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PRESENTATION

Operator

Good morning, and welcome to Reliant Bancorp’s First Quarter 2019 Earnings Conference Call.

Hosting today’s call is DeVan Ard, Reliant’s President and Chief Executive Officer. He is joined by Dan Dellinger, Chief Financial Officer; Louis Holloway, Chief Operating Officer; and Alan Mims, Chief Credit Officer, who will be available during the question-and-answer session.

Please note, Reliant Bancorp’s earnings release and supplemental financial information are available on the Investor Relations page of the company’s website at www.reliantbank.com. Today’s call is being recorded and will be available for replay on Reliant Bancorp’s website approximately an hour after the conclusion of the call. (Operator Instructions)

During this call, Reliant Bancorp may make comments which constitute forward-looking statements. All forward-looking statements are subject to risks and uncertainties and other facts that may cause actual results and performance or achievements of Reliant Bancorp to differ materially from any results expressed or implied by such forward-looking statements. Many of such factors are beyond Reliant Bancorp’s ability to control or predict, and listeners are cautioned not to put undue reliance on such forward-looking statements.

Additional factors which could affect the forward-looking statements can be found in Reliant Bancorp’s annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K filed with the SEC.

Reliant Bancorp disclaims any obligation to update or revise any forward-looking statements contained in this presentation, whether as a result of new information, future events or otherwise.

In addition, these remarks may include certain non-GAAP financial measures as defined by SEC Regulation G. A presentation of the most directly comparable GAAP financial measures and a reconciliation of the non-GAAP measures to comparable GAAP measures is available on Reliant Bancorp’s website at www.reliantbank.com.

I will now turn the presentation over to DeVan Ard, Reliant Bancorp’s President and CEO. Please go ahead, sir.

DeVan D. Ard  -  Reliant Bancorp, Inc. - Chairman, President & CEO

Thanks, operator. Good morning, and thanks for joining us on this morning’s call to review our results for the first quarter of 2019. We appreciate your continued interest in our company’s progress.
Loan growth was exceptionally strong in a quarter that is normally slower due to seasonality. Loans increased 2.5% during the quarter, our 15th consecutive quarter of loan growth and a reflection of Nashville's ongoing economic expansion. We're especially proud that our loan growth represents 100% core high-quality loans at attractive yields and that we don't rely on purchased credits to generate growth.

Total loans grew 14.2% to a record $1.26 billion compared with the first quarter of last year. Loan production remained strong in the first quarter at $116.2 million, up 11.6% compared to the fourth quarter.

We experienced loan growth across our markets, including solid contributions from our new offices in Murfreesboro and Chattanooga. Our Murfreesboro office opened late in the third quarter and our Chattanooga office opened midway through the fourth quarter of last year. We're continuing to benefit from a strong and diverse pipeline for new loans entering the second quarter.

First quarter net income attributable to common shareholders rose slightly to $3.8 million or $0.33 per diluted share compared with the first quarter of last year and down from the fourth quarter of 2018 due mainly to a decline in net interest income because of 2 fewer days in the quarter, compression of our net interest margin in the first quarter and the recognition of a significant tax credit received on a loan originated during the fourth quarter 2018. When the noise from purchase accounting accretion and tax credits is stripped away, our core net interest margin remained stable at 3.47%, down only 1 basis point from the fourth quarter 2018.

Improvement in core loan yields partially offset our increase in funding cost. Dan will provide more color later in the call, but we shifted our funding mix away from higher cost borrowings to deposits, which is why you saw an outsized growth in both balances and costs in our deposit portfolio.

Noninterest expenses were up slightly in the quarter as we continue to ramp our new locations in Murfreesboro and Chattanooga, hire revenue-producing bankers and invest in the technology we need to serve our customers. We expect to generate operating leverage and improved efficiencies as we realize the benefits of these investments.

As I've noted in previous quarters, the Middle Tennessee economy remains strong. We have branches in 7 counties with Nashville-Davidson County at the core, and we're well positioned to capture our share of the robust growth in our markets without reducing our focus on quality credits.

Job growth, most of which is higher-paying white-collar jobs, continues to drive our economy. And despite in-migration of about 80 new residents per day, the unemployment level is one of the lowest in the country.

The flourishing tourist industry is fueling significant growth in the hospitality business, evidenced by many new hotels in the area. Revenue per available room and occupancy rates remain very strong supporting the additional capacity.

We're keenly aware of the boom and bust cycles in the economy, so we continue to manage our loan portfolio and new loan production with solid underwriting and risk management practices. Our focus remains on lending to established home builders, real estate developers and small to mid-sized business customers. We maintained our superior credit profile and do not have any loan loss provision or net charge-offs in the quarter, and criticized and classified loans fell to a cycle low.

We remain very positive about our company's future. Loan demand is strong. The economy across our markets remains vibrant and growing. And we believe that Reliant has additional opportunities to grow organically and through potential acquisitions within our footprint. M&A is a core competency of our franchise. And while I have nothing to report at this time, M&A will remain a key tenet of our strategic plan.

I'll now turn the call over to Dan Dellingler, our CFO, to review our first quarter results in more detail.

James Daniel Dellingler - Reliant Bancorp, Inc. - Executive VP & CFO

Thanks, DeVan, and good morning. Reliant’s first quarter balance sheet demonstrates the progress we’ve made in growing loans and deposits over the past year.
Total assets were up 9.3% to $1.8 billion since the first quarter of last year with net loans rising 14.2% to $1.3 billion year-over-year. Deposits were up 12% to $1.5 billion year-over-year.

As DeVan mentioned, the addition of the new offices in Murfreesboro and Chattanooga have made a strong contribution to these results, with especially good loan growth from our Chattanooga location, which increased loans by $20.6 million during the first quarter of 2019.

New loan originations during the first quarter were a strong $116 million with a 5.62% weighted average rate. Loans generated in the first quarter were distributed across major segments that included 32% for C&I loans, 31% for CLD loans and 16% for CRE loans. Over the past year, we've put more focus on generating C&I loans, and this quarter’s results highlight our progress in this area. Many of these new loans are not fully funded at the origination date, so they represent future loan growth and interest income as deposits are built out and the loans are funded.

At March 31, our top 10 closed-end construction loans had $39 million left to fund.

Deposits set a new record in the first quarter and were up 12% over the first quarter of last year and up 5.1% from the fourth quarter or a 20.4% annualized growth rate.

We had solid growth in demand deposits, up 7.4% annualized from the fourth quarter. Our revised incentive plans place a higher priority on core deposit growth.

Time deposits were up 22.4% since the first quarter of last year and up 12.4% since the fourth quarter.

As DeVan mentioned, seeing an opportunity to reduce our overall cost of funding, we grew our time deposits and repaid some of our higher-costing Federal Home Loan Bank advances. This strategy resulted in a reduction of 20 basis points in our funding cost. We expect the time deposit growth going forward will be more tied -- tied more closely with loan growth.

The state -- the result of our improved loan yields and shift in funding mix was a relatively stable core net interest margin. Our GAAP reported margin for the first quarter of 2019 was 3.63%, down 19 basis points from the fourth quarter of 2018. Stripping out the impacts of purchase accounting accretion which declined 4 basis points for the quarter and tax credits which declined 19 basis points quarter-over-quarter, the core net interest margin for the first quarter of 2019 was 3.47%, which is down only 1 basis point from the fourth quarter of 2018.

Remember again that we recognized the full 2018 tax credit benefit of $500,000 from the community development loan originated in December of 2018.

Year-over-year, net interest margin was down 16 basis points on a GAAP basis and 18 basis points on an adjusted basis, primarily due to a 58 basis point year-over-year increase in cost of funds, offset by a 32 basis point year-over-year increase in loan yield.

Our forecast for net interest margin in the second quarter reflects continued improvements in loan yields on originations and the benefit from increased yields on loans originated in recent quarters. As DeVan noted, we expect funding cost to stabilize.

DeVan also mentioned our continued emphasis on loan quality, and that is reflected in our exit credit quality metrics. No provision for loan losses was required during this quarter due to a net recovery of $462,000 generating a 2 basis point increase in our reserve.

Total nonperforming loans were down 20% to $5.1 million compared with $6.4 million in the first quarter of last year. Total nonperforming assets were down almost 24% to $6.1 million from the first quarter of 2018. Nonperforming loans to total loans declined 17 basis points to 0.41% in the first quarter of 2019. We also had net recoveries of $462,000 in the first quarter compared with net charge-offs of $138,000 in the fourth -- first quarter of 2018.

Criticized assets declined 35% or $6.2 million from the first quarter of last year with most of the decline coming at no loss to the bank. At the end of the first quarter, we had one property in other real estate, which is under contract for sale.
Our allowance for loan loss has increased over the past year from 0.88% of total loans at March 31, 2018, to 0.9% at March 31, 2019. When the unamortized discount on purchased loans is included, our total reserve at March 31, 2019, is 1.23% of total loans.

Our credit team remains focused on high-quality loans while aggressively pursuing loans that demonstrate early weaknesses.

At the end of the first quarter of 2019, 38% of our loan portfolio carried adjustable interest rates, flat with the fourth quarter of 2018.

New loan production was more focused on variable rates with 66% of the first quarter’s production carrying an adjustable rate.

Competition for high-quality commercial loans continues to be fierce in our markets. Construction loans normally float with prime and remain very profitable for us. In the fourth -- in the first quarter, 29% of our loan portfolio or $34 million was construction related. The outstanding balance of our book of construction loans was $169 million, with $102 million remaining to be dispersed.

Noninterest income in our retail banking segment was flat with the fourth quarter and the first quarter of 2018 after removing the impact of the securities gains realized during the first quarter of 2019. Efforts to improve the retail banking segment’s noninterest income continues. And although we have experienced some nice improvements in service charges and fees as a result of the Community First merger, these gains were somewhat offset by a decline in brokerage income year-over-year.

Noninterest expenses for the retail banking segment, excluding merger expenses, were up 1.6% from the fourth quarter of 2018 and 10.5% year-over-year. The increase in retail noninterest expense has been proportionate to asset growth, running at 2.2% of assets in the first quarter of 2018 and 2.3% of assets for both the fourth quarter of 2018 and the first quarter of 2019. The year-over-year dollar increase was due largely to higher expenses associated with new branches in Murfreesboro and Chattanooga and investments made to add revenue-producing employees and improve technological capabilities.

Our FTE year-over-year remains the same as we continue to hire revenue-producing employees in both new and existing markets and staff our new branches. We were able to reduce headcount by 17 FTE from the day the Community First deal closed.

Our tax expense for the first quarter of 2019 increased -- excuse me, decreased to $372,000 compared to $797,000 in the first quarter of last year and a credit of $59,000 in the fourth quarter of 2018. Going forward, in 2019, we expect our effective tax rate to be around 14%.

For purposes of our GAAP financial statements, the mortgage operation’s revenue and expenses are combined with the bank and the holding company, then netted out as noncontrolling interest of a subsidiary. In the first quarter of 2019, the mortgage subsidiary generated a net loss of $1.5 million compared with a net loss of $1.3 million in the fourth quarter of 2018 and a net loss of $0.5 million in the first quarter of 2018. As a reminder, our joint venture partner is solely responsible for funding losses in the mortgage operation. Gains on mortgage loans sold are 56.4% -- or up 56.4% from the fourth quarter of 2018 and were down 67.1% compared with the first quarter of 2018.

I’ll wrap with few comments about our strong capital position. Reliant’s total stockholders’ equity raised to $215.1 million at the end of the first quarter. Our capital ratios continue to be very strong with our Tier 1 leverage ratio at 9.99% and our total risk-based capital at 12.92% as both bank and holding company continue to meet the definition of well-capitalized financial institutions.

Finally, tangible book value per share grew $0.63 at an annualized rate of 18.6% to $14.21 as of March 31, 2019, and tangible capital grew at an annualized rate of 17.7% to $164 million. We’re returning a portion of these gains to our shareholders via quarterly dividends and our stock buyback program.

Now I’d like to turn the call back over to DeVan.
DeVan D. Ard - Reliant Bancorp, Inc. - Chairman, President & CEO

Thanks, Dan. Before I open the call for questions, I want to highlight our strategy for growth, including M&A opportunities focused on loan quality and our outlook for 2019.

Last quarter, I highlighted our updated strategic plan that focuses on growing Reliant Bank by developing our existing markets to enhance our organic growth potential. Our new banking centers in Murfreesboro and Chattanooga were part of this plan and were strong contributors to our first quarter’s growth in loans and deposits.

We’re also ramping up our digital channels and making investments in new technology products and services that we expect to increase our wallet and market share.

We’ve also revised our incentive plans to promote core deposit generation. This contributed to our growth in demand deposits over the past quarter and will continue to be a focus of our bankers in the future.

We’re evaluating M&A opportunities on a regular basis, a core competency of our team. Our ideal partner institution would have assets exceeding $500 million, have a stable core deposit base, not be a significant drag on our current growth targets and the transaction would be immediately accretive to earnings. We would of course consider smaller opportunities as they arise, particularly in counties contiguous to Nashville and Chattanooga. There are several good candidates in the markets we serve.

Dan highlighted the progress that we made over the past year in improving asset quality. Credit quality remains a key factor in our long-term strategy, and we’re committed to maintaining our high credit standards.

As I stated last quarter, we passed on potential loans that did not meet our underwriting standards and have increased our due diligence for many potential credits, evaluating not only the credit quality of the deal but the overall market for new projects that are coming online that might impact on the borrower in the future. Our credit team is led by Alan Mims who’s on the call with us today and will be available to answer your questions.

And finally, late last year, our Board authorized repurchasing up to $12 million of our shares, and we’re consistently in the market buying shares back.

As we move into the second quarter of the year, we remain optimistic about loan demand based on our existing pipeline and the sound economic fundamentals in our markets. The unemployment rate is low, business confidence remains high and our markets continue to generate new jobs at a healthy pace. Based on our current outlook, we expect continued organic growth in 2019.

Operator, that completes my remarks for this morning’s call, and we’ll now open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And we’ll take our first question today from Joe Fenech with Hovde Group.

Joseph Anthony Fenech - Hovde Group, LLC, Research Division - Managing Principal & Head of Research

DeVan, you have some nice breathing room now, it looks like, with respect to the loan-to-deposit ratio. I mean you were in good shape before, but now even more so, down sub 84%. Just kind of given that and the strength of the market, do we maybe see loan growth pick up a little bit here? Or -- and just if you can comment on that, that’d be helpful.
DeVan D. Ard - Reliant Bancorp, Inc. - Chairman, President & CEO

Sure, Joe. We've kind been growing loans in that 10% to 14% range now for several years. And even though we've got some room for some additional loan growth, I think we probably expect to see that low kind of single-digit -- I mean, excuse me, low double-digit range for loan growth for the rest of the year. So somewhere in the 10% to 14% range is where we're comfortable right now.

Joseph Anthony Fenech - Hovde Group, LLC, Research Division - Managing Principal & Head of Research

Okay. And you have mentioned some -- the stabilization -- expect stabilization in funding cost. Do you mean that as soon as this quarter we'll maybe see funding costs flatten out a bit? Or are you saying more sort of a gradual decline in the pace of increase in funding cost and then eventually kind of flattening out over the course of the year?

DeVan D. Ard - Reliant Bancorp, Inc. - Chairman, President & CEO

Yes. No, I think you're going to see it flatten out in the second quarter, Joe. We've already kind of seen, just through the first 24, 25 days of this month, a flattening out of our deposit cost, probably started in March. And I don't think you're going to see much, if any, increase in our deposit cost in the second quarter versus the first quarter. We think they'll be stable for the balance of the year, unless the Fed does something that we don't really see right now.

Joseph Anthony Fenech - Hovde Group, LLC, Research Division - Managing Principal & Head of Research

So given that comment and maybe the benefit of the 9 rate hikes still cycling through on the earning asset side in terms of a benefit and then balance that against maybe some accretion fall-off from prior deals, it sounds like in terms of reported NIM -- could reported NIM go up from here? Or do you sort of see reported NIM and core NIM kind of converging with maybe some increase in core NIM along the way?

DeVan D. Ard - Reliant Bancorp, Inc. - Chairman, President & CEO

I think we'll probably see a fairly stable core NIM going forward, Joe. There's certainly a possibility since we've got a lot of loan production that hasn't actually hit the books in terms of fundings yet at yields that are higher than our loan yield right now. We may see a slight expansion, but we're kind of modeling a NIM for the balance of the year that's pretty much in line with what we saw in the first quarter.

James Daniel Dellinger - Reliant Bancorp, Inc. - Executive VP & CFO

That's right, Joe, I was just going to elaborate for a minute on the margin demand. We stated that the core margin would remain relatively stable. We will continue to have the tax credits for about $300,000 per quarter. And the purchase accounting adjustments will continue at about the same rate that they are right now, although they may decline -- or although they will decline somewhat over the next 3 quarters.

Joseph Anthony Fenech - Hovde Group, LLC, Research Division - Managing Principal & Head of Research

Okay. That's helpful, Dan. And then DeVan, you had some good -- real good linked-quarter deposit growth. If you would to kind of ballpark it in terms of percentage, that's -- the drivers of that, is it primarily the new offices or is it spread nicely across the footprint? I mean how would you characterize the drivers of that linked-quarter deposit growth?
DeVan D. Ard - Reliant Bancorp, Inc. - Chairman, President & CEO

Yes. It's spread around the footprint, Joe. I mean we're still seeing a lot of competition for deposits, as I'm sure you're aware in our market. But we did have, I'd say, kind of some outsized growth in Chattanooga. Chattanooga has been a -- has just been a strong generator both of loans and core deposits for us since we opened our full-service office down there. But if you kind of look around our system, in all of our counties, economic growth is continuing. And so we've seen growth in all of our markets. I do think the increased focus on especially noninterest-bearing and other low-cost relationship deposits in our incentive plans is starting to pay off. And we'll continue to build on that as we get through the year. We've got a campaign that we're going to kick off in the second quarter that is kind of targeted to our best, most valued customers. We're identifying who those are, where they are. And our plan is to generate, either through referrals from our good -- our most valued customers or just from additional business from them, significant growth in core deposits over the next 3 quarters. We've done that in the past and it was very successful. So we'll kind of roll that out around the company this quarter.

Joseph Anthony Fenech - Hovde Group, LLC, Research Division - Managing Principal & Head of Research

Okay. And then last one for me on M&A, DeVan. It seems like a common theme this quarter in terms of the lack of pickup in M&A seems to be smaller banks not having adjusted expectations with sort of the market corrections in December and March, what have you. Is that -- would you say that's also the case in and around the markets you operate in? Is there sort of a little bit of irrationality on the part of some of these smaller targets?

DeVan D. Ard - Reliant Bancorp, Inc. - Chairman, President & CEO

Yes, Joe. I mean especially with the private banks, there's still some of that out there. I think we've been through a couple of quarters now though where these potential partners, they kind of know what's going on in the market. They understand long-term value, so I don't know that it's as pervasive as it was a couple of quarters ago. We have -- as we talked about before, I mean, we've had an opportunity to get involved in, in the last 12 months, 4 different deals. And I don't know that pricing was as big an issue as maybe our disciplined approach to M&A. And we're just not going to do something that doesn't meet our criteria. We're not going to make any offers without some fairly good level of due diligence. And they've got to meet the kind of the guidelines that we have out there. So I'm not going to price a deal that doesn't make sense for our shareholders and for our employees and our customers. And I think in the last few quarters, that's really been a bigger issue for us than just seller expectations.

Operator

And our next question will come from Stephen Scouten with Sandler O'Neill.

Peter Finley Ruiz - Sandler O'Neill + Partners, L.P., Research Division - Director

This is actually Peter on for Stephen. Yes. Appreciate all the color you guys have given around the NIM and deposit costs. Could you maybe give us a little bit of color on the C&I growth this quarter? I think that was a bit surprising relative to the last couple of quarters. We've seen more focus on construction. Can you break out kind of what were the drivers there?

DeVan D. Ard - Reliant Bancorp, Inc. - Chairman, President & CEO

Sure. I'm going to let Alan Mims talk about that, Peter.

Alan L. Mims - Reliant Bancorp, Inc. - EVP & Chief Credit Officer of Reliant Bank

We've continued to have more focus trying to diversify the portfolio in some way. We picked up a new lender in our -- out of our Chattanooga office kind of late in the quarter. He moved a few of his commercial deals over that were about $4 million towards the end of the quarter. We also
have one other fairly large commercial deal that we booked about mid-quarter. It's about $5.5 million, so those -- we try to focus on finding those so that we can diversify a good bit. And I think with the pickup of the lender in Chattanooga, he's primarily a commercial lender rather than commercial real estate. So I think we'll see some continued diversity coming out of that with his pickup. And we continue to look for those, and when they come in, we aggressively try to book those deals when we can underwrite them and they're appropriate for our risk profile.

Peter Finley Ruiz - Sandler O'Neill + Partners, L.P., Research Division - Director

Okay. That's great. And you guys kind of mentioned the continued build-out in the new offices. Can you give us a little bit of color on the hirings you made there and if you expect any additional hirings here in the near term, maybe throughout the remainder of 2019?

DeVan D. Ard - Reliant Bancorp, Inc. - Chairman, President & CEO

Sure. And that's not specifically focused on our new offices, Peter. I mean we are consistently recruiting lenders in all of our markets. And so if you get -- look back over the last 12 months, we not only brought in a new lender in Murfreesboro and one in Chattanooga, but we added some here in the Middle Tennessee area as well and the Nashville, Williamson County area. So we'll continue to do that. We have -- we kind of targeted 2 to 3 new lenders a year. We've got prospects basically out there in all of our markets. And where we can pick up somebody who we're comfortable can come on and be immediately productive, and that's really key for us, we'll bring them in in any market. So kind of the real growth markets for us right now would be Sumner County, Davidson County, Williamson County, Rutherford County and then down in Chattanooga. And where we have opportunities to pick up additional talent in those markets, we'll certainly do that.

Operator

(Operator Instructions) And we will now go to Stuart Lotz with KBW.

Stuart Lotz - Keefe, Bruyette, & Woods, Inc., Research Division - Research Analyst

I guess Dan, one follow-up here with -- I guess, with deposit growth. A lot of the growth this quarter was from, I guess, the CDs from the State of Tennessee. What were those brought on at? I saw that, I think, wholesale CDs were up about 20 bps linked quarter. Just curious from a modeling standpoint.

James Daniel Dellinger - Reliant Bancorp, Inc. - Executive VP & CFO

Yes. They were brought on at about 2.25% for the most part on an average basis. We try to keep those relatively short. But obviously, with the increase that we were beginning to see with the Federal Home Loan Bank advance rates, it made a lot of sense. As I mentioned in the script, we saved about 20 basis points, so that would have put us at about 2.45% or so with the Federal Home Loan Bank advances.

DeVan D. Ard - Reliant Bancorp, Inc. - Chairman, President & CEO

Stuart, the good news about the State of Tennessee, and we've talked about this on other calls, that they've gotten a good bit more efficient in their pricing. So over the last quarter, we've actually seen the rates that we're getting from the State of Tennessee decline. And as we got CDs with them that roll over, we've got an opportunity to price those at a little bit lower level.

Stuart Lotz - Keefe, Bruyette, & Woods, Inc., Research Division - Research Analyst

Appreciate the color there. And I guess going forward, is that a strategy -- or how big is that book currently?
It is right at $300 million, $300 million. Talking about the State of Tennessee?

Yes.

Yes, $300 million.

Okay. Got it. And I guess one -- just one more question back to the margin. Looks like core loan yields moved about 6 basis points higher this quarter. And your earlier comments were that you still had some higher-priced loans coming on the book that haven't been funded yet. And so I was just curious what your outlook for core loans -- core loan yields is next quarter and the remainder of this year even with a flat curve. And it sounds like, obviously, deposit pricing you expect to pull back a little bit. So is it -- I guess another way to ask it is, is there maybe more upside for the core margin from here?

I think it's certainly possible. We're not modeling a big upside right now, Stuart. There are 2 components in the unfunded portion. The production in the first quarter is one where we did $116 million at a weighted average yield of a little bit north of 5.60%. So yes, you can compare that -- and that didn't all fund in the first quarter, but you can compare that to what our portfolio yield was. And then we -- we also, at the end of the quarter, we had about $40 million in unfunded closed-end construction loans that -- some of those were originated several quarters ago and they're funding up over time. Those rates are not all at the 5.62% level. I mean some of those were closed, say, a year ago and they're still in the 5% or sub-5% area. But to the extent we've got floating rate loans out there that are construction related, they're all tied to prime. And you see those move up as prime moves up. So that's kind of a long-winded way of saying, yes, I do think there's a possibility that we could see an expansion in our portfolio yield, what we experienced in the first quarter versus the fourth quarter, probably not unreasonable to see another 4 or 5 basis points in the second quarter.

I can expand on that a little bit, too. Fourth quarter, our coupon rates were about 4.85% on average. First quarter of 2019, they were 4.95%. It's up about 10 basis points quarter-over-quarter. Obviously, in the fourth quarter, we had a lot of noise as it related to the tax credits, which represented about 29 basis points, which pushed overall yields up to about 5.53% on the portfolio. Moving forward, those are going to be at about 10 basis points, which is what we had estimated before. And also the purchase accounting is probably going to be around the 10% or 11% -- 10 to 11 basis point range.

Got it. And I guess just circling back, one more on capital. DeVan, I know you mentioned the buyback. How active have you been so far? I saw that, I guess, in the period, shares were down about 25,000. But just thoughts there and what we can expect over the next few quarters if an M&A transaction doesn't come to fruition.
DeVan D. Ard - Reliant Bancorp, Inc. - Chairman, President & CEO

Sure. I don't know that an M&A transaction would have a lot of impact on it. The authorized amount was $12 million. Through the end of the quarter, we had repurchased around 35,000 shares. We think at the current price level of our stock, it's still a good use of our capital, so we're continuing to do that. We are buying shares every day that we can. There are some restrictions on how much you can buy on a daily basis that are related to your average daily volume, so can't really get as much as I'd like. If there was a block available, we could certainly take that, too. But at this point in the cycle we're in, there has not been a block -- a larger block of shares available. So we're going to continue to buy back, Stuart, as shares are available, unless the stock price spikes and, in which case, I think we'd all be happy with that. So...

Stuart Lotz - Keefe, Bruyette, & Woods, Inc., Research Division - Research Analyst

Congrats on a nice quarter.

DeVan D. Ard - Reliant Bancorp, Inc. - Chairman, President & CEO

Well, yes, I don't have any bank or financial-related closing remarks, but I do want to remind everybody that Nashville is hosting the NFL draft this weekend. And if you want to see the best and hopefully not the worst of Nashville, just tune in to ESPN and you'll get a good flavor of what's going on in Nashville. And I want to thank everybody for joining us on the call this morning, and look forward to catching up with you again in the third quarter.

Operator

And that does conclude our conference today. I'd like to thank everyone for your participation, and you may now disconnect.