SOUTH STATE Corp
Form 10-Q
November 04, 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 September 30, 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

SOUTH STATE CORPORATION

(Exact name of registrant as specified in its charter)

South Carolina	57-0799315
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

520 Gervais Street	
Columbia, South Carolina	29201
(Address of principal executive offices)	(Zip Code)

(800) 277-2175

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	Accelerated Filer
Non-Accelerated Filer	Smaller Reporting Company

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 October 31, 2016
Common Stock, $2.50 par value	24,218,820

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South State Corporation and Subsidiary

September 30, 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)

	September 30, 2016 (Unaudited)	December 31, 2015 (Note 1)	September 30, 2015 (Unaudited)
ASSETS			
Cash and cash equivalents:			
Cash and due from banks	$ 168,774	$ 178,664	$ 156,489
Interest-bearing deposits with banks	66,335	218,883	492,346
Federal funds sold and securities purchased under agreements to resell	272,408	298,247	240,545
Total cash and cash equivalents	507,517	695,794	889,380
Investment securities:			
Securities held to maturity (fair value of $7,076, $9,723 and $9,758, respectively)	6,851	9,314	9,314
Securities available for sale, at fair value	925,374	1,009,541	885,798
Other investments	9,482	8,893	9,031
Total investment securities	941,707	1,027,748	904,143
Loans held for sale	57,052	41,649	48,985
Loans:			
Acquired credit impaired (covered of $0, $98,459 and $103,329, respectively; non-covered of $632,617, $635,411 and $665,277, respectively), net of allowance for loan losses	632,617	733,870	768,606
Acquired non-credit impaired (covered of $0, $8,047 and $7,990, respectively; non-covered of $885,657, $1,041,491 and $1,099,450, respectively)	885,657	1,049,538	1,107,440
Non-acquired	5,008,113	4,220,726	3,994,716
Less allowance for non-acquired loan losses	(37,319)	(34,090)	(35,116)
Loans, net	6,489,068	5,970,044	5,835,646
FDIC indemnification asset	—	4,401	7,942
Other real estate owned (covered of $0, $5,751 and $5,465, respectively; non-covered of $22,211, $24,803 and $25,913, respectively)	22,211	30,554	31,378
Premises and equipment, net	179,450	174,537	174,662
Bank owned life insurance	103,427	101,588	100,967
Deferred tax assets	25,357	37,827	40,090

Mortgage servicing rights	23,064	26,202	24,665
Core deposit and other intangibles	41,738	47,425	49,982
Goodwill	338,340	338,340	338,342
Other assets	68,234	61,239	53,694
Total assets	$ 8,797,165	$ 8,557,348	$ 8,499,876
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing	$ 2,176,155	$ 1,976,480	$ 1,927,309
Interest-bearing	5,071,251	5,123,948	5,150,700
Total deposits	7,247,406	7,100,428	7,078,009
Federal funds purchased and securities sold under agreements to repurchase	305,268	288,231	260,521
Other borrowings	55,306	55,158	55,107
Other liabilities	65,053	54,147	57,927
Total liabilities	7,673,033	7,497,964	7,451,564
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; 24,209,122, 24,162,657 and 24,211,793 shares issued and outstanding, respectively	60,523	60,407	60,529
Surplus	705,124	703,929	706,227
Retained earnings	354,490	298,919	279,681
Accumulated other comprehensive income (loss)	3,995	(3,871)	1,875
Total shareholders' equity	1,124,132	1,059,384	1,048,312
Total liabilities and shareholders' equity	$ 8,797,165	$ 8,557,348	$ 8,499,876

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)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest income:				
Loans, including fees	$ 77,344	$ 79,857	$ 231,752	$ 238,111
Investment securities:				
Taxable	4,309	4,106	13,579	11,590
Tax-exempt	962	1,112	2,970	3,262
Federal funds sold and securities purchased under agreements to resell	666	487	2,174	1,362
Total interest income	83,281	85,562	250,475	254,325
Interest expense:				
Deposits	1,412	1,811	4,380	5,550
Federal funds purchased and securities sold under agreements to repurchase	137	95	418	296
Other borrowings	487	641	1,431	2,138
Total interest expense	2,036	2,547	6,229	7,984
Net interest income	81,245	83,015	244,246	246,341
Provision for loan losses	912	1,075	6,198	5,038
Net interest income after provision for loan losses	80,333	81,940	238,048	241,303
Noninterest income:				
Fees on deposit accounts	20,776	19,212	62,439	53,403
Mortgage banking income	6,286	4,817	16,104	18,532
Trust and investment services income	4,877	5,489	14,573	15,474
Securities gains, net	—	—	122	—
Amortization of FDIC indemnification asset, net	—	(1,871)	(5,901)	(7,120)
Recoveries on acquired loans	2,207	879	5,130	2,099
Other	1,194	1,245	5,032	3,970
Total noninterest income	35,340	29,771	97,499	86,358
Noninterest expense:				
Salaries and employee benefits	41,972	40,013	123,941	120,754
Net occupancy expense	5,464	5,395	16,364	15,678
Information services expense	5,237	4,736	15,353	13,076
Furniture and equipment expense	3,234	2,554	9,157	8,461
OREO expense and loan related	2,085	2,717	4,733	7,750
Bankcard expense	2,940	2,448	8,859	6,713
Amortization of intangibles	1,891	2,078	5,687	6,058
Supplies, printing and postage expense	1,345	1,377	4,910	4,391
Professional fees	1,758	1,383	4,663	4,377
FDIC assessment and other regulatory charges	1,001	1,248	3,162	3,685

Advertising and marketing	790	1,054	2,293	2,918
Branch consolidation and merger-related expense	709	3,091	3,240	5,328
Other	4,765	5,100	16,712	16,019
Total noninterest expense	73,191	73,194	219,074	215,208
Earnings:				
Income before provision for income taxes	42,482	38,517	116,473	112,453
Provision for income taxes	14,387	13,377	39,368	38,515
Net income	$ 28,095	$ 25,140	$ 77,105	$ 73,938
Earnings per common share:				
Basic	$ 1.17	$ 1.05	$ 3.21	$ 3.09
Diluted	$ 1.16	$ 1.04	$ 3.18	$ 3.05
Dividends per common share	$ 0.31	$ 0.25	$ 0.89	$ 0.72
Weighted average common shares outstanding:				
Basic	24,016	23,984	23,989	23,956
Diluted	24,278	24,285	24,229	24,235

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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	$ 28,095	$ 25,140	$ 77,105	$ 73,938
Other comprehensive income:				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during period	(4,388)	5,991	12,162	2,981
Tax effect	1,673	(2,284)	(4,638)	(1,137)
Reclassification adjustment for gains included in net income	—	—	(122)	—
Tax effect	—	—	47	—
Net of tax amount	(2,715)	3,707	7,449	1,844
Unrealized gains (losses) on derivative financial instruments qualifying as cash flow hedges:				
Unrealized holding gains (losses) arising during period	51	(154)	(147)	(245)
Tax effect	(19)	59	56	93
Reclassification adjustment for losses included in interest expense	69	89	209	230
Tax effect	(27)	(34)	(80)	(88)
Net of tax amount	74	(40)	38	(10)
Change in pension plan obligation:				
Reclassification adjustment for changes included in net income	204	225	612	674
Tax effect	(78)	(86)	(233)	(256)
Net of tax amount	126	139	379	418
Other comprehensive income (loss), net of tax	(2,515)	3,806	7,866	2,252
Comprehensive income	$ 25,580	$ 28,946	$ 84,971	$ 76,190

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)

Nine months ended September 30, 2016 and 2015

(Dollars in thousands, except for share data)

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock 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	—	—	—	—	—	73,938	—	73,938
Other comprehensive income, net of tax effects	—	—	—	—	—	—	2,252	2,252
Total comprehensive income								76,190
Cash dividends declared on common stock at $0.72 per share	—	—	—	—	—	(17,413)	—	(17,413)
Employee stock purchases	—	—	6,971	17	427	—	—	444
Stock options exercised	—	—	30,560	77	881	—	—	958
Restricted stock awards	—	—	41,105	102	(102)	—	—	—
Common stock repurchased	—	—	(17,545)	(44)	(1,057)	—	—	(1,101)
Share-based compensation expense	—	—	—	—	4,314	—	—	4,314
Balance, September 30, 2015	—	$ —	24,211,793	$ 60,529	$ 706,227	$ 279,681	$ 1,875	$ 1,048,312
	—	$ —	24,162,657	$ 60,407	$ 703,929	$ 298,919	$ (3,871)	$ 1,059,384

Balance, December 31, 2015								
Comprehensive income:								
Net income	—	—	—	—	—	77,105	—	77,105
Other comprehensive income, net of tax effects	—	—	—	—	—	—	7,866	7,866
Total comprehensive income								84,971
Cash dividends declared at $0.89 per share	—	—	—	—	—	(21,534)	—	(21,534)
Employee stock purchases			7,793	19	455			474
Stock options exercised	—	—	44,491	111	1,402	—	—	1,513
Restricted stock awards	—	—	39,431	99	(99)	—	—	—
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	—	—	(48,253)	(121)	(3,129)	—	—	(3,250)
Share-based compensation expense	—	—	—	—	4,704	—	—	4,704
Balance, September 30, 2016	—	$ —	24,209,122	$ 60,523	$ 705,124	$ 354,490	$ 3,995	$ 1,124,132

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)

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net income	$ 77,105	$ 73,938
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,016	15,704
Provision for loan losses	6,198	5,038
Deferred income taxes	7,622	1,213
Gain on sale of securities, net	(122)	—
Share-based compensation expense	4,704	4,314
Amortization of FDIC indemnification asset	3,566	7,120
Accretion of discount related to performing acquired loans	(4,183)	(4,777)
(Gain) Loss on disposals of premises and equipment	(52)	432
Gain on sale of OREO	(1,672)	(1,492)
Net amortization of premiums on investment securities	4,095	3,293
OREO write downs	4,070	7,673
Fair value adjustment for loans held for sale	(732)	(104)
Originations and purchases of mortgage loans for sale	(557,388)	(725,597)
Proceeds from mortgage loans sales	542,717	738,558
Net change in:		
Accrued interest receivable	(419)	(248)
Prepaid assets	(563)	187
FDIC indemnification asset	3,177	7,098
Miscellaneous other assets	(7,983)	787
Accrued interest payable	(806)	(2,009)
Accrued income taxes	6,775	15,435
Miscellaneous other liabilities	10,393	3,322
Net cash provided by operating activities	112,518	149,885
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	2,466	345
Proceeds from maturities and calls of investment securities available for sale	324,110	175,875
Proceeds from calls of other investment securities	—	1,392
Proceeds from sales of other investment securities	71	95
Purchases of investment securities available for sale	(232,016)	(255,218)
Purchases of other investment securities	(660)	—
Net increase in loans	(533,393)	(175,094)
Net cash received from acquisitions	—	403,548
Payment to terminate FDIC Loss Share Agreements	(2,342)	—

Recoveries of loans previously charged off	2,620	—
Purchases of premises and equipment	(18,320)	(11,677)
Proceeds from sale of OREO	17,392	28,189
Proceeds from sale of premises and equipment	52	25
Net cash provided by (used in) investing activities	(439,883)	167,480
Cash flows from financing activities:		
Net increase in deposits	146,990	178,675
Net increase in federal funds purchased and securities sold under agreements to repurchase and other short-term borrowings	17,037	38,980
Repayment of other borrowings	(12)	(46,397)
Common stock issuance	474	444
Common stock repurchase	(5,380)	(1,101)
Dividends paid on common stock	(21,534)	(17,413)
Stock options exercised	1,513	958
Net cash provided by financing activities	139,088	154,146
Net increase (decrease) in cash and cash equivalents	(188,277)	471,511
Cash and cash equivalents at beginning of period	695,794	417,869
Cash and cash equivalents at end of period	$ 507,517	$ 889,380
Supplemental Disclosures:		
Cash Flow Information:		
Cash paid for:		
Interest	$ 7,036	$ 9,993
Income taxes	$ 25,364	$ 21,946
Schedule of Noncash Investing Transactions:		
Real estate acquired in full or in partial settlement of loans (covered of $2,151 and $6,832, respectively; and non-covered of $9,296 and $16,190, respectively)	$ 11,447	$ 23,022

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 and nine months ended September 30, 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 August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments: (“ASU 2016-15”). ASU 2016-15 addresses eight classification issues related to the statement of cash flows: Debt prepayment or debt extinguishment costs; Settlement of zero-coupon bonds; Contingent consideration payments made after a business combination; Proceeds from the settlement of insurance claims; Proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; Distributions received from equity method investees; Beneficial interests in securitization transactions; and Separately identifiable cash flows and application of the predominance principle. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. Entities will apply the standard's provisions using a retrospective transition method to each period presented. The Company does not believe that this guidance will have a material impact on the Company’s consolidated financial statements.

In June 2016, the FASB ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments: (“ASU 2016-13”). ASU 2016-13 requires an entity to utilize a new impairment model known as the current expected credit loss ("CECL") model to estimate its lifetime "expected credit loss" and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model is expected to result in earlier recognition of credit losses. ASU 2016-13 also requires new disclosures for financial assets measured at amortized cost, loans and available-for-sale debt securities. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company is currently assessing the impact of the new guidance on the Company’s consolidated financial statements.

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In March 2016, the FASB issued 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 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.

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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 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

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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 became 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 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.

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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. We refer to the loans acquired by the Bank upon the completion of mergers and acquisitions as “acquired loans.”

Southeastern Bank Financial Corporation Acquisition

On June 16, 2016, South State Corporation, (“SSB”) entered into an Agreement and Plan of Merger with Southeastern Bank Financial Corporation, a Georgia corporation ("SBFC"), and a bank holding company headquartered in Augusta, Georgia. The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, SBFC will merge with and into SSB, with SSB as the surviving corporation in the Merger. Immediately following the Merger, SBFC's wholly owned bank subsidiary, Georgia Bank & Trust Company of Augusta ("Georgia Bank & Trust"), will merge with and into the Bank, with the Bank as the surviving entity in the bank merger.   At September 30, 2016, SBFC reported $1.9 billion in total assets, $1.0 billion in loans and $1.6 billion in deposits. Georgia Bank & Trust has nine full service branches in Augusta, Georgia, three full service branches in Aiken, South Carolina that serve individuals and businesses and a limited service loan production office in Athens, Georgia.

Under the terms of the merger agreement, SBFC common shareholders will receive aggregate consideration of approximately 4,969,147 shares of SSB common stock. The common stock consideration is based upon a fixed exchange ratio of 0.7307 shares of SSB common stock for each of the outstanding shares of SBFC common stock.

Special shareholder meetings of SBFC and SSB to ratify the merger proposal were held on October 18, 2016 and the merger proposal was approved. All regulatory approvals have been received from the Georgia Department of Banking and Finance, South Carolina State Board of Financials Institutions, the FDIC and the Federal Reserve Bank of Richmond. The transaction is expected to close on or around January 3, 2017.

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
September 30, 2016:				
State and municipal obligations	$ 6,851	$ 225	$ —	$ 7,076
December 31, 2015:				
State and municipal obligations	$ 9,314	$ 409	$ —	$ 9,723
September 30, 2015:				
State and municipal obligations	$ 9,314	$ 444	$ —	$ 9,758

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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
September 30, 2016:				
Government-sponsored entities debt*	$ 62,996	$ 20	$ (36)	$ 62,980
State and municipal obligations	112,797	4,542	(15)	117,324
Mortgage-backed securities**	729,699	11,721	(143)	741,277
Corporate stocks	3,658	380	(245)	3,793
	$ 909,150	$ 16,663	$ (439)	$ 925,374
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
September 30, 2015:				
Government-sponsored entities debt*	$ 123,926	$ 188	$ (320)	$ 123,794
State and municipal obligations	130,553	3,946	(161)	134,338
Mortgage-backed securities**	616,341	9,170	(438)	625,073
Corporate stocks	3,161	411	(979)	2,593
	$ 873,981	$ 13,715	$ (1,898)	$ 885,798

* - 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
September 30, 2016:				
Federal Home Loan Bank stock	$ 7,840	$ —	$ —	$ 7,840
Investment in unconsolidated subsidiaries	1,642	—	—	1,642

	$	9,482	$	—	$	—	$ 9,482
December 31, 2015:							
Federal Home Loan Bank stock	$	7,251	$	—	$	—	$ 7,251
Investment in unconsolidated subsidiaries		1,642		—		—	1,642
	$	8,893	$	—	$	—	$ 8,893
September 30, 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 September 30, 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. Corporate Stocks including equity and preferred stocks with no stated maturity are included in the due after ten years category.

	Securities Held to Maturity		Securities Available for Sale	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 1,928	$ 1,969	$ 6,804	$ 6,861
Due after one year through five years	2,984	3,084	90,063	90,966
Due after five years through ten years	1,939	2,023	153,896	158,477
Due after ten years	—	—	658,387	669,070
	$ 6,851	$ 7,076	$ 909,150	$ 925,374

Information pertaining to the Company's securities with gross unrealized losses at September 30, 2016, December 31, 2015 and September 30, 2015, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position is as follows:

	Less Than Twelve Months		Twelve Months or More	
(Dollars in thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
September 30, 2016:				
Securities Available for Sale				
Government-sponsored entities debt	$ 36	$ 11,962	$ —	$ —
State and municipal obligations	15	1,947	—	—
Mortgage-backed securities	106	56,023	37	2,325
Corporate stocks	—	—	245	1,496
	$ 157	$ 69,932	$ 282	$ 3,821
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
September 30, 2015:				
Securities Available for Sale				
Government-sponsored entities debt	$ 77	$ 14,915	$ 243	$ 32,732
State and municipal obligations	12	5,074	149	4,221

Mortgage-backed securities	179	32,579	259	24,555
Corporate stocks	—	—	979	1,251
	$ 268	$ 52,568	$ 1,630	$ 62,759

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 September 30, 2016 continue to perform as scheduled. All equity securities available for sale in an unrealized loss position as of September 30, 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

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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 securities; therefore, management does not consider these investments to be other-than-temporarily impaired at September 30, 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)	September 30, 2016	December 31, 2015	September 30, 2015
Non-acquired loans:			
Commercial non-owner occupied real estate:			
Construction and land development	$ 562,336	$ 401,979	$ 372,077
Commercial non-owner occupied	630,437	487,777	406,489
Total commercial non-owner occupied real estate	1,192,773	889,756	778,566
Consumer real estate:			
Consumer owner occupied	1,183,441	1,018,984	987,863
Home equity loans	363,825	319,255	308,563
Total consumer real estate	1,547,266	1,338,239	1,296,426
Commercial owner occupied real estate	1,153,480	1,033,398	1,012,428
Commercial and industrial	617,525	503,808	462,588
Other income producing property	179,595	175,848	169,997
Consumer	305,687	233,104	223,210
Other loans	11,787	46,573	51,501
Total non-acquired loans	5,008,113	4,220,726	3,994,716
Less allowance for loan losses	(37,319)	(34,090)	(35,116)
Non-acquired loans, net	$ 4,970,794	$ 4,186,636	$ 3,959,600

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)	September 30, 2016	December 31, 2015	September 30, 2015
FASB ASC Topic 310-20 acquired loans:			

Commercial non-owner occupied real estate:			
Construction and land development	$ 10,683	$ 13,849	$ 16,482
Commercial non-owner occupied	35,775	40,103	42,172
Total commercial non-owner occupied real estate	46,458	53,952	58,654
Consumer real estate:			
Consumer owner occupied	435,132	518,107	542,278
Home equity loans	168,758	190,968	203,025
Total consumer real estate	603,890	709,075	745,303
Commercial owner occupied real estate	29,444	39,220	42,524
Commercial and industrial	14,201	25,475	27,459
Other income producing property	43,152	51,169	56,092
Consumer	148,512	170,647	177,408
Total FASB ASC Topic 310-20 acquired loans	$ 885,657	$ 1,049,538	$ 1,107,440

The unamortized discounted related to the acquired non-credit impaired loans totaled $12.6 million, $16.8 million, and $18.7 million at September 30, 2016, December 31, 2015, and September 30, 2015, respectively.

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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 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)	September 30, 2016	December 31, 2015	September 30, 2015
FASB ASC Topic 310-30 acquired loans:			
Commercial loans greater than or equal to $1 million-CBT	$ 10,958	$ 12,628	$ 12,963
Commercial real estate	220,489	255,430	266,465
Commercial real estate—construction and development	47,081	54,272	55,168
Residential real estate	268,968	313,319	330,754
Consumer	61,866	70,734	73,632
Commercial and industrial	26,658	31,193	34,074
Single pay	—	—	24
Total FASB ASC Topic 310-30 acquired loans	636,020	737,576	773,080
Less allowance for loan losses	(3,403)	(3,706)	(4,474)
FASB ASC Topic 310-30 acquired loans, net	$ 632,617	$ 733,870	$ 768,606

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 September 30, 2016, December 31, 2015 and September 30, 2015 are as follows:

(Dollars in thousands)	September 30, 2016	December 31, 2015	September 30, 2015
Contractual principal and interest	$ 822,340	$ 968,857	$ 1,025,557
Non-accretable difference	(22,222)	(29,743)	(52,463)
Cash flows expected to be collected	800,118	939,114	973,094
Accretable yield	(164,098)	(201,538)	(200,014)
Carrying value	$ 636,020	$ 737,576	$ 773,080
Allowance for acquired loan losses	$ (3,403)	$ (3,706)	$ (4,474)

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:

	Nine Months Ended September 30,	
(Dollars in thousands)	2016	2015
Balance at beginning of period	$ 733,870	$ 919,402
Net reductions for payments, foreclosures, and accretion	(101,556)	(153,687)
Change in the allowance for loan losses on acquired loans	303	2,891
Balance at end of period, net of allowance for loan losses on acquired loans	$ 632,617	$ 768,606

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

	Nine Months Ended September 30,	
(Dollars in thousands)	2016	2015
Balance at beginning of period	$ 201,538	$ 306,826
Accretion	(56,850)	(76,168)
Reclass of nonaccretable difference due to improvement in expected cash flows	18,631	39,030
Other changes, net	779	(69,674)
Balance at end of period	$ 164,098	$ 200,014

In the third quarter of 2016, the accretable yield balance declined by $17.3 million as loan accretion (income) was recognized. This was partially offset by improved expected cash flows of $5.5 million.

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

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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 the Bank's Special Assets Management Group are reviewed quarterly and assigned a loss given default. Acquired loans not managed by the Bank's Special Assets Management Group 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.

On June 23, 2016, the Bank entered into an early termination agreement with the FDIC with respect to all of its outstanding loss share agreements. The loss share agreements were entered into with the FDIC in 2009, 2010, 2011 and 2012 either by the Bank or by First Federal Bank, acquired by the Bank in July of 2013. As a result of the termination agreement, all assets previously classified as covered became uncovered effective June 23, 2016, and as a result the Bank will now recognize the full amount of future charge-offs, recoveries, gains, losses, and expenses related to these previously covered assets, as the FDIC will no longer share in these amounts.

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 September 30, 2016:				
Balance at beginning of period	$ 36,939	$ —	$ 3,752	$ 40,691
Loans charged-off	(1,108)	(280)	—	(1,388)
Recoveries of loans previously charged off (1)	713	120	—	833
Net charge-offs	(395)	(160)	—	(555)
Provision	775	160	(23)	912
Benefit attributable to FDIC loss share agreements	—	—	—	—
Total provision for loan losses charged to operations	775	160	(23)	912
Provision for loan losses recorded through the FDIC loss share receivable	—	—	—	—
Reduction due to loan removals	—	—	(326)	(326)
Balance at end of period	$ 37,319	$ —	$ 3,403	$ 40,722
Three Months Ended September 30, 2015:				

Balance at beginning of period	$ 34,782	$ —	$ 4,688	$ 39,470
Loans charged-off	(1,530)	(141)	—	(1,671)
Recoveries of loans previously charged off (1)	655	273	—	928
Net charge-offs	(875)	132	—	(743)
Provision	1,209	(132)	(2)	1,075
Benefit attributable to FDIC loss share agreements	—	—	—	—
Total provision for loan losses charged to operations	1,209	(132)	(2)	1,075
Provision for loan losses recorded through the FDIC loss share receivable	—	—	—	—
Reduction due to loan removals	—	—	(212)	(212)
Balance at end of period	$ 35,116	$ —	$ 4,474	$ 39,590

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(Dollars in thousands)	Non-acquired Loans	Acquired Non-Credit Impaired Loans	Acquired Credit Impaired Loans	Total
Nine Months Ended September 30, 2016:				
Balance at beginning of period	$ 34,090	$ —	$ 3,706	$ 37,796
Loans charged-off	(4,384)	(810)	—	(5,194)
Recoveries of loans previously charged off (1)	2,358	262	—	2,620
Net charge-offs	(2,026)	(548)	—	(2,574)
Provision	5,255	548	372	6,175
Benefit attributable to FDIC loss share agreements	—	—	23	23
Total provision for loan losses charged to operations	5,255	548	395	6,198
Provision for loan losses recorded through the FDIC loss share receivable	—	—	(23)	(23)
Reduction due to loan removals	—	—	(675)	(675)
Balance at end of period	$ 37,319	$ —	$ 3,403	$ 40,722
Nine Months Ended September 30, 2015:				
Balance at beginning of period	$ 34,539	$ —	$ 7,365	$ 41,904
Loans charged-off	(4,206)	(2,510)	—	(6,716)
Recoveries of loans previously charged off (1)	2,253	323	—	2,576
Net charge-offs	(1,953)	(2,187)	—	(4,140)
Provision	2,530	2,187	300	5,017
Benefit attributable to FDIC loss share agreements	—	—	21	21
Total provision for loan losses charged to operations	2,530	2,187	321	5,038
Provision for loan losses recorded through the FDIC loss share receivable	—	—	(21)	(21)
Reduction due to loan removals	—	—	(3,191)	(3,191)
Balance at end of period	$ 35,116	$ —	$ 4,474	$ 39,590

(1) – Recoveries related to acquired credit impaired loans are recorded through other noninterest income on the consolidated statement of income and do not run through the allowance for loan losses.

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

nds)	Construction & Land Development	Commercial Non-owner Occupied	Commercial Owner Occupied	Consumer Owner Occupied	Home Equity	Commercial & Industrial	Other Income Producing Property	Consumer	Other Loans
led									
6									
n									

2016	$ 4,665	$ 4,656	$ 8,003	$ 7,530	$ 3,148	$ 4,269	$ 1,812	$ 2,014	$ 842
	—	—	(16)	(45)	—	(31)	—	(1,016)	—
	241	28	25	27	64	104	8	216	—
)	(795)	(93)	516	338	69	368	(201)	1,094	(521)
16	$ 4,111	$ 4,591	$ 8,528	$ 7,850	$ 3,281	$ 4,710	$ 1,619	$ 2,308	$ 321
y									
	$ 359	$ 181	$ 65	$ 58	$ 38	$ 385	$ 289	$ 4	$ —
	$ 3,752	$ 4,410	$ 8,463	$ 7,792	$ 3,243	$ 4,325	$ 1,330	$ 2,304	$ 321
y									
	$ 3,431	$ 764	$ 6,352	$ 3,127	$ 1,599	$ 1,453	$ 4,319	$ 142	$ —
	558,905	629,673	1,147,128	1,180,314	362,226	616,072	175,276	305,545	11,787
d									
	$ 562,336	$ 630,437	$ 1,153,480	$ 1,183,441	$ 363,825	$ 617,525	$ 179,595	$ 305,687	$ 11,787
led 15 n									
	$ 4,998	$ 3,038	$ 8,684	$ 7,125	$ 2,868	$ 3,983	$ 2,019	$ 1,608	$ 459
	(85)	(5)	(23)	(230)	(74)	(102)	—	(1,011)	—
	122	23	7	89	91	79	11	233	—
)	(826)	268	376	471	26	16	(3)	886	(5)
15	$ 4,209	$ 3,324	$ 9,044	$ 7,455	$ 2,911	$ 3,976	$ 2,027	$ 1,716	$ 454
y									
	$ 585	$ 26	$ 248	$ 121	$ 3	$ 21	$ 430	$ 3	$ 19
	$ 3,624	$ 3,298	$ 8,796	$ 7,334	$ 2,908	$ 3,955	$ 1,597	$ 1,713	$ 435
y									
	$ 5,727	$ 2,569	$ 11,445	$ 7,818	$ 293	$ 1,045	$ 4,788	$ 101	$ 693
	366,350	403,920	1,000,983	980,045	308,270	461,543	165,209	223,109	50,808
d									
	$ 372,077	$ 406,489	$ 1,012,428	$ 987,863	$ 308,563	$ 462,588	$ 169,997	$ 223,210	$ 51,501

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(Dollars in thousands)	Construction & Land Development	Commercial Non-owner Occupied	Commercial Owner Occupied	Consumer Owner Occupied	Home Equity	Commercial & Industrial	Other Income Producing Property	Consumer	Ot Lo
Nine Months Ended September 30, 2016									
Allowance for loan losses:									
Balance, December 31, 2015	$ 4,116	$ 3,568	$ 8,341	$ 7,212	$ 2,929	$ 3,974	$ 1,963	$ 1,694	$ 2
Charge-offs	(159)	—	(117)	(174)	(767)	(358)	(7)	(2,802)	
Recoveries	848	59	46	125	239	207	47	787	
Provision (benefit)	(694)	964	258	687	880	887	(384)	2,629	2
Balance, September 30, 2016	$ 4,111	$ 4,591	$ 8,528	$ 7,850	$ 3,281	$ 4,710	$ 1,619	$ 2,308	$ 3
Nine Months Ended September 30, 2015									
Allowance for loan losses:									
Balance, December 31, 2014	$ 5,666	$ 3,154	$ 8,415	$ 6,866	$ 2,829	$ 3,561	$ 2,232	$ 1,367	$ 4
Charge-offs	(185)	(88)	(575)	(274)	(282)	(357)	(13)	(2,432)	
Recoveries	256	52	23	134	201	745	77	765	
Provision (benefit)	(1,528)	206	1,181	729	163	27	(269)	2,016	5
Balance, September 30, 2015	$ 4,209	$ 3,324	$ 9,044	$ 7,455	$ 2,911	$ 3,976	$ 2,027	$ 1,716	$ 4

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

rs in thousands)	Construction & Land Development	Commercial Non-owner Occupied	Commercial Owner Occupied	Consumer Owner Occupied	Home Equity	Commercial & Industrial	Other Income Producing Property	Consumer	Total
Months Ended									
nber 30, 2016									
ance for loan									
e at beginning									
od	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
e-offs	—	—	(3)	—	(105)	(23)	—	(149)	(280)
eries	1	—	—	3	89	1	—	26	120

on (benefit)	(1)	—	3	(3)	16	22	—	123	160
e, nber 30, 2016	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
individually ted for ment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
collectively ted for ment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
individually ted for ment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
collectively ted for ment	10,683	35,775	29,444	435,132	168,758	14,201	43,152	148,512	885,6
acquired edit impaired									
	$ 10,683	$ 35,775	$ 29,444	$ 435,132	$ 168,758	$ 14,201	$ 43,152	$ 148,512	$ 885,6
Months Ended nber 30, 2015 ance for loan									
e at beginning od	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
-offs	—	—	—	8	(79)	(7)	—	(63)	(141)
eries	1	—	—	95	161	2	3	11	273
on (benefit)	(1)	—	—	(103)	(82)	5	(3)	52	(132)
e, nber 30, 2015	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
individually ted for ment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
collectively ted for ment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
individually ted for ment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
collectively ted for ment	16,482	42,172	42,524	542,278	203,025	27,459	56,092	177,408	1,107
acquired edit impaired									
	$ 16,482	$ 42,172	$ 42,524	$ 542,278	$ 203,025	$ 27,459	$ 56,092	$ 177,408	$ 1,107

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(Dollars in thousands)	Construction & Land Development	Commercial Non-owner Occupied	Commercial Owner Occupied	Consumer Owner Occupied	Home Equity	Commercial & Industrial	Other Income Producing Property	Consumer	Total
Nine Months Ended September 30, 2016									
Allowance for loan losses:									
Balance, December 31, 2015	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Charge-offs	—	—	(3)	—	(292)	(30)	—	(485)	(810)
Recoveries	3	—	—	9	197	3	1	49	262
Provision (benefit)	(3)	—	3	(9)	95	27	(1)	436	548
Balance, September 30, 2016	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Nine Months Ended September 30, 2015									
Allowance for loan losses:									
Balance, December 31, 2014	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Charge-offs	—	—	—	(360)	(1,459)	(120)	(3)	(568)	(2,510)
Recoveries	3	—	—	100	178	17	4	21	323
Provision (benefit)	(3)	—	—	260	1,281	103	(1)	547	2,187
Balance, September 30, 2015	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

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)	Commercial Loans Greater Than or Equal to $1 Million-CBT	Commercial Real Estate	Commercial Real Estate-Construction and Development	Residential Real Estate	Consumer	Commercial and Industrial	Single Pay	Total
Three Months Ended September 30, 2016								
Allowance for loan losses:								
Balance, June 30, 2016	$ —	$ 35	$ 151	$ 2,592	$ 778	$ 196	$ —	$ 3,752
Provision (benefit) for loan losses before benefit attributable to	—	—	—	2	(23)	(2)	—	(23)

FDIC loss share agreements								
Benefit attributable to FDIC loss share agreements	—	—	—	—	—	—	—	—
Total provision (benefit) for loan losses charged to operations	—	—	—	2	(23)	(2)	—	(23)
Provision for loan losses recorded through the FDIC loss share receivable	—	—	—	—	—	—	—	—
Reduction due to loan removals	—	5	(6)	(102)	(211)	(12)	—	(326)
Balance, September 30, 2016	$ —	$ 40	$ 145	$ 2,492	$ 544	$ 182	$ —	$ 3,403
Loans individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Loans collectively evaluated for impairment	$ —	$ 40	$ 145	$ 2,492	$ 544	$ 182	$ —	$ 3,403
Loans:*								
Loans individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Loans collectively evaluated for impairment	10,958	220,489	47,081	268,968	61,866	26,658	—	636,020
Total acquired credit impaired loans	$ 10,958	$ 220,489	$ 47,081	$ 268,968	$ 61,866	$ 26,658	$ —	$ 636,020
Three Months Ended September 30, 2015								
Allowance for loan losses:								
Balance , June 30, 2015	$ (66)	$ 532	$ 344	$ 3,183	$ 449	$ 197	$ 49	$ 4,688
Provision (benefit) for loan losses before benefit attributable to FDIC loss share agreements	7	—	433	(160)	(249)	15	(48)	(2)
Benefit attributable to FDIC loss share agreements	—	—	—	—	—	—	—	—
Total provision (benefit) for loan losses charged to operations	7	—	433	(160)	(249)	15	(48)	(2)

Provision for loan losses recorded through the FDIC loss share receivable	—	—	—	—	—	—	—	—
Reduction due to loan removals	59	(7)	(49)	(160)	(44)	(12)	1	(212)
Balance, September 30, 2015	$ —	$ 525	$ 728	$ 2,863	$ 156	$ 200	$ 2	$ 4,474
Loans individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Loans collectively evaluated for impairment	$ —	$ 525	$ 728	$ 2,863	$ 156	$ 200	$ 2	$ 4,474
Loans:*								
Loans individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Loans collectively evaluated for impairment	12,963	266,465	55,168	330,754	73,632	34,074	24	773,080
Total acquired credit impaired loans	$ 12,963	$ 266,465	$ 55,168	$ 330,754	$ 73,632	$ 34,074	$ 24	$ 773,080

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(Dollars in thousands)	Commercial Loans Greater Than or Equal to $1 Million-CBT	Commercial Real Estate	Commercial Real Estate- Construction and Development	Residential Real Estate	Consumer	Commercial and Industrial	Single Pay	Total
Nine Months Ended September 30, 2016								
Allowance for loan losses:								
Balance, December 31, 2015	$ —	$ 56	$ 177	$ 2,986	$ 313	$ 174	$ —	$ 3,706
Provision (benefit) for loan losses before benefit attributable to FDIC loss share agreements	—	1	—	(178)	511	38	—	372
Benefit attributable to FDIC loss share agreements	—	—	—	23	—	—	—	23
Total provision (benefit) for loan losses charged to operations	—	1	—	(155)	511	38	—	395
Provision (benefit) for loan losses recorded through the FDIC loss share receivable	—	—	—	(23)	—	—	—	(23)
Reduction due to loan removals	—	(16)	(32)	(316)	(281)	(30)	—	(675)
Balance, September 30, 2016	$ —	$ 41	$ 145	$ 2,492	$ 543	$ 182	$ —	$ 3,403
Nine Months Ended September 30, 2015								
Allowance for loan losses:								
Balance, December 31, 2014	$ 135	$ 1,444	$ 336	$ 4,387	$ 275	$ 718	$ 70	$ 7,365
Provision (benefit) for loan losses before benefit attributable to FDIC loss share agreements	7	3	443	(138)	141	(107)	(49)	300
Benefit attributable to FDIC loss share agreements	—	—	—	—	(107)	127	1	21
Total provision (benefit) for loan losses charged to	7	3	443	(138)	34	20	(48)	321

operations								
Provision for loan losses recorded through the FDIC loss share receivable	—	—	—	—	107	(127)	(1)	(21)
Reduction due to loan removals	(142)	(922)	(51)	(1,386)	(260)	(411)	(19)	(3,191)
Balance, September 30, 2015	$ —	$ 525	$ 728	$ 2,863	$ 156	$ 200	$ 2	$ 4,474

*— 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.

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		
rs in nds)	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	Septem 2015
	$ 548,984	$ 382,167	$ 349,808	$ 615,521	$ 471,466	$ 388,303	$ 1,118,421	$ 994,442	$ 970,(
l									
n	8,492	13,633	15,629	11,499	13,912	14,888	26,429	29,478	28,79
ndard	4,860	6,179	6,640	3,417	2,399	3,298	8,630	9,478	13,53
ful	—	—	—	—	—	—	—	—	—
	$ 562,336	$ 401,979	$ 372,077	$ 630,437	$ 487,777	$ 406,489	$ 1,153,480	$ 1,033,398	$ 1,012

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	Commercial & Industrial			Other Income Producing Property			Commercial Total		
	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	Septem 2015
	$ 604,058	$ 497,572	$ 456,912	$ 165,451	$ 163,975	$ 157,233	$ 3,052,435	$ 2,509,622	$ 2,322
l									
n	11,246	4,472	4,321	12,099	8,047	8,808	69,765	69,542	72,44
ndard	2,221	1,764	1,355	2,045	3,826	3,956	21,173	23,646	28,78
ful	—	—	—	—	—	—	—	—	—
	$ 617,525	$ 503,808	$ 462,588	$ 179,595	$ 175,848	$ 169,997	$ 3,143,373	$ 2,602,810	$ 2,423

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

	Consumer Owner Occupied			Home Equity			Consumer		
rs in ands)	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	Septem 2015
	$ 1,155,481	$ 984,780	$ 953,523	$ 349,382	$ 304,744	$ 294,712	$ 304,117	$ 231,294	$ 221,
al									
on	14,370	17,777	17,198	8,493	8,171	7,987	611	771	897
andard	13,590	16,427	17,142	5,950	6,318	5,842	959	1,039	798
tful	—	—	—	—	22	22	—	—	—
	$ 1,183,441	$ 1,018,984	$ 987,863	$ 363,825	$ 319,255	$ 308,563	$ 305,687	$ 233,104	$ 223,

	Other			Consumer Total		
	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	September 30, 2015
Pass	$ 11,787	$ 46,573	$ 51,501	$ 1,820,767	$ 1,567,391	$ 1,521,251
Special mention	—	—	—	23,474	26,719	26,082
Substandard	—	—	—	20,499	23,784	23,782
Doubtful	—	—	—	—	22	22
	$ 11,787	$ 46,573	$ 51,501	$ 1,864,740	$ 1,617,916	$ 1,571,137

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

	Total Non-acquired Loans		
(Dollars in thousands)	September 30, 2016	December 31, 2015	September 30, 2015
Pass	$ 4,873,202	$ 4,077,013	$ 3,843,597

Special mention	93,239	96,261	98,527
Substandard	41,672	47,430	52,570
Doubtful	—	22	22
	$ 5,008,113	$ 4,220,726	$ 3,994,716

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

	Construction & Development			Commercial Non-owner Occupied			Commercial Owner Occupied		
(Dollars in thousands)	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	September 3 2015
Pass	$ 9,562	$ 12,935	$ 15,196	$ 29,509	$ 33,485	$ 35,562	$ 28,926	$ 38,623	$ 42,189
Special mention	278	109	113	6,173	637	399	—	377	291
Substandard	843	805	1,173	93	5,981	6,211	518	220	44
Doubtful	—	—	—	—	—	—	—	—	—
	$ 10,683	$ 13,849	$ 16,482	$ 35,775	$ 40,103	$ 42,172	$ 29,444	$ 39,220	$ 42,524

	Commercial & Industrial			Other Income Producing Property			Commercial Total		
	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	September 3 2015
Pass	$ 14,016	$ 24,621	$ 26,473	$ 42,159	$ 49,783	$ 54,684	$ 124,172	$ 159,447	$ 174,104
Special mention	122	166	213	276	592	435	6,849	1,881	1,451
Substandard	63	688	773	717	794	973	2,234	8,488	9,174
Doubtful	—	—	—	—	—	—	—	—	—
	$ 14,201	$ 25,475	$ 27,459	$ 43,152	$ 51,169	$ 56,092	$ 133,255	$ 169,816	$ 184,729

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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		
lars in thousands)	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	Septemb 2015
	$ 431,712	$ 514,817	$ 537,884	$ 158,672	$ 180,472	$ 190,648	$ 145,594	$ 167,399	$ 174,4
cial mention	759	557	2,009	5,340	4,202	5,198	1,118	729	630
standard	2,661	2,733	2,385	4,746	6,294	7,179	1,800	2,519	2,313
btful	—	—	—	—	—	—	—	—	—
	$ 435,132	$ 518,107	$ 542,278	$ 168,758	$ 190,968	$ 203,025	$ 148,512	$ 170,647	$ 177,4

	Consumer Total		
	September 30, 2016	December 31, 2015	September 30, 2015
Pass	$ 735,978	$ 862,688	$ 902,997
Special mention	7,217	5,488	7,837
Substandard	9,207	11,546	11,877
Doubtful	—	—	—
	$ 752,402	$ 879,722	$ 922,711

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

	Total Acquired Non-credit Impaired Loans		
(Dollars in thousands)	September 30, 2016	December 31, 2015	September 30, 2015
Pass	$ 860,150	$ 1,022,135	$ 1,077,101
Special mention	14,066	7,369	9,288
Substandard	11,441	20,034	21,051
Doubtful	—	—	—
	$ 885,657	$ 1,049,538	$ 1,107,440

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 22):

	Commercial Loans Greater Than or Equal to $1 million-CBT			Commercial Real Estate			Commercial Real Estate— Construction and Development		
ars in thousands)	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	Septe 2015
	$ 9,616	$ 11,238	$ 11,027	$ 164,737	$ 177,656	$ 179,481	$ 20,889	$ 26,308	$ 25,
al mention	1,000	1,018	1,045	32,081	37,607	37,674	14,092	14,532	12,
tandard	342	372	891	23,671	40,167	49,310	12,100	13,432	16,
tful	—	—	—	—	—	—	—	—	—
	$ 10,958	$ 12,628	$ 12,963	$ 220,489	$ 255,430	$ 266,465	$ 47,081	$ 54,272	$ 55,

	Residential Real Estate			Consumer			Commercial & Industrial		
	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	September 2015
Pass	$ 143,946	$ 166,309	$ 166,106	$ 9,072	$ 10,703	$ 11,156	$ 18,715	$ 22,358	$ 23,003
Special mention	54,597	63,341	69,998	20,635	23,331	24,248	4,476	2,549	2,092
Substandard	70,425	83,669	94,650	32,159	36,700	38,228	3,467	6,286	8,979
Doubtful	—	—	—	—	—	—	—	—	—
	$ 268,968	$ 313,319	$ 330,754	$ 61,866	$ 70,734	$ 73,632	$ 26,658	$ 31,193	$ 34,074

	Single Pay			Total Acquired Credit Impaired Loans		
	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	September 30, 2015
Pass	$ —	$ —	$ 10	$ 366,975	$ 414,572	$ 416,567
Special mention	—	—	—	126,881	142,378	147,932
Substandard	—	—	14	142,164	180,626	208,581
Doubtful	—	—	—	—	—	—
	$ —	$ —	$ 24	$ 636,020	$ 737,576	$ 773,080

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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. Note that all covered acquired loans are now uncovered due to the early termination agreement with the FDIC on June 23, 2016.

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
September 30, 2016						
Commercial real estate:						
Construction and land development	$ 548	$ 249	$ 1,079	$ 1,876	$ 560,460	$ 562,336
Commercial non-owner occupied	655	768	207	1,630	628,807	630,437
Commercial owner occupied	1,795	71	1,267	3,133	1,150,347	1,153,480
Consumer real estate:						
Consumer owner occupied	1,549	894	1,682	4,125	1,179,316	1,183,441
Home equity loans	1,000	186	832	2,018	361,807	363,825
Commercial and industrial	229	739	674	1,642	615,883	617,525
Other income producing property	318	187	413	918	178,677	179,595
Consumer	286	430	302	1,018	304,669	305,687
Other loans	—	—	—	—	11,787	11,787
	$ 6,380	$ 3,524	$ 6,456	$ 16,360	$ 4,991,753	$ 5,008,113
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
September 30, 2015						
Commercial real estate:						

Construction and land development	$ 752	$ 209	$ 1,113	$ 2,074	$ 370,003	$ 372,077
Commercial non-owner occupied	1,218	—	1,597	2,815	403,674	406,489
Commercial owner occupied	2,418	108	5,350	7,876	1,004,552	1,012,428
Consumer real estate:						
Consumer owner occupied	1,886	1,180	3,044	6,110	981,753	987,863
Home equity loans	661	275	584	1,520	307,043	308,563
Commercial and industrial	404	90	160	654	461,934	462,588
Other income producing property	246	194	450	890	169,107	169,997
Consumer	656	114	314	1,084	222,126	223,210
Other loans	—	—	—	—	51,501	51,501
	$ 8,241	$ 2,170	$ 12,612	$ 23,023	$ 3,971,693	$ 3,994,716

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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
September 30, 2016						
Commercial real estate:						
Construction and land development	$ 5	$ —	$ 160	$ 165	$ 10,518	$ 10,683
Commercial non-owner occupied	—	28	—	28	35,747	35,775
Commercial owner occupied	326	110	302	738	28,706	29,444
Consumer real estate:						
Consumer owner occupied	140	417	221	778	434,354	435,132
Home equity loans	719	207	921	1,847	166,911	168,758
Commercial and industrial	38	—	—	38	14,163	14,201
Other income producing property	26	—	—	26	43,126	43,152
Consumer	409	97	549	1,055	147,457	148,512
	$ 1,663	$ 859	$ 2,153	$ 4,675	$ 880,982	$ 885,657
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	79			