

SOUTH STATE Corp
Form 10-Q
May 06, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 001-12669

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

Indicate the number of shares outstanding of each of issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding as of April 30, 2016
Common Stock, \$2.50 par value	24,183,479

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South State Corporation and Subsidiary

March 31, 2016 Form 10-Q

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PART I — FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

South State Corporation and Subsidiary

Condensed Consolidated Balance Sheets

(Dollars in thousands, except par value)

	March 31, 2016 (Unaudited)	December 31, 2015 (Note 1)	March 31, 2015 (Unaudited)
ASSETS			
Cash and cash equivalents:			
Cash and due from banks	\$ 183,170	\$ 178,664	\$ 149,620
Interest-bearing deposits with banks	250,229	218,883	315,206
Federal funds sold and securities purchased under agreements to resell	263,878	298,247	165,908
Total cash and cash equivalents	697,277	695,794	630,734
Investment securities:			
Securities held to maturity (fair value of \$8,280, \$9,723 and \$10,232, respectively)	7,920	9,314	9,659
Securities available for sale, at fair value	978,047	1,009,541	808,396
Other investments	9,539	8,893	9,031
Total investment securities	995,506	1,027,748	827,086
Loans held for sale			
Loans:			
Acquired credit impaired (covered of \$93,836, \$98,459 and \$172,870, respectively; non-covered of \$598,601, \$635,411 and \$693,634, respectively), net of allowance for loan losses	692,437	733,870	866,504
Acquired non-credit impaired (covered of \$7,733, \$8,047 and \$8,591, respectively; non-covered of \$991,505, \$1,041,491 and \$1,238,758, respectively)	999,238	1,049,538	1,247,349
Non-acquired	4,472,668	4,220,726	3,586,405
Less allowance for non-acquired loan losses	(35,115)	(34,090)	(33,538)
Loans, net	6,129,228	5,970,044	5,666,720
FDIC indemnification asset	2,091	4,401	16,713
Other real estate owned (covered of \$4,222, \$5,751 and \$12,026, respectively; non-covered of \$21,731, \$24,803 and \$24,070, respectively)	25,953	30,554	36,096
Premises and equipment, net	176,412	174,537	171,565
Bank owned life insurance	102,199	101,588	99,751
Deferred tax assets	32,045	37,827	40,629

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Mortgage servicing rights	23,697	26,202	21,510
Core deposit and other intangibles	45,521	47,425	47,223
Goodwill	338,340	338,340	317,688
Other assets	67,555	61,239	58,525
Total assets	\$ 8,670,757	\$ 8,557,348	\$ 8,021,582
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing	\$ 2,020,632	\$ 1,976,480	\$ 1,757,302
Interest-bearing	5,141,316	5,123,948	4,876,355
Total deposits	7,161,948	7,100,428	6,633,657
Federal funds purchased and securities sold under agreements to repurchase	312,034	288,231	276,774
Other borrowings	55,210	55,158	55,003
Other liabilities	59,511	54,147	48,584
Total liabilities	7,588,703	7,497,964	7,014,018
Shareholders' equity:			
Preferred stock - \$.01 par value; authorized 10,000,000 shares; no shares issued and outstanding	—	—	—
Common stock - \$2.50 par value; authorized 40,000,000 shares; 24,177,833, 24,162,657 and 24,156,759 shares issued and outstanding, respectively	60,445	60,407	60,392
Surplus	701,462	703,929	702,648
Retained earnings	316,642	298,919	241,526
Accumulated other comprehensive income (loss)	3,505	(3,871)	2,998
Total shareholders' equity	1,082,054	1,059,384	1,007,564
Total liabilities and shareholders' equity	\$ 8,670,757	\$ 8,557,348	\$ 8,021,582

The Accompanying Notes are an Integral Part of the Financial Statements.

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South State Corporation and Subsidiary

Condensed Consolidated Statements of Income (unaudited)

(Dollars in thousands, except per share data)

	March 31, 2016	2015
Interest income:		
Loans, including fees	\$ 77,254	\$ 78,848
Investment securities:		
Taxable	4,793	3,661
Tax-exempt	1,016	1,078
Federal funds sold and securities purchased under agreements to resell	752	411
Total interest income	83,815	83,998
Interest expense:		
Deposits	1,600	2,003
Federal funds purchased and securities sold under agreements to repurchase	144	96
Other borrowings	469	850
Total interest expense	2,213	2,949
Net interest income	81,602	81,049
Provision for loan losses	2,557	818
Net interest income after provision for loan losses	79,045	80,231
Noninterest income:		
Fees on deposit accounts	20,125	16,492
Mortgage banking income	4,198	6,626
Trust and investment services income	4,785	4,934
Securities gains, net	122	—
Amortization of FDIC indemnification asset, net	(1,475)	(3,207)
Other	2,286	1,660
Total noninterest income	30,041	26,505
Noninterest expense:		
Salaries and employee benefits	41,432	40,987
Net occupancy expense	5,359	5,237
Information services expense	5,034	3,958
Furniture and equipment expense	2,851	3,145
OREO expense and loan related	1,774	3,014
Bankcard expense	2,879	1,980
Amortization of intangibles	1,904	2,016
Supplies, printing and postage expense	1,808	1,612
Professional fees	1,329	1,409
FDIC assessment and other regulatory charges	1,144	1,184
Advertising and marketing	645	855
Branch and conversion related expense	958	—
Other	4,913	5,088
Total noninterest expense	72,030	70,485

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Earnings:		
Income before provision for income taxes	37,056	36,251
Provision for income taxes	12,562	12,325
Net income	\$ 24,494	\$ 23,926
Earnings per common share:		
Basic	\$ 1.02	\$ 1.00
Diluted	\$ 1.01	\$ 0.99
Dividends per common share	\$ 0.28	\$ 0.23
Weighted average common shares outstanding:		
Basic	23,969	23,943
Diluted	24,191	24,201

The Accompanying Notes are an Integral Part of the Financial Statements.

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South State Corporation and Subsidiary

Condensed Consolidated Statements of Comprehensive Income (unaudited)

(Dollars in thousands)

	Three Months Ended	
	2016	2015
Net income	\$ 24,494	\$ 23,926
Other comprehensive income:		
Unrealized gains on securities:		
Unrealized holding gains arising during period	11,920	5,275
Tax effect	(4,545)	(2,012)
Reclassification adjustment for gains included in net income	(122)	—
Tax effect	46	—
Net of tax amount	7,299	3,263
Unrealized losses on derivative financial instruments qualifying as cash flow hedges:		
Unrealized holding losses arising during period	(152)	(121)
Tax effect	58	46
Reclassification adjustment for losses included in interest expense	73	76
Tax effect	(28)	(29)
Net of tax amount	(49)	(28)
Change in pension plan obligation:		
Reclassification adjustment for changes included in net income	204	226
Tax effect	(78)	(86)
Net of tax amount	126	140
Other comprehensive income, net of tax	7,376	3,375
Comprehensive income	\$ 31,870	\$ 27,301

The Accompanying Notes are an Integral Part of the Financial Statements.

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South State Corporation and Subsidiary

Condensed Consolidated Statements of Changes in Shareholders' Equity (unaudited)

Three months ended March 31, 2016 and 2015

(Dollars in thousands, except for share data)

	Preferred Stock Shares	Amount	Common Stock Shares	Amount	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2014	—	\$ —	24,150,702	\$ 60,377	\$ 701,764	\$ 223,156	\$ (377)	\$ 984,920
Comprehensive income:								
Net income	—	—	—	—	—	23,926	—	23,926
Other comprehensive income, net of tax effects	—	—	—	—	—	—	3,375	3,375
Total comprehensive income								27,301
Cash dividends declared on common stock at \$0.23 per share	—	—	—	—	—	(5,556)	—	(5,556)
Stock options exercised	—	—	21,000	53	614	—	—	667
Restricted stock awards	—	—	907	2	(2)	—	—	—
Common stock repurchased	—	—	(15,850)	(40)	(941)	—	—	(981)
Share-based compensation expense	—	—	—	—	1,213	—	—	1,213
Balance, March 31, 2015	—	—	24,156,759	60,392	702,648	241,526	2,998	1,007,564
Balance, December 31, 2015	—	—	24,162,657	60,407	703,929	298,919	(3,871)	1,059,384

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Comprehensive income:								
Net income	—	—	—	—	—	24,494	—	24,494
Other comprehensive income, net of tax effects	—	—	—	—	—	—	7,376	7,376
Total comprehensive income								31,870
Cash dividends declared at \$0.28 per share	—	—	—	—	—	(6,771)	—	(6,771)
Stock options exercised	—	—	18,348	46	569	—	—	615
Restricted stock awards	—	—	28,858	72	(72)	—	—	—
Stock issued pursuant to restricted stock units	—	—	35,903	90	(90)	—	—	—
Common stock repurchased - buyback plan			(32,900)	(82)	(2,048)			(2,130)
Common stock repurchased	—	—	(35,033)	(88)	(2,192)	—	—	(2,280)
Share-based compensation expense	—	—	—	—	1,366	—	—	1,366
Balance, March 31, 2016	—	\$ —	24,177,833	\$ 60,445	\$ 701,462	\$ 316,642	\$ 3,505	\$ 1,082,054

The Accompanying Notes are an Integral Part of the Financial Statements.

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South State Corporation and Subsidiary

Condensed Consolidated Statements of Cash Flows (unaudited)

(Dollars in thousands)

	Three Months Ended	
	2016	2015
Cash flows from operating activities:		
Net income	\$ 24,494	\$ 23,926
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,142	5,353
Provision for loan losses	2,557	818
Deferred income taxes	1,235	(17)
Gain on sale of securities	(122)	—
Share-based compensation expense	1,366	1,213
Amortization of FDIC indemnification asset	1,475	3,207
Accretion of discount related to performing acquired loans	(1,584)	(1,600)
(Gain) Loss on disposals of premises and equipment	(2)	44
Gain on sale of OREO	(1,144)	(207)
Net amortization of premiums on investment securities	1,308	1,178
OREO write downs	2,798	2,215
Fair value adjustment for loans held for sale	122	—
Originations and purchases of mortgage loans for sale	(132,273)	(241,740)
Proceeds from mortgage loans sales	138,866	217,101
Net change in:		
Accrued interest receivable	(947)	111
Prepaid assets	365	(243)
FDIC indemnification asset	835	2,241
Miscellaneous other assets	(7,958)	1,093
Accrued interest payable	(264)	(1,147)
Accrued income taxes	11,065	11,067
Miscellaneous other liabilities	(474)	(7,414)
Net cash provided by operating activities	46,860	17,199
Cash flows from investing activities:		
Proceeds from sales of investment securities available for sale	137	—
Proceeds from maturities and calls of investment securities held to maturity	1,395	—
Proceeds from maturities and calls of investment securities available for sale	119,247	42,301
Proceeds from calls of other investment securities	—	1,392
Proceeds from sales of other investment securities	14	95
Purchases of investment securities available for sale	(77,279)	(39,836)
Purchases of other investment securities	(660)	—
Net (increase) decrease in loans	(164,432)	8,214
Purchases of premises and equipment	(5,784)	(3,264)
Proceeds from sale of OREO	7,222	11,158
Proceeds from sale of premises and equipment	—	25

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Net cash provided by (used in) investing activities	(120,140)	20,085
Cash flows from financing activities:		
Net increase in deposits	61,528	172,612
Net increase in federal funds purchased and securities sold under agreements to repurchase and other short-term borrowings	23,803	55,233
Repayment of other borrowings	(2)	(46,394)
Common stock repurchase	(4,410)	(981)
Dividends paid on common stock	(6,771)	(5,556)
Stock options exercised	615	667
Net cash provided by financing activities	74,763	175,581
Net increase in cash and cash equivalents	1,483	212,865
Cash and cash equivalents at beginning of period	695,794	417,869
Cash and cash equivalents at end of period	\$ 697,277	\$ 630,734
Supplemental Disclosures:		
Cash Flow Information:		
Cash paid for:		
Interest	\$ 2,477	\$ 4,098
Income taxes	\$ 666	\$ 1,670
Schedule of Noncash Investing Transactions:		
Real estate acquired in full or in partial settlement of loans (covered of \$2,151 and \$2,423, respectively; and non-covered of \$2,124 and \$4,113, respectively)	\$ 4,275	\$ 6,536

The Accompanying Notes are an Integral Part of the Financial Statements.

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South State Corporation and Subsidiary

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1 — Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by accounting principles generally accepted in the United States (“GAAP”) for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain prior period information has been reclassified to conform to the current period presentation, and these reclassifications had no impact on net income or equity as previously reported. Operating results for the three months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

The condensed consolidated balance sheet at December 31, 2015 has been derived from the audited financial statements at that date but does not include all of the information and disclosures required by GAAP for complete financial statements.

Note 2 — Summary of Significant Accounting Policies

The information contained in the consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the Securities and Exchange Commission (the “SEC”) on February 24, 2016, should be referenced when reading these unaudited condensed consolidated financial statements. Unless otherwise mentioned or unless the context requires otherwise, references herein to "South State," the "Company" "we," "us," "our" or similar references mean South State Corporation and its consolidated subsidiaries. References to the “Bank” means South State Corporation’s wholly owned subsidiary, South State Bank, a South Carolina banking corporation.

Note 3 — Recent Accounting and Regulatory Pronouncements

In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share –Based Payment Accounting; (“ASU 2016-09”). ASU 2016-09 introduces targeted amendments intended to simplify the accounting for stock compensation. Specifically, ASU 2016-09 requires all excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) to be recognized as income tax expense or benefit in the income statement. The tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. An entity also should recognize excess tax benefits, and assess the need for a valuation allowance, regardless of whether the benefit reduces taxes payable in the current period. That is, off balance sheet accounting for net operating losses stemming from excess tax benefits would no longer be required and instead such net operating losses would be recognized when they arise. Existing net operating losses that are currently tracked off balance sheet would be recognized, net of a valuation allowance if required, through an adjustment to opening retained earnings in the period of adoption. Entities will no longer need to maintain and track an “APIC pool.” For public business entities, ASU 2016-09 is effective for interim and annual periods beginning after December 15, 2016. The Company is currently evaluating the provisions of ASU 2016-09 to determine the potential impact the new standard will have to the Company’s consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent considerations (Reporting Revenue Gross versus Net); (“ASU 2016-08”). ASU 2016-08 updates the new revenue standard by clarifying the principal versus agent implementation guidance, but does not change the core principle of the new standard. The updates to the principal versus agent guidance: (i) require an entity to determine whether it is a principal or an agent for each distinct good or service (or a distinct bundle of goods or services) to be provided to the customer; (ii) illustrate how an entity that is a principal might apply the control principle to goods, services, or rights to services, when another party is involved in providing goods or services to a customer and (iii) Clarify that the purpose of certain specific control indicators is to support or assist in the assessment of whether an entity controls a good or service before it is transferred to the customer, provide more specific guidance on how the indicators

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should be considered, and clarify that their relevance will vary depending on the facts and circumstances. For public business entities, the effective date and transition requirements for these amendments are the same as the effective date and transition requirements of ASU 2014-09 which is effective for interim and annual periods beginning after December 15, 2017. The amendments can be applied retrospectively to each prior reporting period or retrospectively with the cumulative effect of initially applying this new guidance recognized at the date of initial application. The Company is currently evaluating the provisions of ASU 2016-08 in connection with the provisions of ASU 2014-09 to determine the potential impact the new standard will have to the Company's consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-07, Investments – Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting; (“ASU 2016-07”). ASU 2016-07 requires an investor to initially apply the equity method of accounting from the date it qualifies for that method, i.e., the date the investor obtains significant influence over the operating and financial policies of an investee. The ASU eliminates the previous requirement to retroactively adjust the investment and record a cumulative catch up for the periods that the investment had been held, but did not qualify for the equity method of accounting. For public business entities, the amendments in ASU 2016-05 are effective for interim and annual periods beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. The Company is currently evaluating the provisions of ASU 2016-07 to determine the potential impact the new standard will have to the Company's consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-05, Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships (“ASU 2016-05”). ASU 2016-05 requires an entity to discontinue a designated hedging relationship in certain circumstances, including termination of the derivative hedging instrument or if the entity wishes to change any of the critical terms of the hedging relationship. ASU 2016-05 amends Topic 815 to clarify that novation of a derivative (replacing one of the parties to a derivative instrument with a new party) designated as the hedging instrument would not, in and of itself, be considered a termination of the derivative instrument or a change in critical terms requiring discontinuation of the designated hedging relationship. For public business entities, the amendments in ASU 2016-05 are effective for interim and annual periods beginning after December 15, 2016. An entity has an option to apply the amendments in ASU 2016-05 on either a prospective basis or a modified retrospective basis. The Company has determined that this guidance will not have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (“ASU 2016-02”). ASU 2016-02 applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. For public business entities, the amendments in ASU 2016-02 are effective for interim and annual periods beginning after December 15, 2018. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach which includes a number of optional practical expedients that entities may elect to apply. The Company is currently evaluating the

provisions of ASU 2016-02 to determine the potential impact the new standard will have to the Company's consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments – Overall (Subtopic 825-10); Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”). This update is intended to improve the recognition and measurement of financial instruments and it requires an entity to: (i) measure equity investments at fair value through net income, with certain exceptions; (ii) present in OCI the changes in instrument-specific credit risk for financial liabilities measured using the fair value option; (iii) present financial assets and financial liabilities by measurement category and form of financial asset; (iv) calculate the fair value of financial instruments for disclosure purposes based on an exit price and; (v) assess a valuation allowance on deferred tax assets related to unrealized losses of AFS debt securities in combination with other deferred tax assets. ASU 2016-01 also provides an election to subsequently measure certain nonmarketable equity investments at cost less any impairment and adjusted for certain observable price changes and requires a qualitative impairment assessment of such equity investments and amends certain fair value disclosure requirements. For public business entities, the amendments in ASU 2016-01 are

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effective for interim and annual periods beginning after December 15, 2017. An entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption of the ASU 2016-01. The Company is currently evaluating the provisions of ASU 2016-01 to determine the potential impact the new standard will have to the Company's consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement Period Adjustments ("ASU 2015-16"). The update simplifies the accounting for adjustments made to provisional amounts recognized in a business combination by eliminating the requirement to retrospectively account for those adjustments. For public companies, this update became effective for interim and annual periods beginning after December 15, 2015, and is to be applied prospectively. ASU 2015-16 became effective for the Company on January 1, 2016 and did not have a significant impact on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). The update simplifies the presentation of debt issuance costs by requiring that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. In August 2015, the FASB issued ASU 2015-15, Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, expanding the guidance provided in ASU 2015-03 by permitting the presentation of costs associated with securing a revolving line of credit as an asset, regardless of whether or not the line of credit is funded. For public companies, both updates will be effective for interim and annual periods beginning after December 15, 2015, and are to be applied retrospectively. ASU 2015-03 became effective for the Company on January 1, 2016 and did not have a significant impact on the Company's consolidated financial statements.

In February 2015, the FASB issued Accounting Standards Update ASU 2015-02, Amendments to the Consolidation Analysis ("ASU 2015-02"). This ASU affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the amendments: (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities; (ii) eliminate the presumption that a general partner should consolidate a limited partnership; (iii) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships; and (iv) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. ASU No. 2015-02 is effective for interim and annual reporting periods beginning after December 15, 2015. ASU 2015-02 became effective for the Company on January 1, 2016 and did not have a significant impact on the Company's consolidated financial statements.

In November 2014, the FASB issued ASU 2014-16, Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity, a consensus of the FASB Emerging Issues Task Force (“ASU 2014-16”). This ASU clarifies how current U.S. GAAP should be interpreted in subjectively evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. ASU 2014-16 is effective for public business entities for annual periods and interim periods within those annual periods, beginning after December 15, 2015. ASU 2014-16 became effective for the Company on January 1, 2016 and did not have a significant impact on the Company’s consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period, a consensus of the FASB Emerging Issues Task Force (“ASU 2014-12”). ASU 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. ASU 2014-12 is effective for annual periods and interim periods within those annual periods, beginning after December 15, 2015. An entity may apply the standards (i) prospectively to all share-based payment awards that are granted or modified on or after the effective date, or (ii) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. Earlier application is permitted. ASU 2014-12 became effective

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for the Company on January 1, 2016 and did not have a significant impact on the Company's consolidated financial statements.

In June 2014, the FASB issued ASU 2014-11, Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures ("ASU 2014-11"). ASU 2014-11 aligns the accounting for repurchase to maturity transactions and repurchase agreements executed as a repurchase financing with the accounting for other typical repurchase agreements. Going forward, these transactions would all be accounted for as secured borrowings. ASU 2014-11 became effective for the Company on January 1, 2015 and did not have a significant impact on the Company's financial statements. See Note 21—Repurchase Agreements for the disclosure required under the provisions of ASU 2014-11.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, Topic 606 ("ASU 2014-09"). The new standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under existing guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In August of 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers, Topic 606: Deferral of the Effective Date, deferring the effective date of ASU 2014-09 until annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The amendments can be applied retrospectively to each prior reporting period or retrospectively with the cumulative effect of initially applying this new guidance recognized at the date of initial application. The Company is currently evaluating the provisions of ASU 2014-09 to determine the potential impact the new standard will have to the Company's financial statements.

Note 4 — Mergers and Acquisitions

The following mergers and acquisitions are referenced throughout this Form 10-Q:

- Community Bank & Trust ("CBT") – January 29, 2010 – Federal Deposit Insurance Corporation ("FDIC") purchase and assumption agreement
- Habersham Bank ("Habersham") – February 18, 2011 – FDIC purchase and assumption agreement
- BankMeridian, N.A. ("BankMeridian") – July 29, 2011 – FDIC purchase and assumption agreement
- Peoples Bancorporation, Inc. ("Peoples") – April 24, 2012 – Whole bank acquisition
 - The Savannah Bancorp, Inc. ("Savannah") – December 13, 2012 – Whole bank acquisition
- First Financial Holdings, Inc. ("FFHI") – July 26, 2013 – Whole bank acquisition which resulted in the assumption of FDIC purchase and assumption agreements with respect to Cape Fear Bank ("Cape Fear") – April 10, 2009 and Plantation Federal Bank ("Plantation") – April 27, 2012

- Bank of America, N.A. (“BOA”) – August 21, 2015 – Branch acquisition which resulted in the purchase of 12 South Carolina branch locations and one Georgia branch location from BOA

“FDIC purchase and assumption agreement” means that only certain assets and liabilities were acquired by the bank from the FDIC. A “whole bank acquisition” means that the two parties in the transaction agreed to the transaction, and there was no involvement of the FDIC. A “whole bank acquisition with FDIC purchase and assumption agreements” means that the two parties in the transaction agreed to the merger, and there were existing FDIC purchase and assumption agreements. A “branch acquisition” means that the Company purchased specific branches, including certain deposits and loans associated with such branches, from the seller at an agreed upon price.

Branch Acquisition

On August 21, 2015, the Bank completed its acquisition from BOA of 12 South Carolina branches located in Florence, Greenwood, Orangeburg, Sumter, Newberry, Batesburg-Leesville, Abbeville and Hartsville, South Carolina, and one Georgia branch located in Hartwell, Georgia. Under the terms of the Purchase and Assumption Agreement dated April 22, 2015, the Bank paid a deposit premium of \$25.0 million, equal to 5.5% of the average daily deposits for the 30- day period immediately prior to the acquisition date. In addition, the Bank acquired approximately \$3.1 million in loans and \$4.1 million in premises and equipment. This transaction was fully taxable and there were no deferred tax assets or liabilities recorded as a result of this transaction.

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The branch acquisition was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at estimated fair value on the acquisition date. Fair values are preliminary and subject to refinement for up to a year after the closing date of the acquisition.

The following table presents the assets acquired and liabilities assumed as of August 21, 2015 and their initial fair value estimates:

(Dollars in thousands)	As Recorded by BOA	Fair Value Adjustments	As Recorded by the Company
Assets			
Cash and cash equivalents	\$ 428,567	\$ —	\$ 428,567
Loans	3,445	(295) (a)	3,150
Premises and equipment	6,267	(2,138) (b)	4,129
Intangible assets	—	6,800 (c)	6,800
Other assets	66	—	66
Total assets	\$ 438,345	\$ 4,367	\$ 442,712
Liabilities			
Deposits:			
Noninterest-bearing	\$ 97,440	\$ —	\$ 97,440
Interest-bearing	340,849	—	340,849
Total deposits	438,289	—	438,289
Other liabilities	56	—	56
Total liabilities	438,345	—	438,345
Net identifiable assets acquired over (under) liabilities assumed	—	4,367	4,367
Goodwill	—	20,652	20,652
Net assets acquired over (under) liabilities assumed	\$ —	\$ 25,019	\$ 25,019
Consideration:			
Cash paid as deposit premium	\$ 25,019		
Fair value of total consideration transferred	\$ 25,019		

Explanation of fair value adjustments

(a)—Adjustment reflects the fair value adjustments based on the Company's evaluation of the acquired loan portfolio.

(b)—Adjustment reflects the fair value adjustments based on the Company's evaluation of the acquired premises and equipment.

(c)— Adjustment reflects the recording of the core deposit intangible on the acquired core deposit accounts.

Note 5 — Investment Securities

The following is the amortized cost and fair value of investment securities held to maturity:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2016:				
State and municipal obligations	\$ 7,920	\$ 360	\$ —	\$ 8,280
December 31, 2015:				
State and municipal obligations	\$ 9,314	\$ 409	\$ —	\$ 9,723
March 31, 2015:				
State and municipal obligations	\$ 9,659	\$ 573	\$ —	\$ 10,232

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The following is the amortized cost and fair value of investment securities available for sale:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2016:				
Government-sponsored entities debt*	\$ 126,360	\$ 96	\$ (143)	\$ 126,313
State and municipal obligations	123,399	4,822	(78)	128,143
Mortgage-backed securities**	708,650	11,291	(111)	719,830
Corporate stocks	3,658	284	(181)	3,761
	\$ 962,067	\$ 16,493	\$ (513)	\$ 978,047
December 31, 2015:				
Government-sponsored entities debt*	\$ 163,577	\$ 39	\$ (1,109)	\$ 162,507
State and municipal obligations	127,293	4,185	(114)	131,364
Mortgage-backed securities**	710,816	4,063	(3,030)	711,849
Corporate stocks	3,673	440	(292)	3,821
	\$ 1,005,359	\$ 8,727	\$ (4,545)	\$ 1,009,541
March 31, 2015:				
Government-sponsored entities debt*	\$ 134,296	\$ 384	\$ (477)	\$ 134,203
State and municipal obligations	132,043	4,638	(165)	136,516
Mortgage-backed securities**	524,785	10,005	(366)	534,424
Corporate stocks	3,161	592	(500)	3,253
	\$ 794,285	\$ 15,619	\$ (1,508)	\$ 808,396

* - The Company's government-sponsored entities holdings are comprised of debt securities offered by Federal Home Loan Mortgage Corporation ("FHLMC") or Freddie Mac, Federal National Mortgage Association ("FNMA") or Fannie Mae, FHLB, and Federal Farm Credit Banks ("FFCB"). Also included in the Company's government-sponsored entities are debt securities offered by the Small Business Administration ("SBA"), which have the full faith and credit backing of the United States Government.

** - All of the mortgage-backed securities are issued by government-sponsored entities; there are no private-label holdings.

The following is the amortized cost and fair value of other investment securities:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2016:				
Federal Home Loan Bank stock	\$ 7,897	\$ —	\$ —	\$ 7,897
Investment in unconsolidated subsidiaries	1,642	—	—	1,642

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	\$ 9,539	\$ —	\$ —	\$ 9,539
December 31, 2015:				
Federal Home Loan Bank stock	\$ 7,251	\$ —	\$ —	\$ 7,251
Investment in unconsolidated subsidiaries	1,642	—	—	1,642
	\$ 8,893	\$ —	\$ —	\$ 8,893
March 31, 2015:				
Federal Home Loan Bank stock	\$ 7,389	\$ —	\$ —	\$ 7,389
Investment in unconsolidated subsidiaries	1,642	—	—	1,642
	\$ 9,031	\$ —	\$ —	\$ 9,031

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The amortized cost and fair value of debt securities at March 31, 2016 by contractual maturity are detailed below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

(Dollars in thousands)	Securities Held to Maturity		Securities Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ —	\$ —	\$ 7,572	\$ 7,640
Due after one year through five years	4,911	5,147	102,627	103,316
Due after five years through ten years	3,009	3,133	186,731	191,612
Due after ten years	—	—	665,137	675,479
	\$ 7,920	\$ 8,280	\$ 962,067	\$ 978,047

Information pertaining to the Company's securities with gross unrealized losses at March 31, 2016, December 31, 2015 and March 31, 2015, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position is as follows:

(Dollars in thousands)	Less Than Twelve Months Gross Unrealized Losses		Twelve Months or More Gross Unrealized Losses	
	Fair Value	Fair Value	Fair Value	Fair Value
March 31, 2016:				
Securities Available for Sale				
Government-sponsored entities debt	\$ 108	\$ 36,611	\$ 35	\$ 9,956
State and municipal obligations	16	1,271	62	1,038
Mortgage-backed securities	23	15,480	88	8,575
Corporate stocks	—	—	181	1,562
	\$ 147	\$ 53,362	\$ 366	\$ 21,131
December 31, 2015:				
Securities Available for Sale				
Government-sponsored entities debt	\$ 717	\$ 88,224	\$ 392	\$ 17,598
State and municipal obligations	9	3,755	105	2,650
Mortgage-backed securities	2,600	347,380	430	23,772
Corporate stocks	—	—	292	1,450
	\$ 3,326	\$ 439,359	\$ 1,219	\$ 45,470
March 31, 2015:				
Securities Available for Sale				
Government-sponsored entities debt	\$ 58	\$ 19,933	\$ 419	\$ 32,555
State and municipal obligations	4	1,186	161	5,593
Mortgage-backed securities	29	18,299	337	23,040

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Corporate stocks	—	—	500	1,730
	\$ 91	\$ 39,418	\$ 1,417	\$ 62,918

Management evaluates securities for other-than-temporary impairment (“OTTI”) on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the financial condition and near-term prospects of the issuer, (2) the outlook for receiving the contractual cash flows of the investments, (3) the length of time and the extent to which the fair value has been less than cost, (4) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value or for a debt security whether it is more-likely-than-not that the Company will be required to sell the debt security prior to recovering its fair value, and (5) the anticipated outlook for changes in the general level of interest rates. All debt securities available for sale in an unrealized loss position as of March 31, 2016 continue to perform as scheduled. All equity securities available for sale in an unrealized loss position as of March 31, 2016 continue to pay dividends. As part of the Company’s evaluation of its intent and ability to hold investments for a period of time sufficient to allow for any anticipated recovery in the market, the Company considers its investment strategy, cash flow needs, liquidity position, capital adequacy and interest rate risk position. The Company does not currently intend to sell the securities within the portfolio and it is not more-likely-than-not that the Company will be required to sell the debt

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securities; therefore, management does not consider these investments to be other-than-temporarily impaired at March 31, 2016. Management continues to monitor all of these securities with a high degree of scrutiny. There can be no assurance that the Company will not conclude in future periods that conditions existing at that time indicate some or all of these securities may be sold or are other than temporarily impaired, which would require a charge to earnings in such periods.

Note 6 — Loans and Allowance for Loan Losses

The following is a summary of non-acquired loans:

(Dollars in thousands)	March 31, 2016	December 31, 2015	March 31, 2015
Non-acquired loans:			
Commercial non-owner occupied real estate:			
Construction and land development	\$ 447,197	\$ 401,979	\$ 358,108
Commercial non-owner occupied	525,637	487,777	364,727
Total commercial non-owner occupied real estate	972,834	889,756	722,835
Consumer real estate:			
Consumer owner occupied	1,060,554	1,018,984	854,283
Home equity loans	325,962	319,255	290,488
Total consumer real estate	1,386,516	1,338,239	1,144,771
Commercial owner occupied real estate	1,060,513	1,033,398	925,192
Commercial and industrial	553,527	503,808	407,990
Other income producing property	175,217	175,848	154,360
Consumer	247,502	233,104	195,451
Other loans	76,559	46,573	35,806
Total non-acquired loans	4,472,668	4,220,726	3,586,405
Less allowance for loan losses	(35,115)	(34,090)	(33,538)
Non-acquired loans, net	\$ 4,437,553	\$ 4,186,636	\$ 3,552,867

The following is a summary of acquired non-credit impaired loans accounted for under FASB ASC Topic 310-20, net of related discount:

(Dollars in thousands)	March 31, 2016	December 31, 2015	March 31, 2015
FASB ASC Topic 310-20 acquired loans:			
Commercial non-owner occupied real estate:			
Construction and land development	\$ 13,024	\$ 13,849	\$ 19,598

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Commercial non-owner occupied	36,530	40,103	44,772
Total commercial non-owner occupied real estate	49,554	53,952	64,370
Consumer real estate:			
Consumer owner occupied	494,472	518,107	612,917
Home equity loans	184,388	190,968	221,535
Total consumer real estate	678,860	709,075	834,452
Commercial owner occupied real estate	37,356	39,220	56,167
Commercial and industrial	21,109	25,475	35,592
Other income producing property	49,123	51,169	61,415
Consumer	163,236	170,647	195,353
Total FASB ASC Topic 310-20 acquired loans	\$ 999,238	\$ 1,049,538	\$ 1,247,349

The unamortized discounted related to the acquired non-credit impaired loans totaled \$15.2 million, \$16.8 million, and \$21.9 million at March 31, 2016, December 31, 2015, and March 31, 2015, respectively.

In accordance with FASB ASC Topic 310-30, the Company aggregated acquired loans that have common risk characteristics into pools of loan categories as described in the table below. The following is a summary of acquired

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credit impaired loans accounted for under FASB ASC Topic 310-30 (identified as credit impaired at the time of acquisition), net of related discount:

(Dollars in thousands)	March 31, 2016	December 31, 2015	March 31, 2015
FASB ASC Topic 310-30 acquired loans:			
Commercial loans greater than or equal to \$1 million-CBT	\$ 12,445	\$ 12,628	\$ 15,477
Commercial real estate	237,393	255,430	302,592
Commercial real estate—construction and development	51,379	54,272	61,456
Residential real estate	298,537	313,319	368,633
Consumer	67,612	70,734	80,656
Commercial and industrial	28,948	31,193	42,343
Single pay	—	—	64
Total FASB ASC Topic 310-30 acquired loans	696,314	737,576	871,221
Less allowance for loan losses	(3,877)	(3,706)	(4,717)
FASB ASC Topic 310-30 acquired loans, net	\$ 692,437	\$ 733,870	\$ 866,504

Contractual loan payments receivable, estimates of amounts not expected to be collected, other fair value adjustments and the resulting carrying values of acquired credit impaired loans as of March 31, 2016, December 31, 2015 and March 31, 2015 are as follows:

(Dollars in thousands)	March 31, 2016	December 31, 2015	March 31, 2015
Contractual principal and interest	\$ 912,010	\$ 968,857	\$ 1,173,550
Non-accretable difference	(26,833)	(29,743)	(85,300)
Cash flows expected to be collected	885,177	939,114	1,088,250
Accretable yield	(188,863)	(201,538)	(217,029)
Carrying value	\$ 696,314	\$ 737,576	\$ 871,221
Allowance for acquired loan losses	\$ (3,877)	\$ (3,706)	\$ (4,717)

Income on acquired credit impaired loans that are not impaired at the acquisition date is recognized in the same manner as loans impaired at the acquisition date. A portion of the fair value discount on acquired non-impaired loans has been ascribed as an accretable difference that is accreted into interest income over the estimated remaining life of the loans. The remaining nonaccretable difference represents cash flows not expected to be collected.

The following are changes in the carrying value of acquired credit impaired loans:

(Dollars in thousands)	Three Months Ended	
	March 31,	
	2016	2015
Balance at beginning of period	\$ 733,870	\$ 919,402
Net reductions for payments, foreclosures, and accretion	(41,262)	(55,546)
Change in the allowance for loan losses on acquired loans	(171)	2,648
Balance at end of period, net of allowance for loan losses on acquired loans	\$ 692,437	\$ 866,504

The table below reflects refined accretable yield balance for acquired credit impaired loans:

(Dollars in thousands)	Three Months Ended	
	March 31,	
	2016	2015
Balance at beginning of period	\$ 201,538	\$ 306,826
Accretion	(20,310)	(25,692)
Reclass of nonaccretable difference due to improvement in expected cash flows	7,270	5,948
Other changes, net	365	(70,053)
Balance at end of period	\$ 188,863	\$ 217,029

In the first quarter of 2016, the accretable yield balance declined by \$20.3 million as loan accretion (income) was recognized. This was partially offset by improved expected cash flows of \$7.3 million.

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During the recast in the first quarter of 2015, the accretable yield balance declined significantly by \$64.1 million. This decline was primarily the result of an increase in the assumed prepayment speed of certain acquired loan pools from the FFHI acquisition. The actual cash flows were faster than what had been previously expected (assumed) and required an adjustment in the assumed prepayment speed used to forecast expected cash flows. The result was a decrease in the accretable yield balance, however, there was no impairment since this changed the timing and amount of the receipt of future cash on these pools of loans (the Company anticipates receiving the cash sooner than previously expected).

Our loan loss policy adheres to generally accepted accounting principles in the United States as well as interagency guidance. The allowance for loan losses is based upon estimates made by management. We maintain an allowance for loan losses at a level that we believe is appropriate to cover estimated credit losses on individually evaluated loans that are determined to be impaired as well as estimated credit losses inherent in the remainder of our loan portfolio. Arriving at the allowance involves a high degree of management's judgment and results in a range of estimated losses. We regularly evaluate the adequacy of the allowance through our internal risk rating system, outside credit review, and regulatory agency examinations to assess the quality of the loan portfolio and identify problem loans. The evaluation process also includes our analysis of current economic conditions, composition of the loan portfolio, past due and nonaccrual loans, concentrations of credit, lending policies and procedures, and historical loan loss experience. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on, among other factors, changes in economic conditions in our markets. In addition, regulatory agencies, as an integral part of their examination process, periodically review our allowances for losses on loans. These agencies may require management to recognize additions to the allowances based on their judgments about information available to them at the time of their examination. Because of these and other factors, it is possible that the allowances for losses on loans may change. The provision for loan losses is charged to expense in an amount necessary to maintain the allowance at an appropriate level.

The allowance for loan losses on non-acquired loans consists of general and specific reserves. The general reserves are determined by applying loss percentages to the portfolio that are based on historical loss experience for each class of loans and management's evaluation and "risk grading" of the loan portfolio. Additionally, the general economic and business conditions affecting key lending areas, credit quality trends, collateral values, loan volumes and concentrations, seasoning of the loan portfolio, the findings of internal and external credit reviews and results from external bank regulatory examinations are included in this evaluation. Currently, these adjustments are applied to the non-acquired loan portfolio when estimating the level of reserve required. The specific reserves are determined on a loan-by-loan basis based on management's evaluation of our exposure for each credit, given the current payment status of the loan and the value of any underlying collateral. These are loans classified by management as doubtful or substandard. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. Generally, the need for specific reserve is evaluated on impaired loans, and once a specific reserve is established for a loan, a charge off of that amount occurs in the quarter subsequent to the establishment of the specific reserve. Loans that are determined to be impaired are provided a specific reserve, if necessary, and are excluded from the calculation of the general reserves.

With the FFHI acquisition, the Company segregated the loan portfolio into performing loans ("non-credit impaired") and acquired credit impaired loans. The performing loans and revolving type loans are accounted for under FASB

ASC 310-20, with each loan being accounted for individually. The allowance for loan losses on these loans will be measured and recorded consistent with non-acquired loans. The acquired credit impaired loans will follow the description in the next paragraph.

In determining the acquisition date fair value of acquired credit impaired loans, and in subsequent accounting, the Company generally aggregates purchased loans into pools of loans with common risk characteristics. Expected cash flows at the acquisition date in excess of the fair value of loans are recorded as interest income over the life of the loans using a level yield method if the timing and amount of the future cash flows of the pool is reasonably estimable. Subsequent to the acquisition date, increases in cash flows over those expected at the acquisition date are reclassified from the non-accretable difference to accretable yield and recognized as interest income prospectively. Decreases in expected cash flows after the acquisition date are recognized by recording an allowance for loan losses. Management analyzes the acquired loan pools using various assessments of risk to determine an expected loss. The expected loss is derived based upon a loss given default based upon the collateral type and/or detailed review by loan officers and the probability of default that is determined based upon historical data at the loan level. All acquired loans managed by

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Special Assets Management are reviewed quarterly and assigned a loss given default. Acquired loans not managed by Special Assets Management are reviewed twice a year in a similar method to the Company's originated portfolio of loans which follow review thresholds based on risk rating categories. In the fourth quarter of 2015, the Company modified its methodology to a more granular approach in determining loss given default on substandard loans with a net book balance between \$100,000 and \$500,000 by adjusting the loss given default to 90% of the most current collateral valuation based on appraised value. Substandard loans greater than \$500,000 were individually assigned loss given defaults each quarter. Trends are reviewed in terms of accrual status, past due status, and weighted-average grade of the loans within each of the accounting pools. In addition, the relationship between the change in the unpaid principal balance and change in the mark is assessed to correlate the directional consistency of the expected loss for each pool. Offsetting the impact of the provision established for acquired loans covered under FDIC loss share agreements, the receivable from the FDIC is adjusted to reflect the indemnified portion of the post-acquisition exposure with a corresponding credit to the provision for loan losses.

An aggregated analysis of the changes in allowance for loan losses is as follows:

(Dollars in thousands)	Non-acquired Loans	Acquired Non-Credit Impaired Loans	Acquired Credit Impaired Loans	Total
Three Months Ended March 31, 2016:				
Balance at beginning of period	\$ 34,090	\$ —	\$ 3,706	\$ 37,796
Loans charged-off	(1,719)	(297)	—	(2,016)
Recoveries of loans previously charged off	764	91	—	855
Net charge-offs	(955)	(206)	—	(1,161)
Provision	1,980	206	371	2,557
Benefit attributable to FDIC loss share agreements	—	—	—	—
Total provision for loan losses charged to operations	1,980	206	371	2,557
Provision for loan losses recorded through the FDIC loss share receivable	—	—	(23)	(23)
Reduction due to loan removals	—	—	(177)	(177)
Balance at end of period	\$ 35,115	\$ —	\$ 3,877	\$ 38,992
Three Months Ended March 31, 2015:				
Balance at beginning of period	\$ 34,539	\$ —	\$ 7,365	\$ 41,904
Loans charged-off	(996)	(1,811)	—	(2,807)
Recoveries of loans previously charged off	1,050	25	—	1,075
Net charge-offs	54	(1,786)	—	(1,732)
Provision (benefit)	(1,055)	1,786	66	797
Benefit attributable to FDIC loss share agreements	—	—	21	21
Total provision (benefit) for loan losses charged to operations	(1,055)	1,786	87	818
Provision for loan losses recorded through the FDIC loss share receivable	—	—	(21)	(21)
Reduction due to loan removals	—	—	(2,714)	(2,714)

Balance at end of period	\$ 33,538	\$ —	\$ 4,717	\$ 38,255
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The following tables present a disaggregated analysis of activity in the allowance for loan losses and loan balances for non-acquired loans:

Construction & Land Development	Commercial Non-owner Occupied	Commercial Owner Occupied	Consumer Owner Occupied	Home Equity	Commercial & Industrial	Other Income Producing Property	Consumer	Other Loans
\$ 4,116	\$ 3,568	\$ 8,341	\$ 7,212	\$ 2,929	\$ 3,974	\$ 1,963	\$ 1,694	\$ 293
—	—	(42)	—	(443)	(307)	—	(927)	—
165	16	7	81	88	48	4	355	—
201	339	(127)	52	523	236	(165)	663	258
\$ 4,482	\$ 3,923	\$ 8,179	\$ 7,345	\$ 3,097	\$ 3,951	\$ 1,802	\$ 1,785	\$ 551
\$ 843	\$ 22	\$ 148	\$ 148	\$ 79	\$ 17	\$ 414	\$ 4	\$ 24
\$ 3,639	\$ 3,901	\$ 8,031	\$ 7,197	\$ 3,018	\$ 3,934	\$ 1,388	\$ 1,781	\$ 527
\$ 6,271	\$ 1,135	\$ 7,701	\$ 7,643	\$ 3,182	\$ 877	\$ 5,394	\$ 142	\$ 846
440,926	524,502	1,052,812	1,052,911	322,780	552,650	169,823	247,360	75,713
\$ 447,197	\$ 525,637	\$ 1,060,513	\$ 1,060,554	\$ 325,962	\$ 553,527	\$ 175,217	\$ 247,502	\$ 76,559
\$ 5,666	\$ 3,154	\$ 8,415	\$ 6,866	\$ 2,829	\$ 3,561	\$ 2,232	\$ 1,367	\$ 449
(45)	(11)	(6)	—	(86)	(139)	(2)	(707)	—
40	8	7	25	43	599	11	317	—
(262)	(20)	(545)	150	(1)	(561)	(261)	445	—
\$ 5,399	\$ 3,131	\$ 7,871	\$ 7,041	\$ 2,785	\$ 3,460	\$ 1,980	\$ 1,422	\$ 449
\$ 697	\$ 35	\$ 70	\$ 123	\$ 1	\$ 16	\$ 485	\$ 2	\$ —

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\$ 4,702	\$ 3,096	\$ 7,801	\$ 6,918	\$ 2,784	\$ 3,444	\$ 1,495	\$ 1,420	\$ 449
\$ 5,407	\$ 3,765	\$ 8,297	\$ 7,093	\$ 250	\$ 906	\$ 4,667	\$ 63	\$ —
352,701	360,962	916,895	847,190	290,238	407,084	149,693	195,388	35,806
\$ 358,108	\$ 364,727	\$ 925,192	\$ 854,283	\$ 290,488	\$ 407,990	\$ 154,360	\$ 195,451	\$ 35,806

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The following tables present a disaggregated analysis of activity in the allowance for loan losses and loan balances for acquired non-credit impaired loans:

Amounts in thousands) Months Ended	Construction	Commercial	Commercial	Consumer	Home Equity	Other Income			Total
	& Land Development	Non-owner Occupied	Owner Occupied	Owner Occupied		Commercial & Industrial	Producing Property	Consumer	
March 31, 2016									
Balance for loan									
Balance at beginning	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Provision	—	—	—	—	(144)	(3)	—	(150)	(297)
Reversals	1	—	—	3	85	1	—	1	91
Net charge (benefit)	(1)	—	—	(3)	59	2	—	149	206
Balance, March 31,	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Individually identified for provision	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Collectively identified for provision	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Individually identified for provision	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Collectively identified for provision	13,024	36,530	37,356	494,472	184,388	21,109	49,123	163,236	999,202
Balance for loan acquired non-credit impaired	\$ 13,024	\$ 36,530	\$ 37,356	\$ 494,472	\$ 184,388	\$ 21,109	\$ 49,123	\$ 163,236	\$ 999,202
March 31, 2015									
Balance for loan									
Balance at beginning	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Provision	—	—	—	(328)	(1,050)	(103)	(4)	(326)	(1,811)
Reversals	1	—	—	5	3	5	1	10	25
Net charge (benefit)	(1)	—	—	323	1,047	98	3	316	1,780
Balance, March 31,	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

individually ed for ment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
collectively ed for ment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
individually ed for ment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
collectively ed for ment	19,598	44,772	56,167	612,917	221,535	35,592	61,415	195,353	1,247
acquired edit impaired	\$ 19,598	\$ 44,772	\$ 56,167	\$ 612,917	\$ 221,535	\$ 35,592	\$ 61,415	\$ 195,353	\$ 1,247

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The following tables present a disaggregated analysis of activity in the allowance for loan losses and loan balances for acquired credit impaired loans:

(Dollars in thousands) Three Months Ended	Commercial Loans Greater Than or Equal to \$1 Million	Commercial Real Estate RE	Commercial Real Estate- Construction Development	Residential Real Estate	Consumer	Commercial and Industrial	Single Pay	Total
March 31, 2016								
Allowance for loan losses:								
Balance, December 31, 2015	\$ —	\$ 56	\$ 177	\$ 2,986	\$ 313	\$ 174	\$ —	\$ 3,706
Provision for loan losses before benefit attributable to FDIC loss share agreements	—	1	—	(15)	317	45	—	348
Benefit attributable to FDIC loss share agreements	—	—	—	23	—	—	—	23
Total provision for loan losses charged to operations	—	1	—	8	317	45	—	371
Provision for loan losses recorded through the FDIC loss share receivable	—	—	—	(23)	—	—	—	(23)
Reduction due to loan removals	—	(11)	(23)	(108)	(24)	(11)	—	(177)
Balance, March 31, 2016	\$ —	\$ 46	\$ 154	\$ 2,863	\$ 606	\$ 208	\$ —	\$ 3,877
Loans individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Loans collectively evaluated for impairment	\$ —	\$ 46	\$ 154	\$ 2,863	\$ 606	\$ 208	\$ —	\$ 3,877
Loans:*								
Loans individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Loans collectively evaluated for impairment	12,445	237,393	51,379	298,537	67,612	28,948	—	696,314
Total acquired credit impaired loans	\$ 12,445	\$ 237,393	\$ 51,379	\$ 298,537	\$ 67,612	\$ 28,948	\$ —	\$ 696,314

Three Months Ended
March 31, 2015

Allowance for loan
losses:

Balance, December
31, 2014

Provision for loan
losses before benefit
attributable to FDIC
loss share agreements

Benefit attributable to
FDIC loss share
agreements

Total provision for
loan losses charged to
operations

Provision for loan
losses recorded
through the FDIC loss
share receivable

Reduction due to loan
removals

Balance, March 31,
2015

Loans individually
evaluated for
impairment

Loans collectively
evaluated for
impairment

Loans:*

Loans individually
evaluated for
impairment

Loans collectively
evaluated for
impairment

Total acquired credit
impaired loans

	\$ 135	\$ 1,444	\$ 336	\$ 4,387	\$ 275	\$ 718	\$ 70	\$ 7,365
	—	3	9	19	158	(122)	(1)	66
	—	—	—	—	(107)	127	1	21
	—	3	9	19	51	5	—	87
	—	—	—	—	107	(127)	(1)	(21)
	(199)	(898)	55	(1,086)	(189)	(377)	(20)	(2,714)
	\$ (64)	\$ 549	\$ 400	\$ 3,320	\$ 244	\$ 219	\$ 49	\$ 4,717
	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	\$ (64)	\$ 549	\$ 400	\$ 3,320	\$ 244	\$ 219	\$ 49	\$ 4,717
	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	15,477	302,592	61,456	368,633	80,656	42,343	64	871,221
	\$ 15,477	\$ 302,592	\$ 61,456	\$ 368,633	\$ 80,656	\$ 42,343	\$ 64	\$ 871,221

*— The carrying value of acquired credit impaired loans includes a non accretable difference which is primarily associated with the assessment of credit quality of acquired loans.

As part of the ongoing monitoring of the credit quality of the Company's loan portfolio, management tracks certain credit quality indicators, including trends related to (i) the level of classified loans, (ii) net charge-offs, (iii) non-performing loans (see details below), and (iv) the general economic conditions of the markets that we serve.

The Company utilizes a risk grading matrix to assign a risk grade to each of its loans. A description of the general characteristics of the risk grades is as follows:

- Pass—These loans range from minimal credit risk to average, however, still acceptable credit risk.

- Special mention—A special mention loan has potential weaknesses that deserve management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or the institution’s credit position at some future date.

- Substandard—A substandard loan is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness, or weaknesses, that may jeopardize the liquidation of the debt. A substandard loan is characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

- Doubtful—A doubtful loan has all of the weaknesses inherent in one classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of the currently existing facts, conditions and values, highly questionable and improbable.

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The following table presents the credit risk profile by risk grade of commercial loans for non-acquired loans:

	Construction & Development			Commercial Non-owner Occupied			Commercial Owner Occupied		
	March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	December 31, 2015	March 31, 2015
(in thousands)	\$ 430,533	\$ 382,167	\$ 330,871	\$ 507,432	\$ 471,466	\$ 344,435	\$ 1,022,325	\$ 994,442	\$ 994,442
Attention	10,496	13,633	16,621	16,013	13,912	15,522	27,310	29,478	29,478
and	6,168	6,179	10,616	2,192	2,399	4,770	10,878	9,478	9,478
	—	—	—	—	—	—	—	—	—
	\$ 447,197	\$ 401,979	\$ 358,108	\$ 525,637	\$ 487,777	\$ 364,727	\$ 1,060,513	\$ 1,033,398	\$ 1,033,398

	Commercial & Industrial			Other Income Producing Property			Commercial Total		
	March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	December 31, 2015	March 31, 2015
(in thousands)	\$ 545,628	\$ 497,572	\$ 401,032	\$ 159,766	\$ 163,975	\$ 139,821	\$ 2,665,684	\$ 2,509,622	\$ 2,090,000
Attention	6,285	4,472	5,405	10,729	8,047	9,977	70,833	69,542	78,000
and	1,614	1,764	1,553	4,722	3,826	4,562	25,574	23,646	35,700
	—	—	—	—	—	—	—	—	—
	\$ 553,527	\$ 503,808	\$ 407,990	\$ 175,217	\$ 175,848	\$ 154,360	\$ 2,762,091	\$ 2,602,810	\$ 2,210,000

The following table presents the credit risk profile by risk grade of consumer loans for non-acquired loans:

	Consumer Owner Occupied			Home Equity			Consumer		
	March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	December 31, 2015	March 31, 2015
(in thousands)	\$ 1,028,864	\$ 984,780	\$ 814,701	\$ 311,541	\$ 304,744	\$ 274,727	\$ 245,775	\$ 231,294	\$ 231,294
Attention	17,489	17,777	21,431	7,908	8,171	9,336	744	771	771
and	14,201	16,427	18,151	6,513	6,318	6,403	983	1,039	1,039
	—	—	—	—	22	22	—	—	—
	\$ 1,060,554	\$ 1,018,984	\$ 854,283	\$ 325,962	\$ 319,255	\$ 290,488	\$ 247,502	\$ 233,104	\$ 233,104

	Other	Consumer Total

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	March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	December 31, 2015	March 31, 2015
Pass	\$ 76,559	\$ 46,573	\$ 35,806	\$ 1,662,739	\$ 1,567,391	\$ 1,319,385
Special mention	—	—	—	26,141	26,719	31,609
Substandard	—	—	—	21,697	23,784	25,012
Doubtful	—	—	—	—	22	22
	\$ 76,559	\$ 46,573	\$ 35,806	\$ 1,710,577	\$ 1,617,916	\$ 1,376,028

The following table presents the credit risk profile by risk grade of total non-acquired loans:

(Dollars in thousands)	Total Non-acquired Loans		
	March 31, 2016	December 31, 2015	March 31, 2015
Pass	\$ 4,328,423	\$ 4,077,013	\$ 3,415,969
Special mention	96,974	96,261	109,681
Substandard	47,271	47,430	60,733
Doubtful	—	22	22
	\$ 4,472,668	\$ 4,220,726	\$ 3,586,405

The following table presents the credit risk profile by risk grade of commercial loans for acquired non-credit impaired loans:

(Dollars in thousands)	Construction & Development			Commercial Non-owner Occupied			Commercial Owner Occupied		
	March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	December 31, 2015	March 31, 2015
Pass	\$ 11,954	\$ 12,935	\$ 18,703	\$ 30,212	\$ 33,485	\$ 37,903	\$ 36,817	\$ 38,623	\$ 55,093
Special mention	208	109	122	381	637	184	320	377	329
Substandard	862	805	773	5,937	5,981	6,685	219	220	745
Doubtful	—	—	—	—	—	—	—	—	—
	\$ 13,024	\$ 13,849	\$ 19,598	\$ 36,530	\$ 40,103	\$ 44,772	\$ 37,356	\$ 39,220	\$ 56,167

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	Commercial & Industrial			Other Income Producing Property			Commercial Total		
	March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	December 31, 2015	March 31, 2015
Pass	\$ 20,203	\$ 24,621	\$ 34,482	\$ 47,938	\$ 49,783	\$ 59,990	\$ 147,124	\$ 159,447	\$ 206,171
Special mention	151	166	406	426	592	445	1,486	1,881	1,486
Substandard	755	688	704	759	794	980	8,532	8,488	9,887
Doubtful	—	—	—	—	—	—	—	—	—
	\$ 21,109	\$ 25,475	\$ 35,592	\$ 49,123	\$ 51,169	\$ 61,415	\$ 157,142	\$ 169,816	\$ 217,544

The following table presents the credit risk profile by risk grade of consumer loans for acquired non-credit impaired loans:

	Consumer Owner Occupied			Home Equity			Consumer		
	March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	December 31, 2015	March 31, 2015
(in thousands)	\$ 491,423	\$ 514,817	\$ 605,813	\$ 173,764	\$ 180,472	\$ 207,419	\$ 160,247	\$ 167,399	\$ 167,399
Special mention	418	557	1,544	4,010	4,202	6,353	609	729	5,000
Substandard	2,631	2,733	5,560	6,614	6,294	7,763	2,380	2,519	2,519
Doubtful	—	—	—	—	—	—	—	—	—
	\$ 494,472	\$ 518,107	\$ 612,917	\$ 184,388	\$ 190,968	\$ 221,535	\$ 163,236	\$ 170,647	\$ 170,647

	Consumer Total		
	March 31, 2016	December 31, 2015	March 31, 2015
Pass	\$ 825,434	\$ 862,688	\$ 1,005,541
Special mention	5,037	5,488	8,493
Substandard	11,625	11,546	15,771
Doubtful	—	—	—
	\$ 842,096	\$ 879,722	\$ 1,029,805

The following table presents the credit risk profile by risk grade of total acquired non-credit impaired loans:

Total Acquired

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(Dollars in thousands)	Non-credit Impaired Loans		
	March 31, 2016	December 31, 2015	March 31, 2015
Pass	\$ 972,558	\$ 1,022,135	\$ 1,211,712
Special mention	6,523	7,369	9,979
Substandard	20,157	20,034	25,658
Doubtful	—	—	—
	\$ 999,238	\$ 1,049,538	\$ 1,247,349

The following table presents the credit risk profile by risk grade of acquired credit impaired loans (identified as credit-impaired at the time of acquisition), net of the related discount (this table should be read in conjunction with the allowance for acquired credit impaired loan losses table found on page 21):

(Dollars in thousands)	Commercial Loans Greater Than or Equal to \$1 million-CBT			Commercial Real Estate			Commercial Real Estate—Construction and Development		
	March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	December 31, 2015	March 31, 2015
Special mention	\$ 11,065	\$ 11,238	\$ 11,175	\$ 169,991	\$ 177,656	\$ 196,116	\$ 24,856	\$ 26,308	\$ 26,308
Substandard	1,016	1,018	1,040	32,536	37,607	35,154	13,856	14,532	13,856
Doubtful	364	372	3,262	34,866	40,167	71,322	12,580	13,432	21,322
	—	—	—	—	—	—	87	—	—
	\$ 12,445	\$ 12,628	\$ 15,477	\$ 237,393	\$ 255,430	\$ 302,592	\$ 51,379	\$ 54,272	\$ 61,486

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	Residential Real Estate			Consumer			Commercial & Industrial		
	March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	December 31, 2015	March 31, 2015
Pass	\$ 157,534	\$ 166,309	\$ 179,855	\$ 10,228	\$ 10,703	\$ 6,417	\$ 20,422	\$ 22,358	\$ 23,703
Special mention	60,922	63,341	71,798	22,417	23,331	27,897	2,561	2,549	5,328
Substandard	80,081	83,669	116,980	34,967	36,700	46,342	5,965	6,286	13,312
Doubtful	—	—	—	—	—	—	—	—	—
	\$ 298,537	\$ 313,319	\$ 368,633	\$ 67,612	\$ 70,734	\$ 80,656	\$ 28,948	\$ 31,193	\$ 42,343

	Single Pay			Total Acquired Credit Impaired Loans		
	March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	December 31, 2015	March 31, 2015
Pass	\$ —	\$ —	\$ 48	\$ 394,096	\$ 414,572	\$ 443,782
Special mention	—	—	—	133,308	142,378	154,940
Substandard	—	—	16	168,823	180,626	272,499
Doubtful	—	—	—	87	—	—
	\$ —	\$ —	\$ 64	\$ 696,314	\$ 737,576	\$ 871,221

The risk grading of acquired credit impaired loans is determined utilizing a loan's contractual balance, while the amount recorded in the financial statements and reflected above is the carrying value. In an FDIC-assisted acquisition, covered acquired loans are initially recorded at their fair value, including a credit discount due to the high concentration of substandard and doubtful loans. In addition to the credit discount and the allowance for loan losses on covered acquired loans, the Company's risk of loss is mitigated by the FDIC loss share arrangement.

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The following table presents an aging analysis of past due loans, segregated by class for non-acquired loans:

(Dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans
March 31, 2016						
Commercial real estate:						
Construction and land development	\$ 476	\$ 213	\$ 995	\$ 1,684	\$ 445,513	\$ 447,197
Commercial non-owner occupied	45	27	137	209	525,428	525,637
Commercial owner occupied	1,153	738	1,255	3,146	1,057,367	1,060,513
Consumer real estate:						
Consumer owner occupied	1,649	677	2,978	5,304	1,055,250	1,060,554
Home equity loans	943	77	939	1,959	324,003	325,962
Commercial and industrial	618	149	562	1,329	552,198	553,527
Other income producing property	95	348	276	719	174,498	175,217
Consumer	328	94	249	671	246,831	247,502
Other loans	—	—	—	—	76,559	76,559
	\$ 5,307	\$ 2,323	\$ 7,391	\$ 15,021	\$ 4,457,647	\$ 4,472,668
December 31, 2015						
Commercial real estate:						
Construction and land development	\$ 323	\$ 136	\$ 915	\$ 1,374	\$ 400,605	\$ 401,979
Commercial non-owner occupied	867	—	184	1,051	486,726	487,777
Commercial owner occupied	1,269	608	1,530	3,407	1,029,991	1,033,398
Consumer real estate:						
Consumer owner occupied	1,503	308	3,149	4,960	1,014,024	1,018,984
Home equity loans	899	1,046	598	2,543	316,712	319,255
Commercial and industrial	173	166	234	573	503,235	503,808
Other income producing property	241	207	275	723	175,125	175,848
Consumer	351	136	395	882	232,222	233,104
Other loans	48	43	64	155	46,418	46,573
	\$ 5,674	\$ 2,650	\$ 7,344	\$ 15,668	\$ 4,205,058	\$ 4,220,726
March 31, 2015						
Commercial real estate:						
Construction and land development	\$ 855	\$ 261	\$ 964	\$ 2,080	\$ 356,028	\$ 358,108
Commercial non-owner occupied	105	110	1,680	1,895	362,832	364,727
Commercial owner occupied	2,211	626	4,536	7,373	917,819	925,192
Consumer real estate:						
Consumer owner occupied	1,157	981	3,268	5,406	848,877	854,283
Home equity loans	1,126	101	601	1,828	288,660	290,488

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Commercial and industrial	203	170	454	827	407,163	407,990
Other income producing property	54	308	988	1,350	153,010	154,360
Consumer	381	135	153	669	194,782	195,451
Other loans	60	40	36	136	35,670	35,806
	\$ 6,152	\$ 2,732	\$ 12,680	\$ 21,564	\$ 3,564,841	\$ 3,586,405

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The following table presents an aging analysis of past due loans, segregated by class for acquired non-credit impaired loans:

(Dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans
March 31, 2016						
Commercial real estate:						
Construction and land development	\$ 44	\$ 39	\$ 21	\$ 104	\$ 12,920	\$ 13,024
Commercial non-owner occupied	30	—	—	30	36,500	36,530
Commercial owner occupied	—	—	219	219	37,137	37,356
Consumer real estate:						
Consumer owner occupied	23	234	390	647	493,825	494,472
Home equity loans	1,071	255	635	1,961	182,427	184,388
Commercial and industrial	4	—	—	4	21,105	21,109
Other income producing property	37	—	—	37	49,086	49,123
Consumer	289	85	676	1,050	162,186	163,236
	\$ 1,498	\$ 613	\$ 1,941	\$ 4,052	\$ 995,186	\$ 999,238
December 31, 2015						
Commercial real estate:						
Construction and land development	\$ —	\$ 21	\$ 48	\$ 69	\$ 13,780	\$ 13,849
Commercial non-owner occupied	—	—	—	—	40,103	40,103
Commercial owner occupied	120	176	44	340	38,880	39,220
Consumer real estate:						
Consumer owner occupied	694	4	688	1,386	516,721	518,107
Home equity loans	897	412	482	1,791	189,177	190,968
Commercial and industrial	1	1	5	7	25,468	25,475
Other income producing property	—	—	7	7	51,162	51,169
Consumer	257	270	797	1,324	169,323	170,647
	\$ 1,969	\$ 884	\$ 2,071	\$ 4,924	\$ 1,044,614	\$ 1,049,538
March 31, 2015						
Commercial real estate:						
Construction and land development	\$ —	\$ —	\$ —	\$ —	\$ 19,598	\$ 19,598
Commercial non-owner occupied	—	—	—	—	44,772	44,772
Commercial owner occupied	49	—	38	87	56,080	56,167
Consumer real estate:						
Consumer owner occupied	107	328	3,311	3,746	609,171	612,917
Home equity loans	570	525	1,042	2,137	219,398	221,535
Commercial and industrial	6	—	221	227	35,365	35,592

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Other income producing property	77	—	89	166	61,249	61,415
Consumer	289	211	561	1,061	194,292	195,353
	\$ 1,098	\$ 1,064	\$ 5,262	\$ 7,424	\$ 1,239,925	\$ 1,247,349

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The following table presents an aging analysis of past due loans, segregated by class for acquired credit impaired loans:

(Dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans
March 31, 2016						
Commercial loans greater than or equal to \$1 million-CBT	\$ —	\$ —	\$ —	\$ —	\$ 12,445	\$ 12,445
Commercial real estate	2,206	715	4,024	6,945	230,448	237,393
Commercial real estate—construction and development	285	140	1,520	1,945	49,434	51,379
Residential real estate	2,572	956	7,550	11,078	287,459	298,537
Consumer	1,380	170	1,925	3,475	64,137	67,612
Commercial and industrial	244	60	878	1,182	27,766	28,948
Single pay	—	—	—	—	—	—
	\$ 6,687	\$ 2,041	\$ 15,897	\$ 24,625	\$ 671,689	\$ 696,314
December 31, 2015						
Commercial loans greater than or equal to \$1 million-CBT	\$ —	\$ —	\$ —	\$ —	\$ 12,628	\$ 12,628
Commercial real estate	1,118	426	5,624	7,168	248,262	255,430
Commercial real estate—construction and development	784	367	2,162	3,313	50,959	54,272
Residential real estate	4,705	1,155	8,095	13,955	299,364	313,319
Consumer	1,756	380	2,085	4,221	66,513	70,734
Commercial and industrial	272	137	846	1,255	29,938	31,193
Single pay	—	—	—	—	—	—
	\$ 8,635	\$ 2,465	\$ 18,812	\$ 29,912	\$ 707,664	\$ 737,576
March 31, 2015						
Commercial loans greater than or equal to \$1 million-CBT	\$ —	\$ —	\$ 2,659	\$ 2,659	\$ 12,818	\$ 15,477
Commercial real estate	6,548	1,069	14,522	22,139	280,453	302,592
Commercial real estate—construction and development	136	196	6,363	6,695	54,761	61,456
Residential real estate	4,737	3,747	14,113	22,597	346,036	368,633
Consumer	1,174	286	2,178	3,638	77,018	80,656
Commercial and industrial	714	193	4,997	5,904	36,439	42,343
Single pay	—	—	—	—	64	64
	\$ 13,309	\$ 5,491	\$ 44,832	\$ 63,632	\$ 807,589	\$ 871,221

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The following is a summary of information pertaining to impaired non-acquired and acquired loans accounted for under FASB ASC Topic 310-20:

(Dollars in thousands)	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Gross Recorded Investment With Allowance	Total Recorded Investment	Related Allowance
March 31, 2016					
Commercial real estate:					
Construction and land development	\$ 11,414	\$ 988	\$ 5,283	\$ 6,271	\$ 843
Commercial non-owner occupied	2,757	349	786	1,135	22
Commercial owner occupied	11,316	4,004	3,697	7,701	148
Consumer real estate:					
Consumer owner occupied	9,463	2,891	4,752	7,643	148
Home equity loans	3,835	344	2,838	3,182	79
Commercial and industrial	2,181	259	618	877	17
Other income producing property	6,270	496	4,898	5,394	414
Consumer	338	—	142	142	4
Other loans	1,061	—	846	846	24
Total	\$ 48,635	\$ 9,331	\$ 23,860	\$ 33,191	\$ 1,699
December 31, 2015					
Commercial real estate:					
Construction and land development	\$ 9,931	\$ 1,004	\$ 5,276	\$ 6,280	\$ 615
Commercial non-owner occupied	2,909	233	1,219	1,452	34
Commercial owner occupied	11,516	4,134	3,591	7,725	101
Consumer real estate:					
Consumer owner occupied	9,001	3,505	4,044	7,549	138
Home equity loans	483	186	123	309	3
Commercial and industrial	2,641	273	1,214	1,487	279
Other income producing property	5,763	112	4,779	4,891	422
Consumer	155	—	102	102	3
Other loans	611	—	423	423	12
Total	\$ 43,010	\$ 9,447	\$ 20,771	\$ 30,218	\$ 1,607
March 31, 2015					
Commercial real estate:					
Construction and land development	\$ 8,074	\$ 1,577	\$ 3,830	\$ 5,407	\$ 697
Commercial non-owner occupied	5,131	2,509	1,256	3,765	35
Commercial owner occupied	11,406	5,136	3,161	8,297	70
Consumer real estate:					
Consumer owner occupied	8,026	4,505	2,588	7,093	123
Home equity loans	349	199	51	250	1
Commercial and industrial	1,644	323	583	906	16
Other income producing property	5,473	124	4,543	4,667	485

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Consumer	107	—	63	63	2
Total	\$ 40,210	\$ 14,373	\$ 16,075	\$ 30,448	\$ 1,429

Acquired credit impaired loans are accounted for in pools as shown on page 16 rather than being individually evaluated for impairment; therefore, the table above excludes acquired credit impaired loans.

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The following summarizes the average investment in impaired loans, non-acquired and acquired loans accounted for under FASB ASC Topic 310-20, and interest income recognized on these loans:

(Dollars in thousands)	Three Months Ended March 31,			
	2016		2015	
	Average Investment in Impaired Loans	Interest Income Recognized	Average Investment in Impaired Loans	Interest Income Recognized
Commercial real estate:				
Construction and land development	\$ 6,276	\$ 49	\$ 5,129	\$ 24
Commercial non-owner occupied	1,293	15	3,688	12
Commercial owner occupied	7,713	74	8,729	32
Consumer real estate:				
Consumer owner occupied	7,596	46	5,029	28
Home equity loans	1,746	26	140	2
Commercial and industrial	1,182	6	907	7
Other income producing property	5,143	62	5,082	36
Consumer	122	1	62	1
Other loans	634	2	—	—
Total Impaired Loans	\$ 31,705	\$ 281	\$ 28,766	\$ 142

The following is a summary of information pertaining to non-acquired nonaccrual loans by class, including restructured loans:

(Dollars in thousands)	March 31, 2016	December 31, 2015	March 31, 2015
	Commercial non-owner occupied real estate:		
Construction and land development	\$ 1,297	\$ 1,090	\$ 2,474
Commercial non-owner occupied	137	184	2,193
Total commercial non-owner occupied real estate	1,434	1,274	4,667
Consumer real estate:			
Consumer owner occupied	7,505	7,766	6,877
Home equity loans	2,086	1,769	1,328
Total consumer real estate	9,591	9,535	8,205
Commercial owner occupied real estate	2,452	3,056	2,721
Commercial and industrial	610	515	513
Other income producing property	1,116	746	1,068
Consumer	786	659	317
Restructured loans	3,058	2,662	9,879
Total loans on nonaccrual status	\$ 19,047	\$ 18,447	\$ 27,370

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The following is a summary of information pertaining to acquired non-credit impaired nonaccrual loans by class, including restructured loans:

(Dollars in thousands)	March 31, 2016	December 31, 2015	March 31, 2015
Commercial non-owner occupied real estate:			
Construction and land development	\$ 102	\$ 37	\$ —
Commercial non-owner occupied	—	—	627
Total commercial non-owner occupied real estate	102	37	627
Consumer real estate:			
Consumer owner occupied	852	976	3,610
Home equity loans	1,279	1,103	1,411
Total consumer real estate	2,131	2,079	5,021
Commercial owner occupied real estate	219	44	38
Commercial and industrial	2	1	225
Other income producing property	157	168	308
Consumer	1,340	1,435	1,061
Total loans on nonaccrual status	\$ 3,951	\$ 3,764	\$ 7,280

In the course of resolving delinquent loans, the Bank may choose to restructure the contractual terms of certain loans. Any loans that are modified are reviewed by the Bank to determine if a troubled debt restructuring (“TDR” or “restructured loan”) has occurred. The Bank designates loan modifications as TDRs when it grants a concession to a borrower that it would not otherwise consider due to the borrower experience financial difficulty (FASB ASC Topic 310-40). The concessions granted on TDRs generally include terms to reduce the interest rate, extend the term of the debt obligation, or modify the payment structure on the debt obligation.

Loans on nonaccrual status at the date of modification are initially classified as nonaccrual TDRs. Loans on accruing status at the date of concession are initially classified as accruing TDRs if the note is reasonably assured of repayment and performance is expected in accordance with its modified terms. Such loans may be designated as nonaccrual loans subsequent to the concession date if reasonable doubt exists as to the collection of interest or principal under the restructuring agreement. Nonaccrual TDRs are returned to accruing status when there is economic substance to the restructuring, there is documented credit evaluation of the borrower’s financial condition, the remaining balance is reasonably assured of repayment in accordance with its modified terms, and the borrower has demonstrated sustained repayment performance in accordance with the modified terms for a reasonable period of time (generally a minimum of six months). For the three months ended March 31, 2016 and 2015, the Company’s TDR’s were not material.

Note 7—FDIC Indemnification Asset

The following table provides changes in FDIC indemnification asset:

(Dollars in thousands)	Three Months Ended	
	March 31,	
	2016	2015
Balance at beginning of period	\$ 4,401	\$ 22,161
Decrease in expected losses on loans	(23)	(21)
Additional recoveries on OREO	(1,736)	(1,240)
Reimbursable expenses	71	348
Amortization of discounts and premiums, net	(1,475)	(3,207)
Payments to (from) FDIC	853	(1,328)
Balance at end of period	\$ 2,091	\$ 16,713

The FDIC indemnification asset is measured separately from the related covered assets. At March 31, 2016, the projected cash flows related to the FDIC indemnification asset for losses on assets acquired were approximately \$7.9 million less than the current carrying value. This amount is being recognized as amortization (in non-interest income) over the shorter of the underlying asset's remaining life or remaining term of the loss share agreements.

Included in the FDIC indemnification asset is an expected "true up" with the FDIC related to both the BankMeridian and Plantation acquisitions. This amount is determined each reporting period and at March 31, 2016 was estimated to be approximately \$4.2 million related to the BankMeridian acquisition at the end of the loss share

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agreement (July 2021) and \$3.6 million related to the Plantation acquisition at the end of the loss share agreement (April 2017), as compared to \$4.1 million and \$3.1 million at March 31, 2015, respectively. The actual payment to the FDIC will be determined at the end of the loss sharing agreement term for each of the five FDIC-assisted acquisitions and is based on the negative bid, expected losses, intrinsic loss estimate, and assets covered under loss share. There was no true up expected from the CBT, Cape Fear, or Habersham FDIC-assisted transactions as of March 31, 2016.

Effective March 31, 2015, the Commercial Shared-Loss Agreement with the FDIC for CBT expired and losses on assets covered under this agreement are no longer claimable after filing the first quarter of 2015 commercial loss share certificate. The carrying value of commercial loans and OREO no longer covered under the CBT loss share agreement as of April 1, 2015 totaled \$49.0 million and \$2.2 million, respectively. These assets were transferred from the balance of loans and OREO classified as covered to non-covered. Effective March 31, 2016, the Commercial Shared-Loss Agreement with the FDIC for Habersham expired and losses on assets covered under this agreement are no longer claimable after filing the first quarter of 2016 commercial loss share certificate. The carrying value of commercial loans and OREO no longer covered under the Habersham loss share agreement as of April 1, 2016 totaled \$13.1 million and \$1.8 million, respectively.

Note 8—Other Real Estate Owned

The following is a summary of information pertaining to OREO:

(Dollars in thousands)	Three Months Ended March 31, 2016			2015		
	OREO	Covered OREO	Total	OREO	Covered OREO	Total
Beginning balance	\$ 24,803	\$ 5,751	\$ 30,554	\$ 26,499	\$ 16,227	\$ 42,726
Additions	2,124	2,151	4,275	4,113	2,423	6,536
Writedowns	(667)	(2,131)	(2,798)	(813)	(1,402)	(2,215)
Sold	(4,529)	(1,549)	(6,078)	(5,729)	(5,222)	(10,951)
Ending Balance	\$ 21,731	\$ 4,222	\$ 25,953	\$ 24,070	\$ 12,026	\$ 36,096

The covered OREO above is covered pursuant to the FDIC loss share agreements and is presented net of the related fair value discount. At March 31, 2016, there were 132 properties included in OREO, with 115 uncovered and 17 covered by loss share agreements with the FDIC. At March 31, 2015, there were 178 properties included in OREO, with 123 uncovered and 55 covered by loss share agreements with the FDIC. At March 31, 2016, the Company had \$3.4 million in residential real estate included in OREO and \$7.5 million in residential real estate consumer mortgage loans in the process of foreclosure.

Note 9 — Deposits

The Company's total deposits are comprised of the following:

(Dollars in thousands)	March 31, 2016	December 31, 2015	March 31, 2015
Certificates of deposit	\$ 1,033,109	\$ 1,092,750	\$ 1,187,908
Interest-bearing demand deposits	3,338,433	3,293,942	3,009,005
Non-interest bearing demand deposits	2,020,632	1,976,480	1,757,302
Savings deposits	766,752	735,961	677,056
Other time deposits	3,022	1,295	2,386
Total deposits	\$ 7,161,948	\$ 7,100,428	\$ 6,633,657

At March 31, 2016, December 31, 2015, and March 31, 2015, the Company had \$109.5 million, \$114.9 million, and \$143.3 million in certificates of deposits of \$250,000 and greater, respectively. At March 31, 2016, December 31, 2015, and March 31, 2015, the Company had \$12.4 million, \$18.9 million and \$19.9 million, in traditional, out-of-market brokered deposits, respectively.

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Note 10 — Retirement Plans

The Company and the Bank provide certain retirement benefits to their employees in the form of a non-contributory defined benefit pension plan and an employees' savings plan. The non-contributory defined benefit pension plan covers all employees hired on or before December 31, 2005, who have attained age 21, and who have completed a year of eligible service. Employees hired on or after January 1, 2006 are not eligible to participate in the non-contributory defined benefit pension plan, but are eligible to participate in the employees' savings plan. On this date, a new benefit formula applies only to participants who have not attained age 45 or who do not have five years of service.

Effective July 1, 2009, the Company suspended the accrual of benefits for pension plan participants under the non-contributory defined benefit plan. The pension plan remained suspended as of March 31, 2016.

The components of net periodic pension expense recognized are as follows:

(Dollars in thousands)	Three Months Ended March 31,	
	2016	2015
Interest cost	\$ (283)	\$ (254)
Expected return on plan assets	534	518
Recognized net actuarial loss	(204)	(226)
Net periodic pension benefit (expense)	\$ 47	\$ 38

The Company did not contribute to the pension plan for the three months ended March 31, 2016, and does not expect to make any additional contributions during the remainder of 2016. The Company reserves the right to contribute between the minimum required and maximum deductible amounts as determined under applicable federal laws.

Under the provisions of Internal Revenue Code Section 401(k), electing employees are eligible to participate in the employees' savings plan after attaining age 21. Plan participants elect to contribute portions of their annual base compensation as a before tax contribution. Employer contributions may be made from current or accumulated net profits. Participants may elect to contribute 1% to 50% of annual base compensation as a before tax contribution. Employees participating in the plan receive a 100% matching of their 401(k) plan contribution, up to 5% of their salary. Effective January 1, 2015, employees are eligible for an additional 1% discretionary matching contribution contingent upon achievement of the Company's 2015 financial goals and payable the first quarter of 2016. The Company expensed \$1.3 million for the 401(k) plan during both the three months ended March 31, 2016 and 2015.

Employees can enter the savings plan on or after the first day of each month. The employee may enter into a salary deferral agreement at any time to select an alternative deferral amount or to elect not to defer in the plan. If the employee does not elect an investment allocation, the plan administrator will select a retirement-based portfolio according to the employee's number of years until normal retirement age. The plan's investment valuations are generally provided on a daily basis.

Note 11 — Earnings Per Share

Basic earnings per share are calculated by dividing net income by the weighted-average shares of common stock outstanding during each period, excluding non-vested shares. The Company's diluted earnings per share are based on the weighted-average shares of common stock outstanding during each period plus the maximum dilutive effect of common stock issuable upon exercise of stock options or vesting of restricted shares. The weighted-average number of shares and equivalents are determined after giving retroactive effect to stock dividends and stock splits.

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The following table sets forth the computation of basic and diluted earnings per share:

(Dollars and shares in thousands, except for per share amounts)	Three Months Ended	
	2016	2015
Basic earnings per common share:		
Net income	\$ 24,494	\$ 23,926
Weighted-average basic common shares	23,969	23,943
Basic earnings per common share	\$ 1.02	\$ 1.00
Diluted earnings per share:		
Net income	\$ 24,494	\$ 23,926
Weighted-average basic common shares	23,969	23,943
Effect of dilutive securities	222	258
Weighted-average dilutive shares	24,191	24,201
Diluted earnings per common share	\$ 1.01	\$ 0.99

The calculation of diluted earnings per common share excludes outstanding stock options for which the results would have been anti-dilutive under the treasury stock method as follows:

(Dollars in thousands)	Three Months Ended March 31,	
	2016	2015
Number of shares	74,609	48,927
Range of exercise prices	\$ 61.42 to \$ 69.48	\$ 61.42 to \$ 66.32

Note 12 — Share-Based Compensation

The Company's 2004 and 2012 share-based compensation programs are long-term retention programs intended to attract, retain, and provide incentives for key employees and non-employee directors in the form of incentive and non-qualified stock options, restricted stock, and restricted stock units ("RSUs").

Stock Options

With the exception of non-qualified stock options granted to directors under the 2004 and 2012 plans, which in some cases may be exercised at any time prior to expiration and in some other cases may be exercised at intervals less than a

year following the grant date, incentive stock options granted under the plans may not be exercised in whole or in part within a year following the date of the grant, as these incentive stock options become exercisable in 25% increments pro rata over the four-year period following the grant date. The options are granted at an exercise price at least equal to the fair value of the common stock at the date of grant and expire ten years from the date of grant. No options were granted under the 2004 plan after January 26, 2012, and the 2004 plan is closed other than for any options still unexercised and outstanding. The 2012 plan is the only plan from which new share-based compensation grants may be issued. It is the Company's policy to grant options out of the 1,684,000 shares registered under the 2012 plan, of which no more than 817,476 shares can be granted as restricted stock or RSUs.

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Activity in the Company's stock option plans is summarized in the following table. All information has been retroactively adjusted for stock dividends and stock splits.

	Number of	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Yrs.)	Aggregate Intrinsic Value(000's)
	Shares			
Outstanding at January 1	285,405	\$ 38.85		
Granted	25,682	63.79		
Exercised	(18,348)	33.50		
Outstanding at March 31	292,739	41.37	4.90	\$ 6,739
Exercisable at March 31	231,962	36.11	3.86	\$ 6,545
Weighted-average fair value of options granted during the year	\$ 25.19			

The fair value of options is estimated at the date of grant using the Black-Scholes option pricing model and expensed over the options' vesting periods. The following weighted-average assumptions were used in valuing options issued:

	Three months ended March 31,	
	2016	2015
Dividend yield	1.60 %	1.40 %
Expected life	8.5 years	8.5 years
Expected volatility	40.6 %	40.9 %
Risk-free interest rate	1.90 %	1.79 %

As of March 31, 2016, there was \$1.4 million of total unrecognized compensation cost related to nonvested stock option grants under the plans. The cost is expected to be recognized over a weighted-average period of 1.85 years as of March 31, 2016. The total fair value of shares vested during the three months ended March 31, 2016 was \$455,000.

Restricted Stock

The Company from time-to-time also grants shares of restricted stock to key employees and non-employee directors. These awards help align the interests of these employees and directors with the interests of the shareholders of the Company by providing economic value directly related to increases in the value of the Company's stock. The value of the stock awarded is established as the fair market value of the stock at the time of the grant. The Company recognizes expenses, equal to the total value of such awards, ratably over the vesting period of the stock grants. Restricted stock grants to employees typically "cliff vest" after four years. Grants to non-employee directors typically vest within a 12-month period.

Nonvested restricted stock for the three months ended March 31, 2016 is summarized in the following table. All information has been retroactively adjusted for stock dividends and stock splits.

Restricted Stock	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1 2016	218,282	\$ 44.56
Granted	29,558	65.91
Vested	(50,490)	36.62
Forfeited	(700)	47.18
Nonvested at March 31, 2016	196,650	49.80

As of March 31, 2016, there was \$6.2 million of total unrecognized compensation cost related to nonvested restricted stock granted under the plans. This cost is expected to be recognized over a weighted-average period of 2.68

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years as of March 31, 2016. The total fair value of shares vested during the three months ended March 31, 2016 was \$2.0 million.

Restricted Stock Units

The Company from time-to-time also grants performance RSUs to key employees. These awards help align the interests of these employees with the interests of the shareholders of the Company by providing economic value directly related to the performance of the Company. Performance RSU grants contain a three year performance period. The Company communicates threshold, target, and maximum performance RSU awards and performance targets to the applicable key employees at the beginning of a performance period. Dividends are not paid in respect to the awards during the performance period. The value of the RSUs awarded is established as the fair market value of the stock at the time of the grant. The Company recognizes expenses on a straight-line basis typically over three years based upon the probable performance target that will be met. For the three months ended March 31, 2016, the Company accrued for 97% of the RSUs granted, based on Management's expectations of performance.

Nonvested RSUs for the three months ended March 31, 2016 is summarized in the following table.

Restricted Stock Units	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2016	79,789	\$ 64.66
Granted	44,599	65.86
Nonvested at March 31, 2016	124,388	65.09

As of March 31, 2016, there was \$4.9 million of total unrecognized compensation cost related to nonvested RSUs granted under the plan. This cost is expected to be recognized over a weighted-average period of 1.78 years as of March 31, 2016. The total fair value of RSUs vested during the three months ended March 31, 2016 was \$1.8 million. On January 21, 2016, there were 35,903 vested restricted stock units issued to the participants in the 2013 Long-Term Incentive Plan.

Note 13 — Commitments and Contingent Liabilities

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities, which are not reflected in the accompanying financial statements. The commitments and contingent liabilities include

guarantees, commitments to extend credit, and standby letters of credit. At March 31, 2016, commitments to extend credit and standby letters of credit totaled \$1.6 billion. The Company does not anticipate any material losses as a result of these transactions.

The Company has been named as defendant in various legal actions, arising from its normal business activities, in which damages in various amounts are claimed. The Company is also exposed to litigation risk related to the prior business activities of banks acquired through whole bank acquisitions as well as banks from which assets were acquired and liabilities assumed in FDIC-assisted transactions. Although the amount of any ultimate liability with respect to such matters cannot be determined, in the opinion of management, any such liability will not have a material effect on the Company's consolidated financial statements.

Note 14 — Fair Value

FASB ASC 820, Fair Value Measurements and Disclosures, defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States, and enhances disclosures about fair value measurements. FASB ASC 820 clarifies that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions.

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Available for sale securities, derivative contracts, and mortgage servicing rights are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as impaired loans, OREO, and certain other assets. These

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nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

FASB ASC 820 establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

Level 1 Observable inputs such as quoted prices in active markets;

Level 2 Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The following is a description of valuation methodologies used for assets recorded at fair value.

Investment Securities

Securities available for sale are valued on a recurring basis at quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable securities. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange and The NASDAQ Stock Market, or U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities and debentures issued by government sponsored entities, municipal bonds and corporate debt securities. Securities held to maturity are valued at quoted market prices or dealer quotes similar to securities available for sale. The carrying value of FHLB stock approximates fair value based on the redemption provisions.

Mortgage Loans Held for Sale

Mortgage loans held for sale are carried at the fair market value. The fair values of mortgage loans held for sale are based on commitments on hand from investors within the secondary market for loans with similar characteristics. As such, the fair value adjustments for mortgage loans held for sale are recurring Level 2.

Loans

The Company does not record loans at fair value on a recurring basis. However, from time to time, a loan may be considered impaired and an allowance for loan losses may be established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment using estimated fair value methodologies. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At March 31, 2016, substantially all of the impaired loans were evaluated based on the fair value of the collateral because such loans were considered collateral dependent. Impaired loans, where an allowance is established based on the fair value of collateral; require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company considers the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company considers the impaired loan as nonrecurring Level 3.

Other Real Estate Owned (“OREO”)

Typically non-covered OREO, consisting of properties obtained through foreclosure or in satisfaction of loans, is reported at fair value, determined on the basis of current appraisals, comparable sales, and other estimates of value obtained principally from independent sources, adjusted for estimated selling costs (Level 2). However, both non-covered and covered OREO are considered Level 3 in the fair value hierarchy because management has qualitatively applied a discount due to the size, supply of inventory, and the incremental discounts applied to the appraisals. Management also considers other factors, including changes in absorption rates, length of time the property has been on the market and anticipated sales values, which have resulted in adjustments to the collateral value estimates indicated in

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certain appraisals. At the time of foreclosure, any excess of the loan balance over the fair value of the real estate held as collateral is treated as a charge against the allowance for loan losses. Gains or losses on sale and generally any subsequent adjustments to the value are recorded as a component of OREO expense, net of any FDIC indemnification proceeds in the case of covered OREO.

Derivative Financial Instruments

Fair value is estimated using pricing models of derivatives with similar characteristics; accordingly, the derivatives are classified within Level 2 of the fair value hierarchy (see Note 16—Derivative Financial Instruments for additional information).

Mortgage servicing rights (“MSRs”)

The estimated fair value of MSRs is obtained through an independent derivatives dealer analysis of future cash flows. The evaluation utilizes assumptions market participants would use in determining fair value including market discount rates, prepayment speeds, servicing income, servicing costs, default rates and other market driven data, as well as the market’s perception of future interest rate movements. MSRs are classified as Level 3.

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Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The tables below present the recorded amount of assets and liabilities measured at fair value on a recurring basis.

(Dollars in thousands)	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2016:				
Assets				
Derivative financial instruments	\$ 3,439	\$ —	\$ 3,439	\$ —
Loans held for sale	34,933	—	34,933	—
Securities available for sale:				
Government-sponsored entities debt	126,313	—	126,313	—
State and municipal obligations	128,143	—	128,143	—
Mortgage-backed securities	719,830	—	719,830	—
Corporate stocks	3,761	2,536	1,225	—
Total securities available for sale	978,047	2,536	975,511	—
Mortgage servicing rights	23,697	—	—	23,697
	\$ 1,040,116	\$ 2,536	\$ 1,013,883	\$ 23,697
Liabilities				
Derivative financial instruments	\$ 1,408	\$ —	\$ 1,408	\$ —
December 31, 2015:				
Assets				
Derivative financial instruments	\$ 1,415	\$ —	\$ 1,415	\$ —
Loans held for sale	41,649	—	41,649	—
Securities available for sale:				
Government-sponsored entities debt	162,507	—	162,507	—
State and municipal obligations	131,364	—	131,364	—
Mortgage-backed securities	711,849	—	711,849	—
Corporate stocks	3,821	2,596	1,225	—
Total securities available for sale	1,009,541	2,596	1,006,945	—
Mortgage servicing rights	26,202	—	—	26,202
	\$ 1,078,807	\$ 2,596	\$ 1,050,009	\$ 26,202
Liabilities				
Derivative financial instruments	\$ 838	\$ —	\$ 838	\$ —
March 31, 2015:				
Assets				
Derivative financial instruments	\$ 3,160	\$ —	\$ 3,160	\$ —
Loans held for sale	87,342	—	87,342	—
Securities available for sale:				

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Government-sponsored entities debt	\$ 134,203	\$ —	\$ 134,203	\$ —
State and municipal obligations	136,516	—	136,516	—
Mortgage-backed securities	534,424	—	534,424	—
Corporate stocks	3,253	3,028	225	—
Total securities available for sale	808,396	3,028	805,368	—
Mortgage servicing rights	21,510	—	—	21,510
	\$ 920,408	\$ 3,028	\$ 895,870	\$ 21,510
Liabilities				
Derivative financial instruments	\$ 1,608	\$ —	\$ 1,608	\$ —

Changes in Level 1, 2 and 3 Fair Value Measurements

When a determination is made to classify a financial instrument within Level 3 of the valuation hierarchy, the determination is based upon the significance of the unobservable factors to the overall fair value measurement. However, since Level 3 financial instruments typically include, in addition to the unobservable or Level 3 components, observable components (that is, components that are actively quoted and can be validated to external sources), the gains

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and losses below include changes in fair value due in part to observable factors that are part of the valuation methodology.

There were no changes in hierarchy classifications of Level 3 assets or liabilities for the three months ended March 31, 2016. A reconciliation of the beginning and ending balances of Level 3 assets and liabilities recorded at fair value on a recurring basis for the three months ended March 31, 2016 and 2015 is as follows:

(Dollars in thousands)	Assets	Liabilities
Fair value, January 1, 2016	\$ 26,202	\$ —
Servicing assets that resulted from transfers of financial assets	881	—
Changes in fair value due to valuation inputs or assumptions	(2,606)	—
Changes in fair value due to increased principal paydowns	(780)	—
Fair value , March 31, 2016	\$ 23,697	\$ —
Fair value, January 1, 2015	\$ 21,601	\$ —
Servicing assets that resulted from transfers of financial assets	1,582	—
Changes in fair value due to valuation inputs or assumptions	(836)	—
Changes in fair value due to increased principal paydowns	(837)	—
Fair value, March 31, 2015	\$ 21,510	\$ —

There were no unrealized losses included in accumulated other comprehensive income related to Level 3 financial assets and liabilities at March 31, 2016 or 2015.

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

The tables below present the recorded amount of assets and liabilities measured at fair value on a nonrecurring basis:

(Dollars in thousands)	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2016:				
OREO	\$ 25,953	\$ —	\$ —	\$ 25,953
Non-acquired impaired loans	2,173	—	—	2,173

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December 31, 2015:					
OREO	\$ 30,554	\$ —	\$ —	\$ 30,554	
Non-acquired impaired loans	13,355	—	—	13,355	
March 31, 2015:					
OREO	\$ 36,096	\$ —	\$ —	\$ 36,096	
Non-acquired impaired loans	6,636	—	—	6,636	

Quantitative Information about Level 3 Fair Value Measurement

	Valuation Technique	Unobservable Input	Weighted Average					
			March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2015		
Nonrecurring measurements:								
Non-acquired impaired loans	Discounted appraisals	Collateral discounts	5	%	6	%	5	%
		Collateral discounts and estimated costs to sell						
OREO	Discounted appraisals		20	%	16	%	18	%

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those models are significantly affected by the assumptions used, including

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the discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. The use of different methodologies may have a material effect on the estimated fair value amounts. The fair value estimates presented herein are based on pertinent information available to management as of March 31, 2016, December 31, 2015 and March 31, 2015. Such amounts have not been revalued for purposes of these consolidated financial statements since those dates and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents — The carrying amount is a reasonable estimate of fair value.

Investment Securities — Securities held to maturity are valued at quoted market prices or dealer quotes. The carrying value of FHLB stock approximates fair value based on the redemption provisions. The carrying value of the Company's investment in unconsolidated subsidiaries approximates fair value. See Note 5—Investment Securities for additional information, as well as page 36 regarding fair value.

Loans held for sale — The fair values disclosed for loans held for sale are based on commitments from investors for loans with similar characteristics.

Loans — For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values for certain mortgage loans (e.g., one-to-four family residential) and other consumer loans are estimated using discounted cash flow analyses based on the Company's current rates offered for new loans of the same type, structure and credit quality. Fair values for other loans (e.g., commercial real estate and investment property mortgage loans, commercial and industrial loans) are estimated using discounted cash flow analyses, using interest rates currently being offered by the Company for loans with similar terms to borrowers of similar credit quality. Fair values for non-performing loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

FDIC Receivable for Loss Share Agreements — The fair value is estimated based on discounted future cash flows using current discount rates.

Deposit Liabilities — The fair values disclosed for demand deposits (e.g., interest and non-interest bearing checking, passbook savings, and certain types of money market accounts) are, by definition, equal to the amount payable on

demand at the reporting date (i.e., their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts, and certificates of deposit approximate their fair values at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Federal Funds Purchased and Securities Sold Under Agreements to Repurchase — The carrying amount of federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings maturing within ninety days approximate their fair values.

Other Borrowings — The fair value of other borrowings is estimated using discounted cash flow analysis on the Company's current incremental borrowing rates for similar types of instruments.

Accrued Interest — The carrying amounts of accrued interest approximate fair value.

Derivative Financial Instruments — The fair value of derivative financial instruments (including interest rate swaps) is estimated using pricing models of derivatives with similar characteristics.

Commitments to Extend Credit, Standby Letters of Credit and Financial Guarantees — The fair values of commitments to extend credit are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates.

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The fair values of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated costs to terminate them or otherwise settle the obligations with the counterparties at the reporting date.

The estimated fair value, and related carrying amount, of the Company's financial instruments are as follows:

(Dollars in thousands)	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
March 31, 2016					
Financial assets:					
Cash and cash equivalents	\$ 697,277	\$ 697,277	\$ 697,277	\$ —	\$ —
Investment securities	995,506	995,866	12,075	983,791	—
Loans held for sale	34,933	34,933	—	34,933	—
Loans, net of allowance for loan losses	6,129,228	6,257,082	—	—	6,257,082
FDIC receivable for loss share agreements	2,091	(4,224)	—	—	(4,224)
Accrued interest receivable	18,023	18,023	—	3,964	14,059
Mortgage servicing rights	23,697	23,697	—	—	23,697
Other derivative financial instruments (mortgage banking related)	3,439	3,439	—	3,439	—
Financial liabilities:					
Deposits	7,161,948	6,950,947	—	6,950,947	—
Federal funds purchased and securities sold under agreements to repurchase	312,034	312,034	—	312,034	—
Other borrowings	55,210	49,230	—	49,230	—
Accrued interest payable	1,926	1,926	—	1,926	—
Interest rate swap - cash flow hedge	797	797	—	797	—
Other derivative financial instruments (mortgage banking related)	611	611	—	611	—
Off balance sheet financial instruments:					
Commitments to extend credit	—	33,260	—	33,260	—
Standby letters of credit and financial guarantees	—	—	—	—	—
December 31, 2015					
Financial assets:					
Cash and cash equivalents	\$ 695,794	\$ 695,794	\$ 695,794	\$ —	\$ —
Investment securities	1,027,748	1,028,157	11,489	1,016,668	—
Loans held for sale	41,649	41,649	—	41,649	—
Loans, net of allowance for loan losses	5,970,044	6,068,252	—	—	6,068,252
FDIC receivable for loss share agreements	4,401	(2,452)	—	—	(2,452)

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Accrued interest receivable	17,083	17,083	—	3,883	13,200
Mortgage servicing rights	26,202	26,202	—	—	26,202
Other derivative financial instruments (mortgage banking related)	1,415	1,415	—	1,415	—
Financial liabilities:					
Deposits	7,100,428	6,785,911	—	6,785,911	—
Federal funds purchased and securities sold under agreements to repurchase	288,231	288,231	—	288,231	—
Other borrowings	55,158	49,762	—	49,762	—
Accrued interest payable	2,190	2,190	—	2,190	—
Interest rate swap - cash flow hedge	718	718	—	718	—
Other derivative financial instruments (mortgage banking related)	120	120	—	120	—
Off balance sheet financial instruments:					
Commitments to extend credit	—	23,927	—	23,927	—
Standby letters of credit and financial guarantees	—	—	—	—	—
March 31, 2015					
Financial assets:					
Cash and cash equivalents	\$ 630,734	\$ 630,734	\$ 630,734	\$ —	\$ —
Investment securities	827,086	827,659	12,284	815,375	—
Loans held for sale	87,342	87,342	—	87,342	—
Loans, net of allowance for loan losses	5,666,720	5,747,502	—	—	5,747,502
FDIC receivable for loss share agreements	16,713	6,646	—	—	6,646
Accrued interest receivable	16,255	16,255	—	3,637	12,618
Mortgage servicing rights	21,510	21,510	—	—	21,510
Interest rate swap - non-designated hedge	178	178	—	178	—
Other derivative financial instruments (mortgage banking related)	2,982	2,982	—	2,982	—
Financial liabilities:					
Deposits	6,633,657	6,381,486	—	6,381,486	—
Federal funds purchased and securities sold under agreements to repurchase	276,774	276,774	—	276,774	—
Other borrowings	55,003	51,623	—	51,623	—
Accrued interest payable	3,163	3,163	—	3,163	—
Interest rate swap - cash flow hedge	900	900	—	900	—
Interest rate swap - non-designated hedge	178	178	—	178	—
Other derivative financial instruments (mortgage banking related)	530	530	—	530	—
Off balance sheet financial instruments:					
Commitments to extend credit	—	18,005	—	18,005	—
Standby letters of credit and financial guarantees	—	—	—	—	—

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Note 15 — Accumulated Other Comprehensive Income (Loss)

The changes in each components of accumulated other comprehensive income (loss), net of tax, were as follows:

(Dollars in thousands)	Benefit Plans	Unrealized Gains and Losses on Securities Available for Sale	Gains and Losses on Cash Flow Hedges	Total
Three Months Ended March 31, 2016				
Balance at December 31, 2015	\$ (6,015)	\$ 2,588	\$ (444)	\$ (3,871)
Other comprehensive income (loss) before reclassifications	—	7,375	(94)	7,281
Amounts reclassified from accumulated other comprehensive income (loss)	126	(76)	45	95
Net comprehensive income (loss)	126	7,299	(49)	7,376
Balance at March 31, 2016	\$ (5,889)	\$ 9,887	\$ (493)	\$ 3,505
Three Months Ended March 31, 2015				
Balance at December 31, 2014	\$ (5,315)	\$ 5,467	\$ (529)	\$ (377)
Other comprehensive income (loss) before reclassifications	—	3,263	(75)	3,188
Amounts reclassified from accumulated other comprehensive income (loss)	140	—	47	187
Net comprehensive income (loss)	140	3,263	(28)	3,375
Balance at March 31, 2015	\$ (5,175)	\$ 8,730	\$ (557)	\$ 2,998

The table below presents the reclassifications out of accumulated other comprehensive income (loss), net of tax:

(Dollars in thousands) Accumulated Other Comprehensive Income (Loss) Component (Gains) losses on cash flow hedges:	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)		
	For the Three Months Ended March 31,		
	2016	2015	Income Statement Line Item Affected
Interest rate contracts	\$ 73 (28) 45	\$ 76 (29) 47	Interest expense Provision for income taxes Net income

(Gains) losses on sales of available for sale securities:

\$ (122)	\$ —	Other noninterest income
46	—	Provision for income taxes
(76)	—	Net income

Amortization of defined benefit pension:

Actuarial losses	\$ 204	\$ 226	Salaries and employee benefits
	(78)	(86)	Provision for income taxes
	126	140	Net income
Total reclassifications for the period	\$ 95	\$ 187	

Note 16 — Derivative Financial Instruments

Cash Flow Hedge of Interest Rate Risk

The Company utilizes an interest rate swap agreement to convert a portion of its variable-rate debt to a fixed rate (cash flow hedge). During 2009, the Company entered into a forward starting interest rate swap agreement with a notional amount of \$8.0 million to manage interest rate risk due to periodic rate resets on its junior subordinated debt issued by SCBT Capital Trust II, an unconsolidated subsidiary of the Company established for the purpose of issuing trust preferred securities. The Company hedges the variable rate cash flows of subordinated debt against future interest rate increases by using an interest rate swap that effectively fixed the rate on the debt beginning on June 15, 2010, at which time the debt contractually converted from a fixed interest rate to a variable interest rate. This hedge expires on June 15, 2019. The notional amount on which the interest payments are based will not be exchanged. This derivatives contract calls for the Company to pay a fixed rate of 4.06% on \$8.0 million notional amount and receive a variable rate of three-month LIBOR on the \$8.0 million notional amount.

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The Company recognized an after-tax unrealized loss on its cash flow hedge in other comprehensive income of \$49,000 for the three months ended March 31, 2016, compared to an unrealized loss of \$28,000 for the three months ended March 31, 2015. The Company recognized a \$797,000 cash flow hedge liability in other liabilities on the balance sheet at March 31, 2016, compared to a \$900,000 liability recognized at March 31, 2015. There was no ineffectiveness in the cash flow hedge during the three months ended March 31, 2016 and 2015.

Credit risk related to the derivative arises when amounts receivable from the counterparty (derivatives dealer) exceed those payable. The Company controls the risk of loss by only transacting with derivatives dealers that are national market makers whose credit ratings are strong. Each party to the interest rate swap is required to provide collateral in the form of cash or securities to the counterparty when the counterparty's exposure to a mark-to-market replacement value exceeds certain negotiated limits. These limits are typically based on current credit ratings and vary with ratings changes. As of March 31, 2016 and 2015, the Company provided \$850,000 and \$950,000 of collateral, respectively, which is included in cash and cash equivalents on the balance sheet as interest-bearing deposits with banks. Also, the Company has a netting agreement with the counterparty.

Mortgage Banking

The Company also has derivatives contracts that are classified as non-designated hedges. These derivatives contracts are a part of the Company's risk management strategy for its mortgage banking activities. These instruments may include financial forwards, futures contracts, and options written and purchased, which are used to hedge mortgage servicing rights; while forward sales commitments are typically used to hedge the mortgage pipeline. Such instruments derive their cash flows, and therefore their values, by reference to an underlying instrument, index or referenced interest rate. The Company does not elect hedge accounting treatment for any of these derivative instruments and as a result, changes in fair value of the instruments (both gains and losses) are recorded in the Company's consolidated statements of income in mortgage banking income.

Mortgage Servicing Rights

Derivatives contracts related to mortgage servicing rights are used to help offset changes in fair value and are written in amounts referred to as notional amounts. Notional amounts provide a basis for calculating payments between counterparties but do not represent amounts to be exchanged between the parties, and are not a measure of financial risk. On March 31, 2016, the Company had derivative financial instruments outstanding with notional amounts totaling \$121.0 million related to mortgage servicing rights, compared to \$93.0 million on March 31, 2015. The estimated net fair value of the open contracts related to the mortgage servicing rights was recorded as a loss of \$150,000 at March 31, 2016, compared to a gain of \$368,000 at March 31, 2015.

Mortgage Pipeline

The following table presents the Company's notional value of forward sale commitments and the fair value of those obligations along with the fair value of the mortgage pipeline.

(Dollars in thousands)	March 31, 2016	December 31, 2015	March 31, 2015
Mortgage loan pipeline	\$ 115,945	\$ 87,486	\$ 135,542
Expected closures	86,959	65,615	101,657
Fair Value of mortgage loan pipeline commitments	2,187	1,415	2,613
Forward sales commitments	106,000	73,000	154,000
Fair value of forward commitments	(461)	(21)	(530)

Note 17 — Capital Ratios

The Company is subject to regulations with respect to certain risk-based capital ratios. These risk-based capital ratios measure the relationship of capital to a combination of balance sheet and off-balance sheet risks. The values of both balance sheet and off-balance sheet items are adjusted based on the rules to reflect categorical credit risk. In addition to the risk-based capital ratios, the regulatory agencies have also established a leverage ratio for assessing capital adequacy. The leverage ratio is equal to Tier 1 capital divided by total consolidated on-balance sheet assets (minus amounts deducted from Tier 1 capital). The leverage ratio does not involve assigning risk weights to assets.

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In July 2013, the Federal Reserve announced its approval of a final rule to implement the regulatory capital reforms developed by the Basel Committee on Banking Supervision (“Basel III”), among other changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act. The new rules became effective January 1, 2015, subject to a phase-in period for certain aspects of the new rules.

As applied to the Company and the Bank, the new rules include a new minimum ratio of common equity Tier 1 capital (“CET1”) to risk-weighted assets of 4.5%. The new rules also raised the minimum required ratio of Tier 1 capital to risk-weighted assets from 4% to 6%. The minimum required leverage ratio under the new rules is 4%. The minimum required total capital to risk-weighted assets ratio remains at 8% under the new rules.

In order to avoid restrictions on capital distributions and discretionary bonus payments to executives, under the new rules a covered banking organization is also required to maintain a “capital conservation buffer” in addition to its minimum risk-based capital requirements. This buffer is required to consist solely of common equity Tier 1, and the buffer applies to all three risk-based measurements (CET1, Tier 1 capital and total capital). The capital conservation buffer will be phased in incrementally over time, beginning January 1, 2016 and becoming fully effective on January 1, 2019, and will ultimately consist of an additional amount of Tier 1 common equity equal to 2.5% of risk-weighted assets.

The Bank is also subject to the regulatory framework for prompt corrective action, which identifies five capital categories for insured depository institutions (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized) and is based on specified thresholds for each of the three risk-based regulatory capital ratios (CET1, Tier 1 capital and total capital) and for the leverage ratio.

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The following table presents actual and required capital ratios as of March 31, 2016, December 31, 2015 and March 31, 2015 for the Company and the Bank under the Basel III capital rules. The minimum required capital amounts presented include the minimum required capital levels as of March 31, 2016 based on the phase-in provisions of the Basel III Capital Rules and the minimum required capital levels as of January 1, 2019 when the Basel III Capital Rules have been fully phased-in. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Capital Rules.

	Actual		Minimum Capital Required - Basel III Phase-In Schedule		Minimum Capital Required - Basel III Fully Phased In		Required to be Considered Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)								
March 31, 2016								
Common equity Tier 1 to risk-weighted assets:								
Consolidated	\$ 720,309	11.56 %	\$ 319,222	5.125 %	\$ 436,011	7.00 %	\$ 404,867	6.50 %
South State Bank (the Bank)	749,214	12.03 %	319,190	5.125 %	435,967	7.00 %	404,826	6.50 %
Tier 1 capital to risk-weighted assets:								
Consolidated	772,046	12.39 %	373,724	6.00 %	529,442	8.50 %	498,298	8.00 %
South State Bank (the Bank)	749,214	12.03 %	373,686	6.00 %	529,388	8.50 %	498,247	8.00 %
Total capital to risk-weighted assets:								
Consolidated	811,352	13.03 %	498,298	8.00 %	654,017	10.50 %	622,873	10.00 %
South State Bank (the Bank)	788,417	12.66 %	498,247	8.00 %	653,950	10.50 %	622,809	10.00 %
Tier 1 capital to average assets (leverage ratio):								
Consolidated	772,046	9.41 %	328,059	4.00 %	328,059	4.00 %	410,074	5.00 %
South State Bank (the Bank)	749,214	9.14 %	327,842	4.00 %	327,842	4.00 %	409,803	5.00 %
December 31, 2015:								
Common equity Tier 1 to risk-weighted assets:								
Consolidated	\$ 711,577	11.84 %	\$ 270,432	4.50 %	\$ 420,762	7.00 %	\$ 390,624	6.50 %
South State Bank (the Bank)	740,532	12.33 %	270,354	4.50 %	420,550	7.00 %	390,511	6.50 %
Tier 1 capital to risk-weighted assets:								
Consolidated	763,590	12.71 %	360,576	6.00 %	510,817	8.50 %	480,768	8.00 %
	740,532	12.33 %	360,471	6.00 %	510,668	8.50 %	480,629	8.00 %

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South State Bank (the Bank)									
Total capital to risk-weighted assets:									
Consolidated	801,745	13.34 %	480,768	8.00 %	631,009	10.50 %	600,961	10.00 %	
South State Bank (the Bank)	778,538	12.96 %	480,629	8.00 %	630,825	10.50 %	600,786	10.00 %	
Tier 1 capital to average assets (leverage ratio):									
Consolidated	763,590	9.31 %	328,085	4.00 %	328,085	4.00 %	410,107	5.00 %	
South State Bank (the Bank)	740,532	9.03 %	327,854	4.00 %	327,854	4.00 %	409,818	5.00 %	
March 31, 2015:									
Common equity Tier 1 to risk-weighted assets:									
Consolidated	\$ 670,750	12.26 %	\$ 246,398	4.50 %	\$ 383,286	7.00 %	\$ 355,908	6.50 %	
South State Bank (the Bank)	707,542	12.93 %	246,287	4.50 %	383,113	7.00 %	355,748	6.50 %	
Tier 1 capital to risk-weighted assets:									
Consolidated	721,069	13.18 %	328,531	6.00 %	465,418	8.50 %	438,041	8.00 %	
South State Bank (the Bank)	707,542	12.93 %	328,383	6.00 %	465,209	8.50 %	437,843	8.00 %	
Total capital to risk-weighted assets:									
Consolidated	759,534	13.89 %	438,041	8.00 %	574,928	10.50 %	547,551	10.00 %	
South State Bank (the Bank)	746,008	13.63 %	437,483	8.00 %	574,669	10.50 %			