests in other collective or pooled trusts with individual investment mandates. The collective trust’s asset allocation is approximately 55% in growth assets, consisting of interests in trusts invested in equity securities, high yield fixed income securities, and direct real estate investments (approximately 5% of assets), and approximately 45% in assets intended to hedge against the volatility arising from interest rate risk, consisting of interests in trusts invested in long duration fixed income securities. The collective trust is actively managed allowing changes in the asset allocation to enhance returns and mitigate risk. Management’s trust investment committee periodically reviews the collective trust’s performance and asset allocation to ensure that the plan’s investment objectives are satisfied and that the investment strategy of the trust has not materially changed.

The expected long-term rate of return was estimated using market benchmarks for investment classes applied to the plan’s target asset allocation and was computed using a valuation methodology which projects future returns based on current valuations rather than historical returns. The decrease in the expected return for 2018 (as compared to 2017) is attributable to the change in investment strategy, which resulted in a more conservative asset allocation.

The fair values of the Company’s defined benefit pension plan assets by category at December 31, 2019 and 2018 are below. Investments in collective trusts, which are measured at net asset value per share (or “NAV”), consist of trusts that invest primarily in liquid equity and fixed income securities and have a small direct investment in real estate. There is generally no restriction on redemptions or withdrawals for benefit payments or in the event of plan termination; 60 days notice is required to redeem or withdraw assets for any other purpose.

	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at NAV	Totals
December 31, 2019					
Cash and cash equivalents	\$ 39	\$ —	\$ —	\$ —	\$ 39
Investments in collective trusts	—	—	—	28,546	28,546
	\$ 39	\$ —	\$ —	\$ 28,546	\$ 28,585

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 14 – Employee Benefit and Deferred Compensation Plans (continued)

	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at NAV	Totals
December 31, 2018					
Cash and cash equivalents	\$40	\$—	\$—	\$—	\$40
Investments in collective trusts	—	—	—	25,166	25,166
	<u>\$40</u>	<u>\$—</u>	<u>\$—</u>	<u>\$25,166</u>	<u>\$25,206</u>

Other Retirement Plans

The Company maintains a 401(k) plan, which is a contributory plan maintained in the form of a “safe harbor” arrangement. Employees are immediately enrolled in the plan and eligible to make pre-tax deferrals, subject to limits imposed under the plan and the deferral limit established annually by the IRS, and receive Company matching contributions not in excess of 4% of compensation. The Company also makes a nondiscretionary contribution for each eligible participant in an amount equal to 5% of plan compensation and 5% of plan compensation in excess of the Social Security wage base. In order to participate in the nondiscretionary contribution, an employee must: (i) be employed on the last day of the year and be credited with 1000 hours of service during the year; (ii) die or become disabled during the year; or (iii) have attained the early or normal retirement age (as defined in the plan). The Company’s costs related to the 401(k) plan, excluding employee deferrals, in 2019, 2018 and 2017 were \$16,009, \$13,477 and \$11,471, respectively.

Deferred Compensation Plans and Arrangements

The Company maintains two deferred compensation plans: a Deferred Stock Unit Plan and a Deferred Income Plan. Nonemployee directors may defer all or a portion of their fees and retainer; eligible officers may defer base salary and bonus subject to limits determined annually by the Company. Amounts deferred to the Deferred Stock Unit Plan are invested in units representing shares of the Company’s common stock; benefits are paid in the form of common stock, with cash distributed in lieu of fractional shares. Amounts deferred to the Deferred Income Plan are notionally invested in the discretion of each participant from among investment alternatives substantially similar to those available under the Company’s 401(k) plan. Directors and officers who participated in the predecessor to the Deferred Income Plan as of December 31, 2006, may also invest in a preferential interest rate alternative that is derived from the Moody’s Average Corporate Bond Rate. Benefits payable from the Deferred Income Plan equal the account balance of each participant. Beneficiaries of directors and officers who have continuously deferred at rates prescribed by the Company since January 1, 2005, and who die while employed by the Company or serving as a director may receive an additional preretirement death benefit from the Deferred Income Plan.

In connection with its acquisition of Brand Group Holdings, Inc. and its affiliates, the Company assumed the Brand Group Holdings, Inc. Deferred Compensation Plan. Deferral elections in effect as of the time of acquisition were given effect for compensation earned during 2018; no further deferrals have been or will be made to the plan. Account balances maintained under the plan will be distributed as provided under the terms of the plan and individual participant elections. Pending distribution, balances will be notionally invested by each participant in designated investment alternatives.

The Company’s Deferred Stock Unit and Deferred Income Plan are unfunded. It is anticipated that such plans will result in no additional cost to the Company because life insurance policies on the lives of participants have been purchased in amounts estimated to be sufficient to pay plan benefits. The Company is both the owner and beneficiary of the policies. A trust is maintained for the plan assumed in connection with the acquisition of Brand Group Holdings, Inc. The value of the trust is equal to the benefits payable from such plan. The trust is maintained in the form of a grantor trust, of which the Company is named as grantor and owner. The expense recorded in 2019, 2018 and 2017 for the Company’s Deferred Stock Unit and Deferred Income Plan, including in 2019 expense for the plan assumed in connection with the acquisition of Brand Group Holdings, Inc., inclusive of deferrals, was \$3,610, \$1,290 and \$1,935, respectively.

In 2007, the Company assumed supplemental executive retirement plans (SERPs) in connection with the acquisition of Capital Bancorp, Inc. and its affiliates. The plans are designed to provide four officers specified annual benefits for a 15-year period upon the attainment of a designated retirement age. Liabilities associated with the SERPs totaled \$3,921 and \$3,865 at December 31, 2019 and 2018, respectively. The plans are not qualified under Section 401 of the Internal Revenue Code.

Note 14 – Employee Benefit and Deferred Compensation Plans (continued)

Incentive Compensation Plans

Under the Company’s Performance Based Rewards Plan, annual cash bonuses are paid to eligible officers and employees, subject to the attainment of designated performance criteria that may relate to the Company’s performance, the performance of an affiliate, region, division or profit center, and/or to individual or team performance. The Company annually sets minimum, target, and superior levels of performance. Minimum performance must be attained for the payment of any bonus; superior performance must be attained for maximum payouts. The expense associated with the plan for 2019, 2018 and 2017 was \$4,200, \$5,117 and \$4,490, respectively.

The Company maintains a long-term equity compensation plan - the 2011 Long-Term Incentive Compensation Plan - which provides for the grant of stock options and the award of restricted stock. Options granted under the plan permit the acquisition of shares of the Company’s common stock at an exercise price equal to the fair market value of the shares on the date of grant. Options may be subject to time-based vesting or the attainment of performance criteria; all options expire ten years after the date of grant. Options that do not vest or expire unexercised are forfeited and canceled. There were no stock options granted during the years ended December 31, 2019, 2018 or 2017. There was no compensation expense associated with options recorded for the years ended December 31, 2019, 2018 or 2017.

The following table summarizes information about options outstanding, exercised and forfeited as of and for the three years ended December 31, 2019, 2018 and 2017:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at January 1, 2017	185,625	\$ 15.97		
Granted	—	—		
Exercised	(95,875)	16.25		
Forfeited	—	—		
Outstanding at December 31, 2017	89,750	\$ 15.67	3.14	\$ 2,263
Exercisable at December 31, 2017	89,750	\$ 15.67	3.14	\$ 2,263
Granted	—	—		
Exercised	(41,000)	15.54		
Forfeited	(5,000)	15.32		
Outstanding at December 31, 2018	43,750	\$ 15.84	2.63	\$ 627
Exercisable at December 31, 2018	43,750	\$ 15.84	2.63	\$ 627
Granted	—	—		
Exercised	(14,500)	15.79		
Forfeited	—	—		
Outstanding at December 31, 2019	29,250	\$ 15.86	1.94	\$ 574
Exercisable at December 31, 2019	29,250	\$ 15.86	1.94	\$ 574

The total intrinsic value of options exercised during the three years ended December 31, 2019, 2018 and 2017 was \$290, \$1,180 and \$2,487, respectively. All options outstanding during 2019, 2018 and 2017 were fully vested and exercisable as of December 31, 2017.

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

Note 14 – Employee Benefit and Deferred Compensation Plans (continued)

The fair value of each restricted stock award is the closing price of the Company's common stock on the business day immediately preceding the date of the award. For restricted stock awarded under the plan, the Company recorded compensation expense of \$10,046, \$7,251 and \$5,293 for the years ended December 31, 2019, 2018 and 2017, respectively. The following table summarizes the changes in restricted stock as of and for the year ended December 31, 2019:

	Performance- Based Restricted Stock	Weighted Average Grant-Date Fair Value	Time- Based Restricted Stock	Weighted Average Grant-Date Fair Value
Not vested at beginning of year	41,300	\$ 40.89	304,955	\$ 41.82
Awarded	154,250	30.18	308,557	32.12
Vested	(77,625)	30.18	(92,292)	39.90
Forfeited and cancelled	(2,200)	30.18	(20,288)	38.36
Not vested at end of year	<u>115,725</u>	<u>\$ 34.00</u>	<u>500,932</u>	<u>\$ 36.34</u>

Unrecognized stock-based compensation expense related to restricted stock totaled \$11,156 at December 31, 2019. As of such date, the weighted average period over which the unrecognized expense is expected to be recognized was approximately 1.9 years. There was no unrecognized stock-based compensation expense related to stock options at December 31, 2019.

At December 31, 2019, an aggregate of 1,455,971 shares of Company common stock were available for issuance under the Company's employee benefit plans of which 959,279 shares were available for issuance under the Company's 401(k) plan, 48,541 shares were available under the Company's Deferred Stock Unit Plan, and 448,151 shares were available under the Company's 2011 Long-Term Incentive Compensation Plan.

Note 15 – Derivative Instruments

(In Thousands)

The Company utilizes derivative financial instruments, including interest rate contracts such as swaps, caps and/or floors, as part of its ongoing efforts to mitigate its interest rate risk exposure and to facilitate the needs of its customers. The Company from time to time enters into derivative instruments that are not designated as hedging instruments to help its commercial customers manage their exposure to interest rate fluctuations. To mitigate the interest rate risk associated with these customer contracts, the Company enters into an offsetting derivative contract position. The Company manages its credit risk, or potential risk of default by its commercial customers, through credit limit approval and monitoring procedures. At December 31, 2019, the Company had notional amounts of \$219,664 on interest rate contracts with corporate customers and \$219,664 in offsetting interest rate contracts with other financial institutions to mitigate the Company's rate exposure on its corporate customers' contracts.

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

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

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

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 15 – Derivative Instruments (continued)

The Company enters into interest rate lock commitments with its customers to mitigate the interest rate risk associated with the commitments to fund fixed-rate residential mortgage loans. The notional amount of commitments to fund fixed-rate mortgage loans was \$215,751 and \$159,464 at December 31, 2019 and 2018, respectively. The Company also enters into forward commitments to sell residential mortgage loans to secondary market investors. The notional amount of commitments to sell residential mortgage loans to secondary market investors was \$414,000 and \$281,343 at December 31, 2019 and 2018, respectively.

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

	Balance Sheet Location	Fair Value	
		December 31,	
		2019	2018
Derivative assets:			
Not designated as hedging instruments:			
Interest rate contracts	Other Assets	\$ 3,880	\$ 2,779
Interest rate lock commitments	Other Assets	4,579	3,740
Forward commitments	Other Assets	39	—
Totals		<u>\$ 8,498</u>	<u>\$ 6,519</u>
Derivative liabilities:			
Designated as hedging instruments:			
Interest rate swap	Other Liabilities	\$ 5,021	\$ 2,046
Totals		<u>\$ 5,021</u>	<u>\$ 2,046</u>
Not designated as hedging instruments:			
Interest rate contracts	Other Liabilities	\$ 3,880	\$ 2,779
Interest rate lock commitments	Other Liabilities	3	—
Forward commitments	Other Liabilities	1,096	3,563
Totals		<u>\$ 4,979</u>	<u>\$ 6,342</u>

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

	Year Ended December 31,		
	2019	2018	2017
Derivatives not designated as hedging instruments:			
Interest rate contracts:			
Included in interest income on loans	\$ 3,672	\$ 4,137	\$ 3,981
Interest rate lock commitments:			
Included in mortgage banking income	882	779	356
Forward commitments			
Included in mortgage banking income	2,506	(3,069)	(4,489)
Total	<u>\$ 7,060</u>	<u>\$ 1,847</u>	<u>\$ (152)</u>

For the Company’s derivatives designated as cash flow hedges, changes in fair value of the cash flow hedges are, to the extent that the hedging relationship is effective, recorded as other comprehensive income and are subsequently recognized in earnings at the same time that the hedged item is recognized in earnings. The ineffective portions of the changes in fair value of the hedging instruments are immediately recognized in earnings. The assessment of the effectiveness of the hedging relationship is evaluated under the hypothetical derivative method. There were no ineffective portions for the years ended December 31, 2019, 2018 and 2017. The impact on other comprehensive income for the years ended December 31, 2019, 2018, and 2017, can be seen at Note 18, “Other Comprehensive Income.”

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 15 – Derivative Instruments (continued)

Offsetting

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

	Offsetting Derivative Assets		Offsetting Derivative Liabilities	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Gross amounts recognized	\$ 61	\$ 1,620	\$ 9,974	\$ 6,768
Gross amounts offset in the consolidated balance sheets	—	—	—	—
Net amounts presented in the consolidated balance sheets	61	1,620	9,974	6,768
Gross amounts not offset in the consolidated balance sheets				
Financial instruments	61	1,620	61	1,620
Financial collateral pledged	—	—	8,698	2,745
Net amounts	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,215</u>	<u>\$ 2,403</u>

Note 16 – Income Taxes

(In Thousands)

Significant components of the provision for income taxes are as follows for the periods presented:

	Year Ended December 31,		
	2019	2018	2017
<u>Current</u>			
Federal	\$ 23,786	\$ 22,658	\$ 28,380
State	4,264	2,625	1,354
	<u>28,050</u>	<u>25,283</u>	<u>29,734</u>
<u>Deferred</u>			
Federal	17,331	13,369	22,314
State	2,710	3,075	1,147
Revaluation of net deferred tax assets as a result of the Tax Cuts and Jobs Act	—	—	14,486
	<u>20,041</u>	<u>16,444</u>	<u>37,947</u>
	<u>\$ 48,091</u>	<u>\$ 41,727</u>	<u>\$ 67,681</u>

Note 16 – Income Taxes (continued)

The reconciliation of income taxes computed at the United States federal statutory tax rates to the provision for income taxes is as follows, for the periods presented:

	Year Ended December 31,		
	2019	2018	2017
Tax at U.S. statutory rate	\$ 45,294	\$ 39,616	\$ 55,955
Increase (decrease) in taxes resulting from:			
Tax-exempt interest income	(1,205)	(1,433)	(3,595)
BOLI income	(1,283)	(975)	(1,524)
Investment tax credits	(1,863)	(1,863)	(1,591)
Amortization of investment in low-income housing tax credits	1,575	1,592	1,873
State income tax expense, net of federal benefit	5,509	4,502	1,626
Revaluation of net deferred tax assets as a result of the Tax Cuts and Jobs Act	—	—	14,486
Other items, net	64	288	451
	<u>\$ 48,091</u>	<u>\$ 41,727</u>	<u>\$ 67,681</u>

Significant components of the Company’s deferred tax assets and liabilities are as follows for the periods presented:

	December 31,	
	2019	2018
Deferred tax assets		
Allowance for loan losses	\$ 14,304	\$ 14,097
Loans	10,284	18,655
Deferred compensation	12,050	10,001
Net unrealized losses on securities	—	6,180
Impairment of assets	1,108	1,280
Net operating loss carryforwards	9,387	19,065
Lease liabilities under operating leases	22,686	—
Other	934	9,800
Total deferred tax assets	<u>70,753</u>	<u>79,078</u>
Deferred tax liabilities		
Net unrealized gains on securities	190	—
Investment in partnerships	967	1,572
Fixed assets	2,952	3,865
Mortgage servicing rights	13,472	12,350
Junior subordinated debt	2,304	1,607
Intangibles	—	6,190
Lease right-of-use asset	21,727	—
Other	1,859	1,792
Total deferred tax liabilities	<u>43,471</u>	<u>27,376</u>
Net deferred tax assets	<u>\$ 27,282</u>	<u>\$ 51,702</u>

The Tax Cuts and Jobs Act (the “Tax Act”), enacted on December 22, 2017, among other things, permanently lowered the statutory federal corporate tax rate from 35% to 21%, effective for tax years including or beginning January 1, 2018. Under the guidance of ASC 740, “Income Taxes” (“ASC 740”), the Company revalued 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

Note 16 – Income Taxes (continued)

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 was \$14,486, which was included in “Income taxes” in the Consolidated Statements of Income for the year ended December 31, 2017. No further adjustments related to the Tax Act were required in 2019 or 2018.

The effective tax rate was 22.30% and 22.12% for the year ended December 31, 2019 and 2018, respectively. The Company and its subsidiaries file a consolidated U.S. federal income tax return. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ending December 31, 2016 through 2018. The Company and its subsidiaries’ state income tax returns are open to audit under the statute of limitations for the years ended December 31, 2016 through 2018.

The Company acquired federal and state net operating losses as part of its previous acquisitions, with varying expiration periods. The federal and state net operating losses acquired in the Brand acquisition were \$81,288 and approximately \$55,067, respectively, all created in 2018. As part of the Tax Act and corresponding state tax laws, the federal net operating losses and the majority of the state net operating losses created by Brand during 2018 have an indefinite carryforward period. As of December 31, 2019, there are federal and state net operating losses without expiration periods, related to the Brand acquisition, of \$32,014 and \$36,973, respectively. The federal and state net operating losses acquired in the Heritage acquisition were \$18,321 and \$16,849, respectively, of which \$3,992 and \$3,313 remain to be utilized as of December 31, 2019. These losses begin to expire in 2029 and are expected to be fully utilized. Because the benefits are expected to be fully realized, the Company recorded no valuation allowance against the net operating losses for the year end December 31, 2019.

The table below presents the breakout of net operating losses as of the dates presented.

	December 31,	
	2019	2018
Net Operating Losses		
Federal	\$ 36,006	\$ 76,919
State	40,806	65,583

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest, related to federal and state income tax matters as of December 31 follows below. These amounts have been adjusted for the change in the tax rate from 35% to 21%.

	2019	2018	2017
Balance at January 1	\$ 1,919	\$ 1,606	\$ 1,510
Additions based on positions related to current period	158	313	467
Reductions based on positions related to prior period	(1,410)	—	—
Reductions due to lapse of statute of limitations	—	—	(371)
Balance at December 31	<u>\$ 667</u>	<u>\$ 1,919</u>	<u>\$ 1,606</u>

If ultimately recognized, the Company does not anticipate any material increase in the effective tax rate for 2019 relative to any tax positions taken prior to January 1, 2019. The Company had accrued \$105, \$244 and \$169 for interest and penalties related to unrecognized tax benefits as of December 31, 2019, 2018 and 2017, respectively.

Note 17 – Fair Value Measurements

(In Thousands)

Recurring Fair Value Measurements

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

Note 17 – Fair Value Measurements (continued)

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

Securities available for sale: Securities available for sale consist primarily of debt securities, such as obligations of U.S. Government agencies and corporations, mortgage backed securities, trust preferred securities and other debt securities. Where quoted market prices in active markets are available, securities are classified within Level 1 of the fair value hierarchy. If quoted prices from active markets are not available, fair values are based on quoted market prices for similar instruments traded in active markets, quoted market prices for identical or similar instruments traded in markets that are not active, or model-based valuation techniques where all significant assumptions are observable in the market. Such instruments are classified within Level 2 of the fair value hierarchy. When assumptions used in model-based valuation techniques are not observable in the market, the assumptions used by management reflect estimates of assumptions used by other market participants in determining fair value. When there is limited transparency around the inputs to the valuation, the instruments are classified within Level 3 of the fair value hierarchy.

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

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

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

	Level 1	Level 2	Level 3	Totals
December 31, 2019				
Financial assets:				
Securities available for sale:				
Trust preferred securities	\$ —	\$ —	\$ 9,986	\$ 9,986
Other available for sale securities	—	1,280,627	—	1,280,627
Total securities available for sale	—	1,280,627	9,986	1,290,613
Derivative instruments	—	8,498	—	8,498
Mortgage loans held for sale in loans held for sale	—	318,272	—	318,272
Total financial assets	\$ —	\$ 1,607,397	\$ 9,986	\$ 1,617,383
Financial liabilities:				
Derivative instruments	\$ —	\$ 10,000	\$ —	\$ 10,000

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 17 – Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Totals
December 31, 2018				
Financial assets:				
Securities available for sale:				
Trust preferred securities	\$ —	\$ —	\$ 10,633	\$ 10,633
Other available for sale securities	—	1,240,144	—	1,240,144
Total securities available for sale	—	1,240,144	10,633	1,250,777
Derivative instruments	—	6,519	—	6,519
Mortgage loans held for sale in loans held for sale	—	219,848	—	219,848
Total financial assets	\$ —	\$ 1,466,511	\$ 10,633	\$ 1,477,144
Financial liabilities:				
Derivative instruments	\$ —	\$ 8,388	\$ —	\$ 8,388

The Company reviews fair value hierarchy classifications on a quarterly basis. Changes in the Company's ability to observe inputs to the valuation may cause reclassification of certain assets or liabilities within the fair value hierarchy.

The following table provides for the periods presented a reconciliation for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs, or Level 3 inputs:

	Securities available for sale Trust preferred securities
Balance at January 1, 2018	\$ 9,388
Realized (gains) losses included in net income, net of premium amortization	34
Unrealized gains included in other comprehensive income	1,328
Settlements	(117)
Balance at December 31, 2018	\$ 10,633
Accretion included in net income	34
Unrealized losses included in other comprehensive income	(442)
Settlements	(239)
Balance at December 31, 2019	\$ 9,986

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

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

Financial instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs
Trust preferred securities	\$ 9,986	Discounted cash flows	Default rate	0-100%

Nonrecurring Fair Value Measurements

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

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 17 – Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Totals
December 31, 2019				
Impaired loans	\$ —	\$ —	\$ 27,348	\$ 27,348
OREO	—	—	2,820	2,820
Mortgage servicing rights	—	—	53,208	53,208
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 83,376</u>	<u>\$ 83,376</u>
December 31, 2018				
Impaired loans	\$ —	\$ —	\$ 21,686	\$ 21,686
OREO	—	—	4,319	4,319
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 26,005</u>	<u>\$ 26,005</u>

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

Impaired loans: Loans considered impaired are reserved for at the time the loan is identified as impaired taking into account the fair value of the collateral less estimated selling costs. Collateral may be real estate and/or business assets including but not limited to equipment, inventory and accounts receivable. The fair value of real estate is determined based on appraisals by qualified licensed appraisers. The fair value of the business assets is generally based on amounts reported on the business's financial statements. Appraised and reported values may be adjusted based on changes in market conditions from the time of valuation and management's knowledge of the client and the client's business. Since not all valuation inputs are observable, these nonrecurring fair value determinations are classified as Level 3. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors previously identified. Impaired loans that were measured or re-measured at fair value had a carrying value of \$29,606 and \$22,621 at December 31, 2019 and December 31, 2018, respectively, and a reserve for these loans of \$2,258 and \$935 was included in the allowance for loan losses for the same periods ended.

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

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

	December 31, 2019	December 31, 2018
Carrying amount prior to remeasurement	\$ 3,726	\$ 5,258
Impairment recognized in results of operations	(906)	(939)
Fair value	<u>\$ 2,820</u>	<u>\$ 4,319</u>

Mortgage servicing rights: The Company retains the right to service certain mortgage loans that it sells to secondary market investors. Mortgage servicing rights are carried at the lower of amortized cost or fair value. Fair value is determined using an income approach with various assumptions including expected cash flows, market discount rates, prepayment speeds, servicing costs, and other factors. Because these factors are not all observable and include management's assumptions, mortgage servicing rights are classified within Level 3 of the fair value hierarchy. Mortgage servicing rights were carried at amortized cost at December 31, 2019 and December 31, 2018. There were \$1,836 of valuation adjustments on MSRs during the twelve months ended December 31, 2019 and no valuation adjustments were recognized during the twelve months ended December 31, 2018.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 17 – Fair Value Measurements (continued)

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

Financial instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs
Impaired loans	\$ 27,348	Appraised value of collateral less estimated costs to sell	Estimated costs to sell	4-10%
OREO	\$ 2,820	Appraised value of property less estimated costs to sell	Estimated costs to sell	4-10%

Fair Value Option

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

Net gains of \$1,286 resulting from fair value changes of these mortgage loans were recorded in income during 2019, as compared to net gains of \$4,892 in 2018 and net gains of \$1,594 in 2017. The amounts do not reflect changes in fair values of related derivative instruments used to hedge exposure to market-related risks associated with these mortgage loans. The change in fair value of both mortgage loans held for sale and the related derivative instruments are recorded in “Mortgage banking income” in the Consolidated Statements of Income.

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

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

	Aggregate Fair Value	Aggregate Unpaid Principal Balance	Difference
Mortgage loans held for sale	\$ 318,272	\$ 308,160	\$ 10,112
Past due loans of 90 days or more	—	—	—
Nonaccrual loans	—	—	—

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 17 – Fair Value Measurements (continued)

Fair Value of Financial Instruments

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

	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
December 31, 2019					
Financial assets					
Cash and cash equivalents	\$ 414,930	\$ 414,930	\$ —	\$ —	\$ 414,930
Securities available for sale	1,290,613	—	1,280,627	9,986	1,290,613
Loans held for sale	318,272	—	318,272	—	318,272
Loans, net	9,637,476	—	—	9,321,039	9,321,039
Mortgage servicing rights	53,208	—	—	53,208	53,208
Derivative instruments	8,498	—	8,498	—	8,498
Financial liabilities					
Deposits	\$10,213,168	\$ 8,052,536	\$ 2,158,431	\$ —	\$10,210,967
Short-term borrowings	489,091	489,091	—	—	489,091
Federal Home Loan Bank advances	152,337	—	152,321	—	152,321
Junior subordinated debentures	110,215	—	104,480	—	104,480
Subordinated notes	113,955	—	117,963	—	117,963
Derivative instruments	10,000	—	10,000	—	10,000

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

Note 18 – Other Comprehensive Income

(In Thousands)

Changes in the components of other comprehensive income, net of tax, were as follows:

	Pre-Tax	Tax Expense (Benefit)	Net of Tax
Year Ended December 31, 2019			
Securities available for sale:			
Unrealized holding gains on securities	\$ 24,983	\$ 6,358	\$ 18,625
Reclassification adjustment for losses realized in net income ⁽¹⁾	2,511	639	1,872
Total securities available for sale	27,494	6,997	20,497
Derivative instruments:			
Unrealized holding losses on derivative instruments	(2,975)	(758)	(2,217)
Total derivative instruments	(2,975)	(758)	(2,217)
Defined benefit pension and post-retirement benefit plans:			
Net gain arising during the period	91	23	68
Amortization of net actuarial loss recognized in net periodic pension cost ⁽²⁾	419	107	312
Total defined benefit pension and post-retirement benefit plans	510	130	380
Total other comprehensive income	\$ 25,029	\$ 6,369	\$ 18,660
Year Ended December 31, 2018			
Securities available for sale:			
Unrealized holding losses on securities	\$ (11,155)	\$ (2,840)	\$ (8,315)
Reclassification adjustment for losses realized in net income ⁽¹⁾	16	4	12
Total securities available for sale	(11,139)	(2,836)	(8,303)
Derivative instruments:			
Unrealized holding gains on derivative instruments	490	125	365
Total derivative instruments	490	125	365
Defined benefit pension and post-retirement benefit plans:			
Net gain arising during the period	413	105	308
Amortization of net actuarial loss recognized in net periodic pension cost ⁽²⁾	328	83	245
Total defined benefit pension and post-retirement benefit plans	741	188	553
Total other comprehensive loss	\$ (9,908)	\$ (2,523)	\$ (7,385)

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 18 – Other Comprehensive Income (continued)

	Pre-Tax	Tax Expense (Benefit)	Net of Tax
Year Ended December 31, 2017			
Securities available for sale:			
Unrealized holding losses on securities	\$ (3,617)	\$ (1,399)	\$ (2,218)
Unrealized holding gains on securities transferred from held to maturity to available for sale	13,219	5,111	8,108
Reclassification adjustment for gains realized in net income ⁽¹⁾	(148)	(57)	(91)
Amortization of unrealized holding gains on securities transferred to the held to maturity category	(282)	(109)	(173)
Total securities available for sale	<u>9,172</u>	<u>3,546</u>	<u>5,626</u>
Derivative instruments:			
Unrealized holding gains on derivative instruments	874	338	536
Total derivative instruments	<u>874</u>	<u>338</u>	<u>536</u>
Defined benefit pension and post-retirement benefit plans:			
Net gain arising during the period	1,379	351	1,028
Amortization of net actuarial loss recognized in net periodic pension cost ⁽²⁾	407	158	249
Total defined benefit pension and post-retirement benefit plans	<u>1,786</u>	<u>509</u>	<u>1,277</u>
Total other comprehensive income	<u>\$ 11,832</u>	<u>\$ 4,393</u>	<u>\$ 7,439</u>

(1) Included in Net (losses) gains on sales of securities in the Consolidated Statements of Income

(2) Included in Salaries and employee benefits in the Consolidated Statements of Income

The accumulated balances for each component of other comprehensive income, net of tax, at December 31 were as follows:

	2019	2018	2017
Unrealized gains on securities	\$ 21,563	\$ 1,066	\$ 9,369
Non-credit related portion of other-than-temporary impairment on securities	(11,319)	(11,319)	(11,319)
Unrealized losses on derivative instruments	(2,847)	(630)	(995)
Unrecognized losses on defined benefit pension and post-retirement benefit plans obligations	(6,633)	(7,013)	(7,566)
Total accumulated other comprehensive income (loss)	<u>\$ 764</u>	<u>\$ (17,896)</u>	<u>\$ (10,511)</u>

Note 19 – Quarterly Results of Operations

(In Thousands, Except Share Data) (Unaudited)

The following table sets forth a summary of the unaudited quarterly results of operations.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2019				
Interest income	\$ 137,094	\$ 137,862	\$ 134,476	\$ 133,148
Interest expense	23,947	25,062	25,651	24,263
Net interest income	113,147	112,800	108,825	108,885
Provision for loan losses	1,500	900	1,700	2,950
Noninterest income	35,885	41,960	37,953	37,456
Noninterest expense	88,832	93,290	96,500	95,552
Income before income taxes	58,700	60,570	48,578	47,839
Income taxes	13,590	13,945	11,132	9,424
Net income	<u>\$ 45,110</u>	<u>\$ 46,625</u>	<u>\$ 37,446</u>	<u>\$ 38,415</u>
Basic earnings per share	<u>\$ 0.77</u>	<u>\$ 0.80</u>	<u>\$ 0.65</u>	<u>\$ 0.67</u>
Diluted earnings per share	<u>\$ 0.77</u>	<u>\$ 0.80</u>	<u>\$ 0.64</u>	<u>\$ 0.67</u>
2018				
Interest income	\$ 100,380	\$ 106,574	\$ 117,795	\$ 137,105
Interest expense	11,140	14,185	18,356	21,648
Net interest income	89,240	92,389	99,439	115,457
Provision for loan losses	1,750	1,810	2,250	1,000
Noninterest income	33,953	35,581	38,053	36,374
Noninterest expense	77,944	79,026	94,746	93,313
Income before income taxes	43,499	47,134	40,496	57,518
Income taxes	9,673	10,424	8,532	13,098
Net income	<u>\$ 33,826</u>	<u>\$ 36,710</u>	<u>\$ 31,964</u>	<u>\$ 44,420</u>
Basic earnings per share	<u>\$ 0.69</u>	<u>\$ 0.74</u>	<u>\$ 0.61</u>	<u>\$ 0.76</u>
Diluted earnings per share	<u>\$ 0.68</u>	<u>\$ 0.74</u>	<u>\$ 0.61</u>	<u>\$ 0.76</u>

See Note 2, “Mergers and Acquisitions” above for a discussion of the effect on the Company’s results of operations of its acquisitions of Brand in the third quarter of 2018.

Note 20 – Net Income Per Common Share

(In Thousands, Except Share Data)

Basic net income per common share is calculated by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted net income per common share reflects the pro forma dilution of shares outstanding, assuming outstanding stock options were exercised into common shares and nonvested restricted stock awards, whose vesting is subject to future service requirements, were outstanding common shares as of the awards’ respective grant dates, calculated in accordance with the treasury method.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 20 – Net Income Per Common Share (continued)

Basic and diluted net income per common share calculations are as follows for the periods presented:

	Year Ended December 31,		
	2019	2018	2017
Basic			
Net income applicable to common stock	\$ 167,596	\$ 146,920	\$ 92,188
Average common shares outstanding	58,046,716	52,492,104	46,874,502
Net income per common share—basic	<u>\$ 2.89</u>	<u>\$ 2.80</u>	<u>\$ 1.97</u>
Diluted			
Net income applicable to common stock	\$ 167,596	\$ 146,920	\$ 92,188
Average common shares outstanding	58,046,716	52,492,104	46,874,502
Effect of dilutive stock-based compensation	179,970	134,746	127,014
Average common shares outstanding—diluted	<u>58,226,686</u>	<u>52,626,850</u>	<u>47,001,516</u>
Net income per common share—diluted	<u>\$ 2.88</u>	<u>\$ 2.79</u>	<u>\$ 1.96</u>

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

	Year Ended December 31,		
	2019	2018	2017
Number of shares	643	73,257	77,545
Range of exercise prices (for stock option awards)	—	—	—

Note 21 – Commitments, Contingent Liabilities and Financial Instruments with Off-Balance Sheet Risk

(In Thousands)

Loan commitments are made to accommodate the financial needs of the Company's customers. Standby letters of credit commit the Company to make payments on behalf of customers when certain specified future events occur. Both arrangements have credit risk essentially the same as that involved in extending loans to customers and are subject to the Company's normal credit policies. Collateral (e.g., securities, receivables, inventory, equipment, etc.) is obtained based on management's credit assessment of the customer. The Company's unfunded loan commitments (unfunded loans and unused lines of credit) and standby letters of credit outstanding at December 31, 2019 were \$2,324,262 and \$94,824, respectively, compared to \$2,068,749 and \$104,664, respectively, at December 31, 2018.

Various claims and lawsuits are pending against the Company and Renasant Bank. In the opinion of management, after consultation with legal counsel, resolution of these matters is not expected to have a material effect on the consolidated financial statements.

Market risk resulting from interest rate changes on particular off-balance sheet financial instruments may be offset by other on- or off-balance sheet transactions. Interest rate sensitivity is monitored by the Company for determining the net effect of potential changes in interest rates on the market value of both on- and off-balance sheet financial instruments.

Note 22 – Restrictions on Cash, Securities, Bank Dividends, Loans or Advances

(In Thousands)

Renasant Bank is required to maintain minimum average balances with the Federal Reserve. At December 31, 2019 and 2018, Renasant Bank's reserve requirements with the Federal Reserve were \$187,839 and \$113,341, respectively, with which it was in full compliance.

The Company's balance of FHLB stock, which is carried at amortized cost, at December 31, 2019 and 2018, was \$31,092 and \$19,777, respectively. The required investment for the same time period was \$31,092 and \$7,471, respectively.

Note 22 – Restrictions on Cash, Securities, Bank Dividends, Loans or Advances (continued)

The Company’s ability to pay dividends to its shareholders is substantially dependent on the ability of Renasant Bank to transfer funds to the Company in the form of dividends, loans and advances. Under Mississippi law, a Mississippi bank may not pay dividends unless its earned surplus is in excess of three times capital stock. A Mississippi bank with earned surplus in excess of three times capital stock may pay a dividend, subject to the approval of the Mississippi Department of Banking and Consumer Finance (the “DBCF”). In addition, the FDIC has the authority to prohibit the Bank from engaging in business practices that the FDIC considers to be unsafe or unsound, which, depending on the financial condition of the Bank, could include the payment of dividends. Accordingly, the approval of the DBCF is required prior to Renasant Bank paying dividends to the Company, and under certain circumstances the approval of the FDIC may be required. At December 31, 2019, the Bank’s earned surplus exceeded the Bank’s capital stock by more than ten times.

Federal Reserve regulations also limit the amount Renasant Bank may loan to the Company unless such loans are collateralized by specific obligations. At December 31, 2019, the maximum amount available for transfer from Renasant Bank to the Company in the form of loans was \$138,862. As of December 31, 2019, no loans from the Bank to the Company were outstanding.

Note 23 – Regulatory Matters

(In Thousands)

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

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

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

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 23 – Regulatory Matters (continued)

The following table provides the capital and risk-based capital and leverage ratios for the Company and for Renasant Bank as of December 31:

	2019		2018	
	Amount	Ratio	Amount	Ratio
Renasant Corporation				
Tier 1 Capital to Average Assets (Leverage)	\$ 1,262,588	10.37%	\$ 1,188,412	10.11%
Common Equity Tier 1 Capital to Risk-Weighted Assets	1,156,828	11.12%	1,085,751	11.05%
Tier 1 Capital to Risk-Weighted Assets	1,262,588	12.14%	1,188,412	12.10%
Total Capital to Risk-Weighted Assets	1,432,949	13.78%	1,386,507	14.12%
Renasant Bank				
Tier 1 Capital to Average Assets (Leverage)	\$ 1,331,809	10.95%	\$ 1,276,976	10.88%
Common Equity Tier 1 Capital to Risk-Weighted Assets	1,331,809	12.81%	1,276,976	13.02%
Tier 1 Capital to Risk-Weighted Assets	1,331,809	12.81%	1,276,976	13.02%
Total Capital to Risk-Weighted Assets	1,388,553	13.36%	1,331,619	13.58%

Common equity Tier 1 capital (“CET1”) generally consists of common stock, retained earnings, accumulated other comprehensive income and certain minority interests, less certain adjustments and deductions. In addition, the Company must maintain a “capital conservation buffer,” which is a specified amount of CET1 capital in addition to the amount necessary to meet minimum risk-based capital requirements. The capital conservation buffer is designed to absorb losses during periods of economic stress. If the Company’s ratio of CET1 to risk-weighted capital is below the capital conservation buffer, the Company will face restrictions on its ability to pay dividends, repurchase outstanding stock and make certain discretionary bonus payments. The required capital conservation buffer is 2.5% of CET1 to risk-weighted assets in addition to the amount necessary to meet minimum risk-based capital requirements.

In addition, the Federal Reserve, the FDIC and the Office of the Comptroller of the Currency rules for calculating risk-weighted assets have been revised in recent years 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. For example, residential mortgages are risk-weighted between 35% and 200%, depending on the mortgage’s loan-to-value ratio and whether the mortgage falls into one of two categories based on eight criteria that include, among others, the term, use of negative amortization and balloon payments, certain rate increases and documented and verified borrower income, while a 150% risk weight applies to both certain high volatility commercial real estate acquisition, development and construction loans as well as non-residential mortgage loans 90 days past due or on nonaccrual status (in both cases, as opposed to the former 100% risk weight). Also, “hybrid” capital items like trust preferred securities no longer enjoy Tier 1 capital treatment, subject to various grandfathering and transition rules.

Note 24 – Segment Reporting

(In Thousands)

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

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

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

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 24 - Segment Reporting (continued)

The following table provides financial information for the Company's operating segments as of and for the years ended December 31, 2019, 2018 and 2017:

	Community Banks	Insurance	Wealth Management	Other	Consolidated
2019					
Net interest income	\$ 454,433	\$ 702	\$ 1,761	\$ (13,239)	\$ 443,657
Provision for loan losses	7,050	—	—	—	7,050
Noninterest income	129,016	10,129	15,598	(1,489)	153,254
Noninterest expense	351,640	7,574	13,863	1,097	374,174
Income before income taxes	224,759	3,257	3,496	(15,825)	215,687
Income taxes	51,292	876	—	(4,077)	48,091
Net income (loss)	\$ 173,467	\$ 2,381	\$ 3,496	\$ (11,748)	\$ 167,596
Total assets	\$ 13,280,494	\$ 28,284	\$ 70,789	\$ 21,051	\$ 13,400,618
Goodwill	936,916	2,767	—	—	939,683
2018					
Net interest income	\$ 406,420	\$ 484	\$ 1,297	\$ (11,676)	\$ 396,525
Provision for loan losses	6,810	—	—	—	6,810
Noninterest income	120,559	9,831	14,537	(966)	143,961
Noninterest expense	323,439	7,294	13,336	960	345,029
Income before income taxes	196,730	3,021	2,498	(13,602)	188,647
Income taxes	44,464	786	—	(3,523)	41,727
Net income (loss)	\$ 152,266	\$ 2,235	\$ 2,498	\$ (10,079)	\$ 146,920
Total assets	\$ 12,828,586	\$ 25,798	\$ 60,794	\$ 19,700	\$ 12,934,878
Goodwill	930,161	2,767	—	—	932,928
2017					
Net interest income	\$ 344,499	\$ 457	\$ 2,160	\$ (10,219)	\$ 336,897
Provision for loan losses	7,550	—	—	—	7,550
Noninterest income	110,308	9,530	12,863	(561)	132,140
Noninterest expense	281,698	6,957	11,785	1,178	301,618
Income before income taxes	165,559	3,030	3,238	(11,958)	159,869
Income taxes	70,257	1,184	—	(3,760)	67,681
Net income (loss)	\$ 95,302	\$ 1,846	\$ 3,238	\$ (8,198)	\$ 92,188
Total assets	\$ 9,717,779	\$ 26,470	\$ 61,330	\$ 24,402	\$ 9,829,981
Goodwill	608,279	2,767	—	—	611,046

Note 25 – Renasant Corporation (Parent Company Only) Condensed Financial Information

(In Thousands)

Balance Sheets

	December 31,	
	2019	2018
Assets		
Cash and cash equivalents ⁽¹⁾	\$ 29,467	\$ 44,581
Investments	1,653	1,662
Loans, net	—	640
Investment in bank subsidiary ⁽²⁾	2,302,499	2,236,932
Accrued interest receivable on bank balances ⁽²⁾	6	6
Intercompany receivable ⁽²⁾	—	1,618
Other assets	22,861	18,574
Total assets	\$ 2,356,486	\$ 2,304,013
Liabilities and shareholders' equity		
Junior subordinated debentures	\$ 110,215	\$ 109,636
Subordinated notes	113,955	147,239
Other liabilities	6,627	3,225
Shareholders' equity	2,125,689	2,043,913
Total liabilities and shareholders' equity	\$ 2,356,486	\$ 2,304,013

(1) Eliminates in consolidation, with the exception of \$3,840 and \$3,737, in 2019 and 2018, respectively, pledged for collateral and held at non-subsi-dary bank

(2) Eliminates in consolidation

Statements of Income

	Year Ended December 31,		
	2019	2018	2017
Income			
Dividends from bank subsidiary ⁽¹⁾	\$ 132,563	\$ 53,381	\$ 34,416
Interest income from bank subsidiary ⁽¹⁾	9	8	8
Other dividends	175	137	94
Other income	138	121	588
Total income	132,885	53,647	35,106
Expenses			
Income before income tax benefit and equity in undistributed net income of bank subsidiary	116,835	39,778	22,457
Income tax benefit	(4,077)	(3,523)	(3,761)
Equity in undistributed net income of bank subsidiary ⁽¹⁾	46,684	103,619	65,970
Net income	\$ 167,596	\$ 146,920	\$ 92,188

(1) Eliminates in consolidation

Note 25 - Renasant Corporation (Parent Company Only) Condensed Financial Information (continued)

Statements of Cash Flows

	Year Ended December 31,		
	2019	2018	2017
Operating activities			
Net income	\$ 167,596	\$ 146,920	\$ 92,188
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of bank subsidiary	(46,684)	(103,619)	(65,970)
Amortization/depreciation/accretion	(76)	160	656
(Increase) decrease in other assets	(2,678)	3,381	(1,069)
Increase (decrease) in other liabilities	10,872	(171)	(2,291)
Net cash provided by operating activities	129,030	46,671	23,514
Investing activities			
Sales and maturities of securities held to maturity and available for sale	42	1,052	1,555
Investment in subsidiaries	—	—	(25,000)
Net cash (paid) received in acquisition	—	(34,836)	4,834
Other investing activities	632	423	(54)
Net cash provided by (used in) investing activities	674	(33,361)	(18,665)
Financing activities			
Cash paid for dividends	(50,901)	(43,614)	(34,416)
Cash received on exercise of stock-based compensation	—	201	173
Repurchase of shares in connection with stock repurchase program	(62,944)	(7,062)	—
Repayment of long-term debt	(30,973)	—	(10,310)
Other financing activities	—	(93)	310
Net cash used in financing activities	(144,818)	(50,568)	(44,243)
Decrease in cash and cash equivalents	(15,114)	(37,258)	(39,394)
Cash and cash equivalents at beginning of year	44,581	81,839	121,233
Cash and cash equivalents at end of year	\$ 29,467	\$ 44,581	\$ 81,839

Note 26 - Leases

(In Thousands)

The Company enters into leases in both lessor and lessee capacities.

Lessor Arrangements

As of December 31, 2019, the net investment in these leases was \$12,441, comprised of \$10,735 in lease receivables, \$2,739 in residual balances and \$1,033 in deferred income. In order to mitigate potential exposure to residual asset risk, the Company utilizes first amendment or terminal rental adjustment clause leases.

For the twelve months ended December 31, 2019, the Company generated \$331 in income, which is included in interest income on loans on the Consolidated Statements of Income from these leases.

Renasant Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 26 - Leases (continued)

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

2020	\$	1,011
2021		1,314
2022		1,989
2023		3,256
2024		1,057
Thereafter		3,814
Total lease receivables	\$	<u>12,441</u>

Lessee Arrangements

As of December 31, 2019, right-of-use assets totaled \$84,754 and lease liabilities totaled \$88,494. The table below provides the components of lease cost and supplemental information for the period presented.

	Year Ended December 31, 2019
Operating lease cost (cost resulting from lease payments)	\$ 10,149
Short-term lease cost	67
Variable lease cost (cost excluded from lease payments)	1,612
Sublease income	(560)
Net lease cost	\$ 11,268
Operating lease - operating cash flows (fixed payments)	9,678
Operating lease - operating cash flows (liability reduction)	8,407
Weighted average lease term - operating leases (in years) (at period end)	17.39
Weighted average discount rate - operating leases (at period end)	3.40%
Right-of-use assets obtained in exchange for new lease liabilities - operating leases	\$ 38,881

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

2020	\$	9,725
2021		8,889
2022		8,420
2023		8,131
2024		7,549
Thereafter		78,124
Total undiscounted cash flows		120,838
Discount on cash flows		32,344
Total operating lease liabilities	\$	<u>88,494</u>

Rental expense was \$9,159, \$6,157, and \$4,827 for 2019, 2018, and 2017, respectively.

As of December 31, 2019, the Company had leases with related parties that were obtained in the Brand acquisition. The related party leases have right-of-use assets of \$12,720 and lease liabilities of \$14,956, with total lease cost of \$1,968 for the twelve months ended December 31, 2019.

Note 26 - Leases (continued)

As required, the following disclosure is provided for periods prior to the adoption of ASC 842. The following is a summary of future minimum lease payments for years following December 31, 2018:

2019	\$ 9,389
2020	8,199
2021	6,339
2022	4,929
2023	3,711
Thereafter	12,592
Total	<u>\$ 45,159</u>

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

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Based upon their evaluation as of December 31, 2019, our Principal Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) are effective for ensuring that information the Company is required to disclose in reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and that such information is accumulated and communicated to the Company’s management, including its Principal Executive and Principal Financial Officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control over Financial Reporting and Attestation Report of the Independent Registered Public Accounting Firm

The information required in be provided pursuant to this item is set forth under the headings “Report on Management’s Assessment of Internal Control over Financial Reporting” and “Reports of Independent Registered Public Accounting Firm” in Item 8, Financial Statements and Supplementary Data, in this report.

Changes in Internal Control over Financial Reporting

There were no changes to internal control over financial reporting during the fourth quarter of 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Executive Officers of the Company

The information appearing under the heading “Executive Officers” in the Company’s Definitive Proxy Statement for its 2020 Annual Meeting of Shareholders is incorporated herein by reference.

Code of Ethics

The Company has adopted a code of business conduct and ethics in compliance with Item 406 of Regulation S-K that applies to the Company's principal executive officer, principal financial officer and principal accounting officer. The Company's Code of Ethics is available on its website at www.renasant.com under the "Investor Relations" tab by clicking on "Corporate Overview," and then "Governance Documents" and then "Code of Ethics." Any person may request a free copy of the Code of Ethics from the Company by sending a request to the following address: Renasant Corporation, 209 Troy Street, Tupelo, Mississippi, 38804-4827, Attention: General Counsel. The Company intends to satisfy the disclosure requirement under Item 5.05(c) of Form 8-K regarding an amendment to, or waiver from, a provision of the Company's Code of Ethics by posting such information on its website, at the address specified above.

Directors of the Company, Shareholder Recommendations of Director Candidates, Audit Committee Members and Delinquent Section 16(a) Reports

The information appearing under the headings "Corporate Governance and Board of Directors," "Board Members and Compensation - Members of the Board of Directors" and "Stock Ownership - Delinquent Section 16(a) Reports" in the Company's Definitive Proxy Statement for its 2020 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information appearing under the headings "Corporate Governance and Board of Directors - Role of the Board in Risk Oversight," "Board Members and Compensation - Director Compensation," "Compensation Discussion and Analysis," "Compensation Committee Report," "Compensation Committee Interlocks and Insider Participation" and "Compensation Tables" in the Company's Definitive Proxy Statement for its 2020 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information appearing under the headings "Compensation Tables - Equity Compensation Plan Information" and "Stock Ownership" in the Company's Definitive Proxy Statement for its 2020 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information appearing under the heading "Corporate Governance and Board of Directors" in the Company's Definitive Proxy Statement for its 2020 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information appearing under the heading "Independent Registered Public Accountants" in the Company's Definitive Proxy Statement for its 2020 Annual Meeting of Shareholders is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) - (1) Financial Statements

The following consolidated financial statements and supplementary information for the fiscal years ended December 31, 2019, 2018 and 2017 are included in Part II, Item 8, Financial Statements and Supplementary Data, in this report:

- (i) [Report on Management's Assessment of Internal Control over Financial Reporting](#)
- (ii) [Reports of Independent Registered Public Accounting Firm](#)
- (iii) [Consolidated Balance Sheets – December 31, 2019 and 2018](#)
- (iv) [Consolidated Statements of Income – Years ended December 31, 2019, 2018 and 2017](#)
- (v) [Consolidated Statements of Comprehensive Income – Years ended December 31, 2019, 2018 and 2017](#)
- (vi) [Consolidated Statements of Changes in Shareholders' Equity – Years ended December 31, 2019, 2018 and 2017](#)
- (vii) [Consolidated Statements of Cash Flows – Years ended December 31, 2019, 2018 and 2017](#)
- (viii) [Notes to Consolidated Financial Statements](#)

(a) - (2) Financial Statement Schedules

All schedules have been omitted because they are either not applicable or the required information has been included in the consolidated financial statements or notes thereto.

(a) - (3) Exhibits required by Item 601 of Regulation S-K

- (2)(i) [Agreement and Plan of Merger by and among Renasant Corporation, Renasant Bank, Metropolitan BancGroup, Inc. and Metropolitan Bank dated as of January 17, 2017, filed as exhibit 2.1 to the Form 8-K of the Company filed with the Commission on January 19, 2017 and incorporated herein by reference.](#)
- (2)(ii) [Agreement and Plan of Merger by and among Renasant Corporation, Renasant Bank, Brand Group Holdings, Inc. and The Brand Banking Company dated as of March 28, 2018, filed as exhibit 2.1 to the Form 8-K of the Company filed with the Commission on March 30, 2018 and incorporated herein by reference.](#)
- (3)(i) [Articles of Incorporation of the Company, as amended, filed as exhibit 3.1 to the Form 10-Q of the Company filed with the Commission on May 10, 2016 and incorporated herein by reference.](#)
- (3)(ii) [Amended and Restated Bylaws of the Company, filed as exhibit 3\(ii\) to the Form 8-K of the Company filed with the Commission on July 20, 2018 and incorporated herein by reference.](#)
- (4)(i) [Articles of Incorporation of the Company, as amended, filed as exhibit 3.1 to the Form 10-Q of the Company filed with the Commission on May 10, 2016 and incorporated herein by reference.](#)
- (4)(ii) [Amended and Restated Bylaws of the Company, filed as exhibit 3\(ii\) to the Form 8-K of the Company filed with the Commission on July 20, 2018 and incorporated herein by reference.](#)
- (4)(iii) [Subordinated Indenture dated August 22, 2016 between Renasant Corporation and Wilmington Trust, National Association, filed as exhibit 4.1 to the Form 8-K of the Company filed with the Commission on August 22, 2016 and incorporated herein by reference.](#)
- (4)(iv) [First Supplemental Indenture dated August 22, 2016 between Renasant Corporation and Wilmington Trust, National Association, filed as exhibit 4.2 to the Form 8-K of the Company filed with the Commission on August 22, 2016 and incorporated herein by reference.](#)
- (4)(v) [Second Supplemental Indenture dated August 22, 2016 between Renasant Corporation and Wilmington Trust, National Association, filed as exhibit 4.3 to the Form 8-K of the Company filed with the Commission on August 22, 2016 and incorporated herein by reference.](#)
- (4)(vi) [Form of 5.0% Fixed-to-Floating Subordinated Note due 2026 \(included in exhibit \(4\)\(iv\)\)](#)
- (4)(vii) [Form of 5.50% Fixed-to-Floating Subordinated Note due 2031 \(included in exhibit \(4\)\(v\)\)](#)
- (4)(viii) [Description of Renasant Corporation's Securities Registered under Section 12 of the Securities Exchange Act of 1934, as amended](#)

- (10)(i) [The Peoples Holding Company 2001 Long-Term Incentive Plan, filed as exhibit 4.1 to the Form S-8 Registration Statement of the Company \(File No. 333-102152\) filed with the Commission on December 23, 2002 and incorporated herein by reference.*](#)
- (10)(ii) [Amendment to The Peoples Holding Company 2001 Long-Term Incentive Plan dated December 4, 2002, filed as exhibit 4.2 to the Form S-8 Registration Statement of the Company \(File No. 333-102152\) filed with the Commission on December 23, 2002 and incorporated herein by reference.*](#)
- (10)(iii) [Amendment to The Peoples Holding Company 2001 Long-Term Incentive Plan dated February 8, 2005, filed as Appendix B to the Company's Definitive Proxy Statement filed with the Commission on March 14, 2005 and incorporated herein by reference.*](#)
- (10)(iv) [Amendment to The Peoples Holding Company 2001 Long-Term Incentive Plan dated July 18, 2006, filed as Exhibit 99.1 to the Form 8-K of the Company filed with the Commission on July 19, 2006 and incorporated herein by reference.*](#)
- (10)(v) [Renasant Corporation Deferred Stock Unit Plan, filed as exhibit 4.3 to the Form S-8 Registration Statement of the Company \(File No. 333-102152\) filed with the Commission on December 23, 2002 and incorporated herein by reference.*](#)
- (10)(vi) [Amendment to the Renasant Corporation Deferred Stock Unit Plan dated December 4, 2002, filed as exhibit 4.4 to the Form S-8 Registration Statement of the Company \(File No. 333-102152\) filed with the Commission on December 23, 2002 and incorporated herein by reference.*](#)
- (10)(vii) [Amended and Restated Renasant Corporation Deferred Stock Unit Plan, filed as exhibit 99.2 to the Form 8-K of the Company filed with the Commission on July 19, 2006 and incorporated herein by reference.*](#)
- (10)(viii) [Amendment to the Amended and Restated Renasant Corporation Deferred Stock Unit Plan dated June 5, 2007, filed as exhibit 99.1 to the Form S-8 Registration Statement of the Company \(File No. 333-144185\) filed with the Commission on June 29, 2007 and incorporated herein by reference.*](#)
- (10)(ix) [Amendment to the Amended and Restated Renasant Corporation Deferred Stock Unit Plan dated December 16, 2008, filed as exhibit 10.2 to the Form 8-K of the Company filed with the Commission on February 17, 2009 and incorporated herein by reference.*](#)
- (10)(x) [Amendment to the Amended and Restated Renasant Corporation Deferred Stock Unit Plan dated January 17, 2012, filed as exhibit 99.1 to the Form 8-K of the Company filed with the Commission on January 23, 2012 and incorporated herein by reference.*](#)
- (10)(xi) [Renasant Corporation Performance Based Rewards Plan, dated as of October 16, 2018, filed as exhibit 10.1 to the Form 8-K of the Company filed with the Commission on October 19, 2018 and incorporated herein by reference.*](#)
- (10)(xii) [Renasant Bank Executive Deferred Income Plan, filed as exhibit 99.1 to the Form 8-K of the Company filed with the Commission on January 5, 2007 and incorporated herein by reference.*](#)
- (10)(xiii) [Amendment to the Renasant Bank Executive Deferred Income Plan dated December 16, 2008, filed as exhibit 10.3 to the Form 8-K of the Company filed with the Commission on February 17, 2009 and incorporated herein by reference.*](#)
- (10)(xiv) [Amendment to the Renasant Bank Executive Deferred Income Plan dated December 27, 2016, filed as exhibit 10.1 to the Form 10-K/A of the Company filed with the Commission on February 28, 2017 and incorporated herein by reference.*](#)
- (10)(xv) [Renasant Bank Directors' Deferred Fee Plan, filed as exhibit 99.2 to the Form 8-K of the Company filed with the Commission on January 5, 2007 and incorporated herein by reference.*](#)
- (10)(xvi) [Amendment to the Renasant Bank Directors' Deferred Fee Plan dated December 16, 2008, filed as exhibit 10.4 to the Form 8-K of the Company filed with the Commission on February 17, 2009 and incorporated herein by reference.*](#)
- (10)(xvii) [Amendment to the Renasant Bank Directors' Deferred Fee Plan dated December 27, 2016, filed as exhibit 10.2 to the Form 10-K/A of the Company filed with the Commission on February 28, 2017 and incorporated herein by reference.*](#)
- (10)(xviii) [Second Amendment to the Capital Bank & Trust Company Supplemental Executive Retirement Plan Agreement dated August 20, 2003 for R. Rick Hart, executed June 29, 2007, filed as exhibit 10.5 to the Form 8-K of the Company filed with the Commission on July 6, 2007 and incorporated herein by reference.*](#)
- (10)(xix) [Second Amendment to the Capital Bank & Trust Company Supplemental Executive Retirement Plan Agreement dated July 10, 2006 for R. Rick Hart, executed June 29, 2007, filed as exhibit 10.6 to the Form 8-K of the Company filed with the Commission on July 6, 2007 and incorporated herein by reference.*](#)

- (10)(xx) [Supplemental Agreement to the Capital Bancorp, Inc. 2001 Stock Option Plan for R. Rick Hart, executed June 29, 2007, filed as exhibit 10.9 to the Form 8-K of the Company filed with the Commission on July 6, 2007 and incorporated herein by reference.*](#)
- (10)(xxi) [Executive Employment Agreement dated January 2, 2008 by and between E. Robinson McGraw and Renasant Corporation, filed as exhibit 10.1 to the Form 8-K of the Company filed with the Commission on March 7, 2008 and incorporated herein by reference.*](#)
- (10)(xxii) [Amendment to Executive Employment Agreement dated April 25, 2017 by and between E. Robinson McGraw and Renasant Corporation, filed as exhibit 10.1 to the Form 8-K of the Company filed with the Commission on April 28, 2017 and incorporated herein by reference.*](#)
- (10)(xxiii) [Amendment No. 2 to Executive Employment Agreement dated August 19, 2019 by and between E. Robinson McGraw and Renasant Corporation, filed as exhibit 10.1 to the Form 10-Q of the Company filed with the Commission on November 7, 2019 and incorporated herein by reference.*](#)
- (10)(xxiv) [Renasant Corporation Severance Pay Plan, filed as exhibit 10.5 to the Form 8-K of the Company filed with the Commission on February 17, 2009 and incorporated herein by reference.*](#)
- (10)(xxv) [Renasant Corporation 2011 Long-Term Incentive Compensation Plan, filed as Exhibit A to the Definitive Proxy Statement of the Company \(File No. 001-13253\) filed with the Commission on March 17, 2016 and incorporated herein by reference.*](#)
- (10)(xxvi) [Amendment to the Renasant Corporation 2011 Long-Term Incentive Compensation Plan dated December 20, 2016, filed as exhibit 10.3 to the Form 10-K/A of the Company filed with the Commission on February 28, 2017 and incorporated herein by reference.*](#)
- (10)(xxvii) [Executive Employment Agreement dated January 12, 2016, between Renasant Corporation and Kevin D. Chapman, filed as exhibit 10.1 to the Form 8-K of the Company filed with the Commission on January 13, 2016 and incorporated herein by reference.*](#)
- (10)(xxviii) [Amendment to the Executive Employment Agreement dated February 14, 2018, between Renasant Corporation and Kevin D. Chapman, filed as exhibit 10.2 to the Form 10-K of the Company filed with the Commission on February 28, 2018 and incorporated herein by reference.*](#)
- (10)(xxix) [Executive Employment Agreement dated January 12, 2016, between Renasant Corporation and C. Mitchell Waycaster, filed as exhibit 10.2 to the Form 8-K of the Company filed with the Commission on January 13, 2016 and incorporated herein by reference.*](#)
- (10)(xxx) [Amendment to the Executive Employment Agreement dated February 14, 2018, between Renasant Corporation and C. Mitchell Waycaster, filed as exhibit 10.3 to the Form 10-K of the Company filed with the Commission on February 28, 2018 and incorporated herein by reference.*](#)
- (10)(xxxii) [Executive Employment Agreement dated January 12, 2016, between Renasant Corporation and J. Scott Cochran, filed as exhibit 10.4 to the Form 10-K of the Company filed with the Commission on February 28, 2018 and incorporated herein by reference.*](#)
- (10)(xxxiii) [Executive Employment Agreement dated September 1, 2018, between Renasant Corporation and Bartow Morgan, Jr., filed as exhibit 10.1 to the Registration Statement on Form S-4 of the Company \(File No. 333-225395\) filed with the Commission on June 1, 2018 and incorporated herein by reference.*](#)
- (10)(xxxiv) [Amendment No. 1 to Executive Employment Agreement dated November 15, 2019, between Renasant Corporation and Bartow Morgan, Jr.*](#)
- (10)(xxxv) [Brand Group Holdings, Inc. Deferred Compensation Plan, as amended on January 1, 2016 and September 5, 2018, filed as exhibit 10.1 to the Form 10-K of the Company filed with the Commission on February 27, 2019 and incorporated herein by reference.*](#)
- (10)(xxxvi) [Renasant Bank Deferred Income Plan, filed as exhibit 10.2 to the Form 10-K of the Company filed with the Commission on February 27, 2019 and incorporated herein by reference.*](#)
- (21) [Subsidiaries of the Company](#)
- (23) [Consent of Independent Registered Public Accounting Firm](#)
- (31)(i) [Certification of the Principal Executive Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- (31)(ii) [Certification of the Principal Financial Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)

- (32)(i) [Certification of the Principal Executive Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- (32)(ii) [Certification of the Principal Financial Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- (101) The following materials from Renasant Corporation's Annual Report on Form 10-K for the year ended December 31, 2019 were formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2019 and December 31, 2018, (ii) Consolidated Statements of Income for the years ended December 31, 2019, 2018 and 2017, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2019, 2018 and 2017, (iv) Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2019, 2018 and 2017, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017 and (vi) Notes to Consolidated Financial Statements.
- (104) The cover page of Renasant Corporation's Annual Report on Form 10-K for the year ended December 31, 2019, formatted in Inline XBRL (included in Exhibit 101).

* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K pursuant to Item 15(b) of Form 10-K.

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

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RENASANT CORPORATION

Date: February 26, 2020

by: /s/ C. Mitchell Waycaster
C. Mitchell Waycaster
President and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Date: February 26, 2020

by: /s/ Kevin D. Chapman
Kevin D. Chapman
Executive Vice President and
Chief Financial and Operating Officer
(Principal Financial and Accounting Officer)

Date: February 26, 2020

by: /s/ Donald Clark, Jr.
Donald Clark, Jr.
Director

Date: February 26, 2020

by: /s/ John M. Creekmore
John M. Creekmore
Vice Chairman of the Board and Director

Date: February 26, 2020

by: /s/ Albert J. Dale, III
Albert J. Dale, III
Director

Date: February 26, 2020

by: /s/ Jill V. Deer
Jill V. Deer
Director

Date: February 26, 2020

by: /s/ Marshall H. Dickerson
Marshall H. Dickerson
Director

Date: February 26, 2020

by: /s/ Connie L. Engel
Connie L. Engel
Director

Date: February 26, 2020

by: /s/ John T. Foy
John T. Foy
Director

Date: February 26, 2020

by: /s/ R. Rick Hart
R. Rick Hart
Director

Date: February 26, 2020

by: /s/ Richard L. Heyer, Jr.
Richard L. Heyer, Jr.
Director

Date: February 26, 2020

by: /s/ Neal A. Holland, Jr.
Neal A. Holland, Jr.
Director

Date: February 26, 2020

by: /s/ E. Robinson McGraw
E. Robinson McGraw
Chairman of the Board and Director

Date: February 26, 2020

by: /s/ Michael D. Shmerling
Michael D. Shmerling
Director

Date: February 26, 2020

by: /s/ Sean M. Suggs
Sean M. Suggs
Director

Date: February 26, 2020

by: /s/ C. Mitchell Waycaster
C. Mitchell Waycaster
Director, President and
Chief Executive Officer
(Principal Executive Officer)



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