SOUTH STATE Corp
Form 10-Q
August 07, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015

OR

o **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 x No o

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 x No o

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 x	Accelerated Filer o
Non-Accelerated Filer o	Smaller Reporting Company o

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

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 July 31, 2015**
Common Stock, $2.50 par value	24,201,793

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South State Corporation and Subsidiary

June 30, 2015 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)

	June 30, 2015 (Unaudited)	December 31, 2014 (Note 1)	June 30, 2014 (Unaudited)
ASSETS			
Cash and cash equivalents:			
Cash and due from banks	**$ 422,057**	$ 229,901	$ 388,852
Interest-bearing deposits with banks	**7,097**	7,456	6,418
Federal funds sold and securities purchased under agreements to resell	**164,228**	180,512	194,253
Total cash and cash equivalents	**593,382**	417,869	589,523
Investment securities:			
Securities held to maturity (fair value of $10,114, $10,233, and $11,058, respectively)	**9,659**	9,659	10,389
Securities available for sale, at fair value	**841,661**	806,766	795,741
Other investments	**9,031**	10,518	10,518
Total investment securities	**860,351**	826,943	816,648
Loans held for sale	**73,055**	61,934	56,407
Loans:			
Acquired credit impaired (covered of $113,158, $182,464, and $243,942, respectively; non-covered of $710,823, $736,938, and $803,394, respectively), net of allowance for loan losses	**823,981**	919,402	1,047,336
Acquired non-credit impaired (covered of $8,059, $9,376, and $7,538, respectively; non-covered of $1,163,613, $1,318,623, and $1,440,045, respectively)	**1,171,672**	1,327,999	1,447,583
Non-acquired	**3,788,399**	3,467,826	3,174,625
Less allowance for non-acquired loan losses	**(34,782)**	(34,539)	(35,422)
Loans, net	**5,749,270**	5,680,688	5,634,122
FDIC receivable for loss share agreements	**11,035**	22,161	43,766
Other real estate owned (covered of $8,172, $16,227, and $21,998, respectively; non-covered of $26,870, $26,499, and $31,735, respectively)	**35,042**	42,726	53,733
Premises and equipment, net	**171,582**	171,772	184,113
Bank owned life insurance	**100,363**	99,140	97,933
Deferred tax assets	**45,911**	42,692	66,780
Mortgage servicing rights	**25,325**	21,601	21,015
Core deposit and other intangibles	**45,260**	49,239	53,371
Goodwill	**317,688**	317,688	317,688
Other assets	**56,720**	71,774	58,587
Total assets	**$ 8,084,984**	$ 7,826,227	$ 7,993,686
LIABILITIES AND SHAREHOLDERS EQUITY			
Deposits:			

Noninterest-bearing	**$ 1,844,973**	$ 1,639,953	$ 1,626,995
Interest-bearing	**4,822,555**	4,821,092	4,952,847
Total deposits	**6,667,528**	6,461,045	6,579,842
Federal funds purchased and securities sold under agreements to repurchase	**287,903**	221,541	280,595
Other borrowings	**55,055**	101,210	101,045
Other liabilities	**50,719**	57,511	79,186
Total liabilities	**7,061,205**	6,841,307	7,040,668
Shareholders equity:			
Preferred stock - $.01 par value; authorized 10,000,000 shares; no shares issued and outstanding			
Common stock - $2.50 par value; authorized 40,000,000 shares; 24,197,531, 24,150,702, and 24,130,006 shares issued and outstanding, respectively	**60,494**	60,377	60,325
Surplus	**704,625**	701,764	699,324
Retained earnings	**260,591**	223,156	192,961
Accumulated other comprehensive income (loss)	**(1,931)**	(377)	408
Total shareholders equity	**1,023,779**	984,920	953,018
Total liabilities and shareholders equity	**$ 8,084,984**	$ 7,826,227	$ 7,993,686

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 June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Interest income:				
Loans, including fees	**$ 79,406**	$ 79,322	**$ 158,254**	$ 161,163
Investment securities:				
Taxable	**3,822**	3,997	**7,484**	7,878
Tax-exempt	**1,072**	1,071	**2,150**	2,227
Federal funds sold and securities purchased under agreements to resell	**464**	441	**875**	901
Total interest income	**84,764**	84,831	**168,763**	172,169
Interest expense:				
Deposits	**1,737**	2,261	**3,740**	4,654
Federal funds purchased and securities sold under agreements to repurchase	**105**	89	**201**	191
Other borrowings	**646**	1,508	**1,497**	3,009
Total interest expense	**2,488**	3,858	**5,438**	7,854
Net interest income	**82,276**	80,973	**163,325**	164,315
Provision for loan losses	**3,144**	2,169	**3,963**	3,018
Net interest income after provision for loan losses	**79,132**	78,804	**159,362**	161,297
Noninterest income:				
Fees on deposit accounts	**17,699**	17,617	**34,192**	34,441
Mortgage banking income	**7,089**	4,683	**13,715**	7,974
Trust and investment services income	**5,051**	4,812	**9,985**	9,355
Securities gains		88		88
Amortization of FDIC indemnification assets, net	**(2,042)**	(5,815)	**(5,249)**	(12,893)
Other	**2,285**	3,014	**3,945**	6,113
Total noninterest income	**30,082**	24,399	**56,588**	45,078
Noninterest expense:				
Salaries and employee benefits	**39,754**	40,276	**80,741**	79,369
Net occupancy expense	**5,046**	5,763	**10,283**	11,371
Information services expense	**4,382**	4,435	**8,340**	8,833
Furniture and equipment expense	**2,762**	3,264	**5,907**	7,006
Bankcard expense	**2,285**	2,088	**4,265**	4,344
Branch consolidation expense	**2,237**		**2,237**	
OREO expense and loan related	**2,019**	1,736	**5,033**	5,939
Amortization of intangibles	**1,964**	2,084	**3,980**	4,188
Professional fees	**1,585**	1,115	**2,994**	2,379
Supplies, printing and postage expense	**1,430**	1,599	**3,042**	3,182
FDIC assessment and other regulatory charges	**1,253**	1,267	**2,437**	2,843
Advertising and marketing	**1,009**	892	**1,864**	1,745
Merger and branding related expense		6,510		12,495
Other	**5,803**	4,860	**10,891**	9,618
Total noninterest expense	**71,529**	75,889	**142,014**	153,312
Earnings:				
Income before provision for income taxes	**37,685**	27,314	**73,936**	53,063

Provision for income taxes	**12,813**	9,368	**25,138**	18,200
Net income	**$ 24,872**	$ 17,946	**$ 48,798**	$ 34,863
Preferred stock dividends				1,073
Net income available to common shareholders	**$ 24,872**	$ 17,946	**$ 48,798**	$ 33,790
Earnings per common share:				
Basic	**$ 1.04**	$ 0.75	**$ 2.04**	$ 1.41
Diluted	**$ 1.03**	$ 0.74	**$ 2.02**	$ 1.40
Dividends per common share	**$ 0.24**	$ 0.20	**$ 0.47**	$ 0.39
Weighted-average common shares outstanding:				
Basic	**23,981**	23,892	**23,947**	23,882
Diluted	**24,258**	24,141	**24,214**	24,126

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 June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Net income	**$ 24,872**	$ 17,946	**$ 48,798**	$ 34,863
Other comprehensive income (loss):				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during period	**(8,226)**	7,005	**(2,953)**	16,163
Tax effect	**3,100**	(2,671)	**1,090**	(6,163)
Reclassification adjustment for gains included in net income		(88)		(88)
Tax effect		34		34
Net of tax amount	**(5,126)**	4,280	**(1,863)**	9,946
Unrealized gains (losses) on derivative financial instruments qualifying as cash flow hedges:				
Unrealized holding gains (losses) arising during period	**29**	(107)	**(92)**	(178)
Tax effect	**(11)**	41	**35**	68
Reclassification adjustment for losses included in interest expense	**64**	73	**140**	149
Tax effect	**(24)**	(28)	**(53)**	(57)
Net of tax amount	**58**	(21)	**30**	(18)
Changes in pension plan obligation:				
Reclassification adjustment for changes included in net income	**225**	330	**450**	330
Tax effect	**(86)**	(127)	**(171)**	(127)
Net of tax amount	**139**	203	**279**	203
Other comprehensive income (loss), net of tax	**(4,929)**	4,462	**(1,554)**	10,131
Comprehensive income	**$ 19,943**	$ 22,408	**$ 47,244**	$ 44,994

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

South State Corporation and Subsidiary

Condensed Consolidated Statements of Changes in Shareholders Equity (unaudited)

Six months ended June 30, 2015 and 2014

(Dollars in thousands, except per 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, 2013	65,000	$ 1	24,104,124	$ 60,260	$ 762,354	$ 168,577	$ (9,723)	$ 981,469
Comprehensive income						34,863	10,131	44,994
Cash dividends on Series A preferred stock at annual dividend rate of 9%						(1,073)		(1,073)
Cash dividends declared on common stock at $0.39 per share						(9,406)		(9,406)
Employee stock purchases			3,251	8	185			193
Stock options exercised			4,660	12	117			129
Restricted stock awards			22,810	57	(57)			
Repurchase of Series A preferred stock	(65,000)	(1)			(64,999)			(65,000)
Common stock repurchased			(4,839)	(12)	(283)			(295)
Share-based compensation expense					2,007			2,007
Balance, June 30, 2014		$	24,130,006	$ 60,325	$ 699,324	$ 192,961	$ 408	$ 953,018
Balance, December 31, 2014		**$**	**24,150,702**	**$ 60,377**	**$ 701,764**	**$ 223,156**	**$ (377)**	**$ 984,920**
Comprehensive income						**48,798**	**(1,554)**	**47,244**
Cash dividends declared on common stock at $0.47 per share						**(11,363)**		**(11,363)**
Employee stock purchases			**3,366**	**8**	**199**			**207**
Stock options exercised			**30,060**	**76**	**863**			**939**
Restricted stock awards			**30,605**	**76**	**(76)**			

Common stock repurchased	**(17,202)**	**(43)**	**(1,032)**			**(1,075)**
Share-based compensation expense			**2,907**			**2,907**
Balance, June 30, 2015	**$ 24,197,531**	**$ 60,494**	**$ 704,625**	**$ 260,591**	**$ (1,931)**	**$ 1,023,779**

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)

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Cash flows from operating activities:		
Net income	**$ 48,798**	$ 34,863
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**10,531**	10,540
Provision for loan losses	**3,963**	3,018
Deferred income taxes	**(2,320)**	(80)
Gain on sale of securities		(88)
Share-based compensation expense	**2,907**	2,007
Amortization on FDIC indemnification asset	**5,249**	12,893
Accretion of discount related to performing acquired loans	**(3,211)**	(5,186)
Loss on disposal of premises and equipment	**301**	287
Gain on sale of OREO	**(766)**	(5,368)
Net amortization of premium on investment securities	**2,210**	2,004
OREO write downs	**4,314**	5,724
Fair Value adjustment for loans held for sale	**(189)**	
Originations and purchases of mortgage loans for sale	**(506,532)**	(327,034)
Proceeds from sales of mortgage loans for sale Proceeds from sales of mortgage loans for sale	**495,506**	301,212
Net change in:		
Accrued interest receivable	**(277)**	(2,343)
Prepaid assets	**(972)**	2,886
FDIC Loss Share Receivable	**5,877**	29,609
Accrued interest payable	**(1,822)**	(1,106)
Accrued income taxes	**12,861**	11,711
Miscellaneous assets and liabilities	**(4,897)**	(11,640)
Net cash provided by operating activities	**71,531**	63,909
Cash flows from investing activities:		
Proceeds from sales of investment securities available for sale		9,315
Proceeds from maturities and calls of investment securities held to maturity		1,535
Proceeds from maturities and calls of investment securities available for sale	**96,497**	66,645
Proceeds from sales of investment securities held to maturity		411
Proceeds from calls of other investment securities	**1,392**	
Proceeds from sales of other investment securities	**95**	2,868
Purchases of investment securities available for sale	**(136,554)**	(70,831)
Purchases of other investments		(6,186)
Net increase in loans	**(83,652)**	(18,716)
Recoveries of loans previously charged off	**1,598**	
Purchases of premises and equipment	**(7,431)**	(10,161)
Proceeds from sale of credit card loans		20,350
Proceeds from sale of OREO	**16,855**	36,289
Proceeds from sale of premises and equipment	**25**	1,437
Net cash provided by (used in) investing activities	**(111,175)**	32,956
Cash flows from financing activities:		
Net increase in deposits	**206,483**	20,639
	66,361	69,194

Net increase in federal funds purchased and securities sold under agreements to repurchase and other short-term borrowings				
Repayment of other borrowings		**(46,395)**		(1,184)
Common stock issuance		**207**		193
Preferred stock repurchase				(65,000)
Common stock repurchase		**(1,075)**		(295)
Dividends paid on preferred stock				(1,073)
Dividends paid on common stock		**(11,363)**		(9,406)
Stock options exercised		**939**		129
Net cash provided by financing activities		**215,157**		13,197
Net increase in cash and cash equivalents		**175,513**		110,062
Cash and cash equivalents at beginning of period		**417,869**		479,461
Cash and cash equivalents at end of period	**$**	**593,382**	$	589,523
Supplemental Disclosures:				
Cash Flow Information:				
Cash paid for:				
Interest	**$**	**7,259**	$	8,959
Income taxes	**$**	**14,410**	$	13,039
Schedule of Noncash Investing Transactions:				
Real estate acquired in full or in partial settlement of loans (covered of $1,309 and $11,680, respectively; and non-covered of $11,410 and $13,781, respectively)	**$**	**12,719**	$	25,461

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 six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

The condensed consolidated balance sheet at December 31, 2014 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, 2014, as filed with the Securities and Exchange Commission (the SEC) on February 27, 2015, 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 an consolidated subsidiaries. References to the Bank means South State Corporation s wholly owned subsidiary, South State Bank, a South Carolina banking corporation.

Subsequent Events

The Company has evaluated subsequent events for accounting and disclosure purposes through the date the financial statements are issued.

Note 3 Recent Accounting and Regulatory Pronouncements

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. For public companies, this update will be effective for interim and annual periods beginning after December 15, 2015, and is to be applied retrospectively. Early adoption is permitted. The Company has determined that this guidance will not have a material impact on the Company s consolidated financial statements.

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Note 3   Recent Accounting and Regulatory Pronouncements (Continued)

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: (1) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities; (2) eliminate the presumption that a general partner should consolidate a limited partnership; (3) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships; and (4) 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. The Company is currently evaluating the impact of adopting the new guidance on the consolidated financial statements, but does not expect it to have a material impact.

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. The adoption of ASU 2014-16 is not expected to have a material impact on the Company s financial statements.

In August 2014, the FASB issued ASU 2014-14: *Receivables Troubled Debt Restructurings by Creditors (Subtopic 310-40) Classification of Certain Government Guaranteed Mortgage Loans upon Foreclosure* (ASU 2014-14). ASU 2014-14 provides clarifying guidance related to how creditors classify government-guaranteed loans upon foreclosure. ASU 2014-14 requires that a mortgage loan be derecognized and a separate receivable be recognized upon foreclosure if certain conditions are met. Upon foreclosure, the separate receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. ASU 2014-14 became effective for the Company on January 1, 2015 and did not have an impact on the Company s 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 (1) prospectively to all share-based payment awards that are granted or modified on or after the effective date, or (2) 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. The adoption of ASU 2014-12 is not expected to have a material impact on the Company s 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 an impact on the Company s financial statements. See Note 21 Repurchase Agreements for the disclosures 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. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016 (the FASB recently approved a one-year deferral of the effective date but has not issued the final ASU at this point), 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 3 Recent Accounting and Regulatory Pronouncements (Continued)

In January 2014, the FASB issued ASU 2014-04, *Receivables Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure, a consensus of the FASB Emerging Issues Task Force* (ASU 2014-04). ASU 2014-04 clarifies that an in-substance foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (i) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (ii) the borrower conveying all interest in the residential real estate property to the creditor to satisfy the loan through completion of a deed in lieu of foreclosure or similar legal agreement. ASU 2014-04 also requires disclosure of both the amount of foreclosed residential real estate property held by the creditor and the recorded investment in loans collateralized by residential real estate property that are in the process of foreclosure. ASU 2014-04 became effective for the Company on January 1, 2015 and, although additional disclosures regarding residential real estate foreclosures and properties in process of foreclosure were required, did not have a significant impact on the Company s financial statements.

In January 2014, the FASB issued ASU No. 2014-01, *Accounting for Investments in Qualified Affordable Housing Projects* (ASU 2014-01). ASU 2014-01 amends FASB ASC 323, *Investments Equity Method and Joint Ventures*, to permit reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense (benefit). ASU 2014-02 became effective for the Company on January 1, 2015 and did not have a significant impact on the Company s financial statements (see Note 20).

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
- Former 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

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.

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
June 30, 2015:				
State and municipal obligations	**$ 9,659**	**$ 455**	**$**	**$ 10,114**
December 31, 2014:				
State and municipal obligations	$ 9,659	$ 574	$	$ 10,233
June 30, 2014:				
State and municipal obligations	$ 10,389	$ 669	$	$ 11,058

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Note 5 Investment Securities (Continued)

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
June 30, 2015:								
Government-sponsored entities debt *	**$**	**132,071**	**$**	**140**	**$**	**(1,376)**		**130,835**
State and municipal obligations		**133,921**		**3,199**		**(421)**		**136,699**
Mortgage-backed securities **		**566,625**		**5,740**		**(1,443)**		**570,922**
Corporate stocks		**3,161**		**497**		**(453)**		**3,205**
	$	**835,778**	**$**	**9,576**	**$**	**(3,693)**	**$**	**841,661**
December 31, 2014:								
Government-sponsored entities debt *	$	149,720	$	191	$	(1,714)	$	148,197
State and municipal obligations		133,635		4,141		(195)		137,581
Mortgage-backed securities **		511,414		7,572		(1,040)		517,946
Corporate stocks		3,161		573		(692)		3,042
	$	797,930	$	12,477	$	(3,641)	$	806,766
June 30, 2014:								
Government-sponsored entities debt *	$	142,310	$	303	$	(3,086)		139,527
State and municipal obligations		140,075		3,366		(593)		142,848
Mortgage-backed securities **		503,212		7,910		(1,428)		509,694
Corporate stocks		3,161		590		(79)		3,672
	$	788,758	$	12,169	$	(5,186)	$	795,741

* - 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:

	Gross	Gross

(Dollars in thousands)		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value
June 30, 2015:								
Federal Home Loan Bank stock	**$**	**7,389**	**$**		**$**		**$**	**7,389**
Investment in unconsolidated subsidiaries		**1,642**						**1,642**
	$	**9,031**	**$**		**$**		**$**	**9,031**
December 31, 2014:								
Federal Home Loan Bank stock	$	7,484	$		$		$	7,484
Investment in unconsolidated subsidiaries		3,034						3,034
	$	10,518	$		$		$	10,518
June 30, 2014:								
Federal Home Loan Bank stock	$	7,484	$		$		$	7,484
Investment in unconsolidated subsidiaries		3,034						3,034
	$	10,518	$		$		$	10,518

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Note 5 Investment Securities (Continued)

The amortized cost and fair value of debt securities at June 30, 2015 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.

	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	$ 640	$ 655	$ 6,532	$ 6,579
Due after one year through five years	820	855	58,740	59,191
Due after five years through ten years	8,199	8,604	219,093	220,843
Due after ten years			551,413	555,048
	$ 9,659	$ 10,114	$ 835,778	$ 841,661

Information pertaining to the Company s securities with gross unrealized losses at June 30, 2015, December 31, 2014 and June 30, 2014, 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
June 30, 2015:				
Securities Available for Sale				
Government-sponsored entities debt	**$ 513**	**$ 47,096**	**$ 863**	**$ 32,112**
State and municipal obligations	**203**	**21,044**	**218**	**4,162**
Mortgage-backed securities	**971**	**123,935**	**472**	**22,240**
Corporate Stocks			**453**	**1,779**
	$ 1,687	**$ 192,075**	**$ 2,006**	**$ 60,293**
December 31, 2014:				
Securities Available for Sale				
Government-sponsored entities debt	$ 98	$ 22,896	$ 1,616	$ 82,798
State and municipal obligations	3	1,444	192	8,269
Mortgage-backed securities	266	61,508	774	55,960
Corporate stocks			692	1,538
	$ 367	$ 85,848	$ 3,274	$ 148,565
June 30, 2014:				
Securities Available for Sale				
Government-sponsored entities debt	$ 3	$ 8,491	$ 3,083	$ 82,145
State and municipal obligations	14	7,546	579	35,623
Mortgage-backed securities	234	82,939	1,194	63,403
Corporate stocks	79	2,152		
	$ 330	$ 101,128	$ 4,856	$ 181,171

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Note 5 Investment Securities (Continued)

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 June 30, 2015 continue to perform as scheduled. All equity securities available for sale in an unrealized loss position as of June 30, 2015 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 securities; therefore, management does not consider these investments to be other-than-temporarily impaired at June 30, 2015. 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)	**June 30, 2015**	**December 31, 2014**	**June 30, 2014**
Non-acquired loans:			
Commercial non-owner occupied real estate:			
Construction and land development	**$ 368,954**	$ 364,221	$ 371,751
Commercial non-owner occupied	**351,524**	333,590	302,961
Total commercial non-owner occupied real estate	**720,478**	697,811	674,712
Consumer real estate:			
Consumer owner occupied	**906,973**	786,778	637,071
Home equity loans	**300,074**	283,934	271,028
Total consumer real estate	**1,207,047**	1,070,712	908,099
Commercial owner occupied real estate	**975,701**	907,913	849,048
Commercial and industrial	**448,247**	405,923	353,211
Other income producing property	**163,441**	150,928	151,928
Consumer	**209,544**	189,317	170,982
Other loans	**63,941**	45,222	66,645
Total non-acquired loans	**3,788,399**	3,467,826	3,174,625
Less allowance for loan losses	**(34,782)**	(34,539)	(35,422)
Non-acquired loans, net	**$ 3,753,617**	$ 3,433,287	$ 3,139,203

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Note 6 Loans and Allowance for Loan Losses (Continued)

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)		June 30, 2015		December 31, 2014		June 30, 2014
FASB ASC Topic 310-20 acquired loans:						
Commercial non-owner occupied real estate:						
Construction and land development	**$**	**17,762**	$	24,099	$	35,880
Commercial non-owner occupied		**43,123**		49,476		50,593
Total commercial non-owner occupied real estate		**60,885**		73,575		86,473
Consumer real estate:						
Consumer owner occupied		**574,697**		646,375		698,580
Home equity loans		**210,734**		234,949		248,868
Total consumer real estate		**785,431**		881,324		947,448
Commercial owner occupied real estate		**49,334**		62,065		68,831
Commercial and industrial		**31,762**		41,130		41,977
Other income producing property		**58,987**		65,139		71,684
Consumer		**185,273**		204,766		231,170
Total FASB ASC Topic 310-20 acquired loans	**$**	**1,171,672**	$	1,327,999	$	1,447,583

The unamortized discount related to the acquired non-credit impaired loans totaled $20.2 million, $23.5 million, and $31.6 million at June 30, 2015, December 31, 2014, and June 30, 2014, 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 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)		June 30, 2015		December 31, 2014		June 30, 2014
FASB ASC Topic 310-30 acquired loans:						
Commercial loans greater than or equal to $1 million-CBT	**$**	**15,373**	$	15,813	$	19,557
Commercial real estate		**288,756**		325,109		375,610
Commercial real estate construction and development		**59,819**		65,262		85,660
Residential real estate		**348,687**		390,244		428,811
Consumer		**77,083**		85,449		95,089
Commercial and industrial		**38,894**		44,804		51,677
Single pay		**58**		86		91
Total FASB ASC Topic 310-30 acquired loans		**828,670**		926,767		1,056,495
Less allowance for loan losses		**(4,689)**		(7,365)		(9,159)
FASB ASC Topic 310-30 acquired loans, net	**$**	**823,981**	$	919,402	$	1,047,336

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Note 6 Loans and Allowance for Loan Losses (Continued)

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 June 30, 2015, December 31, 2014 and June 30, 2014 are as follows:

(Dollars in thousands)	June 30, 2015	December 31, 2014	June 30, 2014
Contractual principal and interest	**$ 1,093,583**	$ 1,337,703	$ 1,463,643
Non-accretable difference	**(64,121)**	(104,110)	(189,514)
Cash flows expected to be collected	**1,029,462**	1,233,593	1,274,129
Accretable yield	**(200,792)**	(306,826)	(217,634)
Carrying value	**$ 828,670**	$ 926,767	$ 1,056,495
Allowance for acquired loan losses	**$ (4,689)**	$ (7,365)	$ (9,159)

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:

	Six Months Ended June 30,	
(Dollars in thousands)	2015	2014
Balance at beginning of period	**$ 919,402**	$ 1,220,638
Net reductions for payments, foreclosures, and accretion	**(98,097)**	(175,761)
Change in the allowance for loan losses on acquired loans	**2,676**	2,459
Balance at end of period, net of allowance for loan losses on acquired loans	**$ 823,981**	$ 1,047,336

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

	Six Months Ended June 30,	
(Dollars in thousands)	2015	2014
Balance at beginning of period	**$ 306,826**	$ 250,340
Accretion	**(51,220)**	(54,950)
Reclass of nonaccretable difference due to improvement in expected cash flows	**15,401**	24,675
Other changes, net	**(70,215)**	(2,431)
Balance at end of period	**$ 200,792**	$ 217,634

In the second quarter of 2015, the accretable yield balance declined by $25.5 million as loan accretion (income) was recognized. This was partially offset by improved expected cash flows of $9.5 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).

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Note 6 Loans and Allowance for Loan Losses (Continued)

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. 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.

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Note 6 Loans and Allowance for Loan Losses (Continued)

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

[redacted]				
(Dollars in thousands)	**Loans**	**Impaired Loans**	**Loans**	**Total**
Three months ended June 30, 2015:				
Balance at beginning of period	**$ 33,538**	**$**	**$ 4,717**	**$ 38,255**
Loans charged-off	**(1,680)**	**(558)**		**(2,238)**
Recoveries of loans previously charged off	**548**	**25**		**573**
Net charge-offs	**(1,132)**	**(533)**		**(1,665)**
Provision (benefit) for loan losses	**2,376**	**533**	**235**	**3,144**
Benefit attributable to FDIC loss share agreements				
Total provision for loan losses charged to operations	**2,376**	**533**	**235**	**3,144**
Provision for loan losses recorded through the FDIC loss share receivable				
Reduction due to loan removals			**(263)**	**(263)**
Balance at end of period	**$ 34,782**	**$**	**$ 4,689**	**$ 39,471**
Three months ended June 30, 2014:				
Balance at beginning of period	$ 34,669	$	$ 11,046	$ 45,715
Loans charged-off	(1,889)			(1,889)
Recoveries of loans previously charged off	557			557
Net charge-offs	(1,332)			(1,332)
Provision for loan losses	2,085		(1,438)	647
Benefit attributable to FDIC loss share agreements			1,522	1,522
Total provision for loan losses charged to operations	2,085		84	2,169
Provision for loan losses recorded through the FDIC loss share receivable			(1,522)	(1,522)
Reduction due to loan removals			(449)	(449)
Balance at end of period	$ 35,422	**$**	$ 9,159	$ 44,581
Six months ended June 30, 2015:				
Balance at beginning of period	**$ 34,539**	**$**	**$ 7,365**	**$ 41,904**
Loans charged-off	**(2,676)**	**(2,369)**		**(5,045)**
Recoveries of loans previously charged off	**1,598**	**50**		**1,648**
Net charge-offs	**(1,078)**	**(2,319)**		**(3,397)**
Provision (benefit) for loan losses	**1,321**	**2,319**	**302**	**3,942**
Benefit attributable to FDIC loss share agreements			**21**	**21**
Total provision for loan losses charged to operations	**1,321**	**2,319**	**323**	**3,963**
Provision for loan losses recorded through the FDIC loss share receivable			**(21)**	**(21)**
Reduction due to loan removals			**(2,978)**	**(2,978)**
Balance at end of period	**$ 34,782**	**$**	**$ 4,689**	**$ 39,471**

Six months ended June 30, 2014:				
Balance at beginning of period	$ 34,331	$	$ 11,618	$ 45,949
Loans charged-off	(3,259)			(3,259)
Recoveries of loans previously charged off	1,595			1,595
Net charge-offs	(1,664)			(1,664)
Provision for loan losses	2,755		(1,134)	1,621
Benefit attributable to FDIC loss share agreements			1,397	1,397
Total provision for loan losses charged to operations	2,755		263	3,018
Provision for loan losses recorded through the FDIC loss share receivable			(1,397)	(1,397)
Reduction due to loan removals			(1,325)	(1,325)
Balance at end of period	$ 35,422	**$**	$ 9,159	$ 44,581

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Note 6 Loans and Allowance for Loan Losses (Continued)

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

(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	Other Loans	Total
Three months ended June 30, 2015										
Allowance for loan losses:										
Balance, March 31, 2015	$ 5,399	$ 3,131	$ 7,871	$ 7,041	$ 2,785	$ 3,460	$ 1,980	$ 1,422	$ 449	$ 33,538
Charge-offs	(55)	(72)	(546)	(44)	(122)	(116)	(11)	(714)		(1,680)
Recoveries	94	21	9	20	67	67	55	215		548
Provision (benefit)	(440)	(42)	1,350	108	138	572	(5)	685	10	2,376
Balance, June 30, 2015	$ 4,998	$ 3,038	$ 8,684	$ 7,125	$ 2,868	$ 3,983	$ 2,019	$ 1,608	$ 459	$ 34,782
Loans individually evaluated for impairment	$ 591	$ 27	$ 81	$ 118	$ 1	$ 19	$ 472	$ 2	$	$ 1,311
Loans collectively evaluated for impairment	$ 4,407	$ 3,011	$ 8,603	$ 7,007	$ 2,867	$ 3,964	$ 1,547	$ 1,606	$ 459	$ 33,471
Loans:										
Loans individually evaluated for impairment	$ 5,110	$ 2,610	$ 10,971	$ 6,322	$ 234	$ 1,011	$ 4,789	$ 69	$	$ 31,116
Loans collectively evaluated for impairment	363,844	348,914	964,730	900,651	299,840	447,236	158,652	209,475	63,941	3,757,283
Total non-acquired loans	$ 368,954	$ 351,524	$ 975,701	$ 906,973	$ 300,074	$ 448,247	$ 163,441	$ 209,544	$ 63,941	$ 3,788,399
Three months ended June 30, 2014										
Allowance for loan losses:										
Balance, March 31, 2014	$ 6,322	$ 3,443	$ 8,317	$ 6,122	$ 2,921	$ 3,441	$ 2,848	$ 1,105	$ 150	$ 34,669
Charge-offs	(216)	(92)	(312)	(221)	(273)	(96)	(82)	(597)		(1,889)
Recoveries	97	16	11	39	27	38	153	176		557
Provision (benefit)	449	31	(58)	597	300	257	(331)	586	254	2,085
Balance, June 30, 2014	$ 6,652	$ 3,398	$ 7,958	$ 6,537	$ 2,975	$ 3,640	$ 2,588	$ 1,270	$ 404	$ 35,422
Loans individually evaluated for impairment	$ 428	$ 31	$ 112	$ 86	$	$ 11	$ 761	$ 2	$	$ 1,431
Loans collectively evaluated for impairment	$ 6,224	$ 3,367	$ 7,846	$ 6,451	$ 2,975	$ 3,629	$ 1,827	$ 1,268	$ 404	$ 33,991
Loans:										
Loans individually evaluated for impairment	$ 5,678	$ 6,189	$ 11,110	$ 2,505	$	$ 749	$ 6,400	$ 87	$	$ 32,718
Loans collectively evaluated for impairment	366,073	296,772	837,938	634,566	271,028	352,462	145,528	170,895	66,645	3,141,907

Total non-acquired loans	$ 371,751	$ 302,961	$ 849,048	$ 637,071	$ 271,028	$ 353,211	$ 151,928	$ 170,982	$ 66,645	$ 3,174,625

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

(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	Other Loans	Total
Six months ended June 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**	**$ 449**	**$ 34,539**
Charge-offs	**(100)**	**(83)**	**(552)**	**(44)**	**(208)**	**(255)**	**(13)**	**(1,421)**		**(2,676)**
Recoveries	**134**	**29**	**16**	**45**	**110**	**666**	**66**	**532**		**1,598**
Provision	**(702)**	**(62)**	**805**	**258**	**137**	**11**	**(266)**	**1,130**	**10**	**1,321**
Balance, June 30, 2015	**$ 4,998**	**$ 3,038**	**$ 8,684**	**$ 7,125**	**$ 2,868**	**$ 3,983**	**$ 2,019**	**$ 1,608**	**$ 459**	**$ 34,782**
Six months ended June 30, 2014										
Allowance for loan losses:										
Balance, December 31, 2013	$ 6,789	$ 3,677	$ 7,767	$ 6,069	$ 2,782	$ 3,592	$ 2,509	$ 937	$ 209	$ 34,331
Charge-offs	(308)	(236)	(528)	(299)	(416)	(156)	(168)	(1,148)		(3,259)
Recoveries	242	347	17	242	40	128	159	420		1,595
Provision	(71)	(390)	702	525	569	76	88	1,061	195	2,755
Balance, June 30, 2014	$ 6,652	$ 3,398	$ 7,958	$ 6,537	$ 2,975	$ 3,640	$ 2,588	$ 1,270	$ 404	$ 35,422

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Note 6 Loans and Allowance for Loan Losses (Continued)

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

(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
Three months ended June 30, 2015									
Allowance for loan losses:									
Balance, March 31, 2015	$	$	$	$	$	$	$	$	$
Charge-offs				(39)	(331)	(10)		(178)	(558)
Recoveries	1				14	10			25
Provision (benefit)	(1)			39	317			178	533
Balance, June 30, 2015	$	$	$	$	$	$	$	$	$
Loans individually evaluated for impairment	$	$	$	$	$	$	$	$	$
Loans collectively evaluated for impairment	$	$	$	$	$	$	$	$	$
Loans:									
Loans individually evaluated for impairment	$	$	$	$	$	$	$	$	$
Loans collectively evaluated for impairment	17,762	43,123	49,334	574,697	210,734	31,762	58,987	185,273	1,171,672
Total non-acquired loans	$ 17,762	$ 43,123	$ 49,334	$ 574,697	$ 210,734	$ 31,762	$ 58,987	$ 185,273	$ 1,171,672

As of June 30, 2014, the Company had not recorded an allowance for loan losses for acquired non-credit impaired loans.

(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
Six months ended June 30, 2015									
Allowance for loan losses:									
Balance, December 31, 2014	$	$	$	$	$	$	$	$	$
Charge-offs				(367)	(1,381)	(113)	(4)	(504)	(2,369)
Recoveries	2			5	17	15	1	10	50
Provision (benefit)	(2)			362	1,364	98	3	494	2,319
Balance, June 30, 2015	$	$	$	$	$	$	$	$	$

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Note 6 Loans and Allowance for Loan Losses (Continued)

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 $1 Million-CBT	Commercial Real Estate	Commercial Real Estate-Construction and Development	Residential Real Estate	Consumer	Commercial and Industrial	Single Pay	Total
Three months ended June 30, 2015								
Allowance for loan losses:								
Balance, March 31, 2015	**$ (64)**	**$ 549**	**$ 400**	**$ 3,320**	**$ 244**	**$ 219**	**$ 49**	**$ 4,717**
Provision for loan losses before benefit attributable to FDIC loss share agreements			**1**	**2**	**233**			**236**
Benefit attributable to FDIC loss share agreements								
Total provision for loan losses charged to operations			**1**	**2**	**233**			**236**
Provision for loan losses recorded through the FDIC loss share receivable								
Reduction due to loan removals	**(2)**	**(17)**	**(57)**	**(138)**	**(28)**	**(22)**		**(264)**
Balance, June 30, 2015	**$ (66)**	**$ 532**	**$ 344**	**$ 3,184**	**$ 449**	**$ 197**	**$ 49**	**$ 4,689**
Loans individually evaluated for impairment	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Loans collectively evaluated for impairment	**$ (66)**	**$ 532**	**$ 344**	**$ 3,184**	**$ 449**	**$ 197**	**$ 49**	**$ 4,689**
Loans:*								
Loans individually evaluated for impairment	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Loans collectively evaluated for impairment	**15,373**	**288,756**	**59,819**	**348,687**	**77,083**	**38,894**	**58**	**828,670**
Total acquired loans	**$ 15,373**	**$ 288,756**	**$ 59,819**	**$ 348,687**	**$ 77,083**	**$ 38,894**	**$ 58**	**$ 828,670**
Three months ended June 30, 2014								
Allowance for loan losses:								
Balance, March 31, 2014	$ 311	$ 1,938	$ 1,972	$ 5,190	$ 410	$ 1,119	$ 106	$ 11,046
Provision for loan losses before benefit attributable to FDIC loss share agreements	(120)	(322)	(902)	(68)	7	(33)		(1,438)
	171	336	896	84		34	1	1,522

Benefit attributable to FDIC loss share agreements								
Total provision for loan losses charged to operations	51	14	(6)	16	7	1	1	84
Provision for loan losses recorded through the FDIC loss share receivable	(171)	(336)	(896)	(84)		(34)	(1)	(1,522)
Reduction due to loan removals	10		(255)	(4)	(32)	(136)	(32)	(449)
Balance, June 30, 2014	$ 201	$ 1,616	$ 815	$ 5,118	$ 385	$ 950	$ 74	$ 9,159
Loans individually evaluated for impairment	$	$	$	$	$	$	$	$
Loans collectively evaluated for impairment	$ 201	$ 1,616	$ 815	$ 5,118	$ 385	$ 950	$ 74	$ 9,159
Loans:*								
Loans individually evaluated for impairment	$	$	$	$	$	$	$	$
Loans collectively evaluated for impairment	19,557	375,610	85,660	428,811	95,089	51,677	91	1,056,495
Total acquired loans	$ 19,557	$ 375,610	$ 85,660	$ 428,811	$ 95,089	$ 51,677	$ 91	$ 1,056,495

* 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.

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Note 6 Loans and Allowance for Loan Losses (Continued)

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 $1 Million-CBT	Commercial Real Estate	Commercial Real Estate-Construction and Development	Residential Real Estate	Consumer	Commercial and Industrial	Single Pay	Total
Six months ended June 30, 2015								
Allowance for loan losses:								
Balance, December 31, 2014	**$ 135**	**$ 1,444**	**$ 336**	**$ 4,387**	**$ 275**	**$ 718**	**$ 70**	**$ 7,365**
Provision for loan losses before benefit attributable to FDIC loss share agreements		**3**	**10**	**21**	**391**	**(122)**	**(1)**	**302**
Benefit attributable to FDIC loss share agreements					**(107)**	**127**	**1**	**21**
Total provision for loan losses charged to operations		**3**	**10**	**21**	**284**	**5**		**323**
Provision for loan losses recorded through the FDIC loss share receivable					**107**	**(127)**	**(1)**	**(21)**
Reduction due to loan removals	**(201)**	**(915)**	**(2)**	**(1,224)**	**(217)**	**(399)**	**(20)**	**(2,978)**
Balance, June 30, 2015	**$ (66)**	**$ 532**	**$ 344**	**$ 3,184**	**$ 449**	**$ 197**	**$ 49**	**$ 4,689**
Six months ended June 30, 2014								
Allowance for loan losses:								
Balance, December 31, 2013	$ 303	$ 1,816	$ 2,244	$ 5,132	$ 538	$ 1,481	$ 104	$ 11,618
Provision for loan losses before benefit attributable to FDIC loss share agreements	(123)	(196)	(613)	73	(105)	(175)	5	(1,134)
Benefit attributable to FDIC loss share agreements	176	220	784	(54)	101	174	(4)	1,397
Total provision for loan losses charged to operations	53	24	171	19	(4)	(1)	1	263
Provision for loan losses recorded through the FDIC loss share receivable	(176)	(220)	(784)	54	(101)	(174)	4	(1,397)
Reduction due to loan removals	21	(4)	(816)	(87)	(48)	(356)	(35)	(1,325)
Balance, June 30, 2014	$ 201	$ 1,616	$ 815	$ 5,118	$ 385	$ 950	$ 74	$ 9,159

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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Note 6 Loans and Allowance for Loan Losses (Continued)

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		
(Dollars in thousands)	June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	December 31, 2014	June 30, 2014
Pass	**$ 344,314**	$ 337,641	$ 338,367	**$ 331,279**	$ 307,450	$ 271,346	**$ 927,678**	$ 858,220	$ 809,469
Special mention	**16,561**	15,466	20,797	**16,885**	20,596	22,704	**34,974**	34,737	23,049
Substandard	**8,079**	11,114	12,587	**3,360**	5,544	8,911	**13,049**	14,956	16,530
Doubtful									
	$ 368,954	$ 364,221	$ 371,751	**$ 351,524**	$ 333,590	$ 302,961	**$ 975,701**	$ 907,913	$ 849,048

	Commercial & Industrial			Other Income Producing Property			Commercial Total		
	June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	December 31, 2014	June 30, 2014
Pass	**$ 442,354**	$ 397,555	$ 346,958	**$ 149,937**	$ 135,400	$ 135,345	**$ 2,195,562**	$ 2,036,266	$ 1,901,485
Special mention	**4,497**	6,718	4,775	**9,331**	10,333	8,763	**82,248**	87,850	80,088
Substandard	**1,396**	1,650	1,478	**4,173**	5,195	7,820	**30,057**	38,459	47,326
Doubtful									
	$ 448,247	$ 405,923	$ 353,211	**$ 163,441**	$ 150,928	$ 151,928	**$ 2,307,867**	$ 2,162,575	$ 2,028,899

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

	Consumer Owner Occupied			Home Equity			Consumer		
(Dollars in thousands)	June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	December 31, 2014	June 30, 2014
Pass	**$ 870,005**	$ 746,847	$ 595,420	**$ 286,603**	$ 269,844	$ 257,102	**$ 207,964**	$ 188,049	$ 170,077
Special mention	**18,679**	22,129	24,567	**7,634**	8,047	8,618	**894**	764	634
Substandard	**18,289**	17,802	17,084	**5,815**	6,021	5,285	**686**	504	271
Doubtful				**22**	22	23			
	$ 906,973	$ 786,778	$ 637,071	**$ 300,074**	$ 283,934	$ 271,028	**$ 209,544**	$ 189,317	$ 170,982

	Other			Consumer Total		
	June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	December 31, 2014	June 30, 2014
Pass	**$ 63,941**	$ 45,222	$ 66,644	**$ 1,428,513**	$ 1,249,962	$ 1,089,243
Special mention			1	**27,207**	30,940	33,820
Substandard				**24,790**	24,327	22,640
Doubtful				**22**	22	23
	$ 63,941	$ 45,222	$ 66,645	**$ 1,480,532**	$ 1,305,251	$ 1,145,726

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

	Total Non-acquired Loans		
(Dollars in thousands)	June 30, 2015	December 31, 2014	June 30, 2014
Pass	**$ 3,624,075**	$ 3,286,228	$ 2,990,728

Special mention	**109,455**	118,790	113,908
Substandard	**54,847**	62,786	69,966
Doubtful	**22**	22	23
	$ 3,788,399	$ 3,467,826	$ 3,174,625

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Note 6 Loans and Allowance for Loan Losses (Continued)

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)	June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	December 31, 2014	June 30, 2014
Pass	**$ 16,454**	$ 22,456	$ 34,870	**$ 36,441**	$ 42,572	$ 44,020	**$ 49,217**	$ 61,040	$ 67,527
Special mention	**118**	816	348	**408**	6,039	5,822	**78**	265	310
Substandard	**1,190**	827	662	**6,274**	865	751	**39**	760	994
Doubtful									
	$ 17,762	$ 24,099	$ 35,880	**$ 43,123**	$ 49,476	$ 50,593	**$ 49,334**	$ 62,065	$ 68,831

	Commercial & Industrial			Other Income Producing Property			Commercial Total		
	June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	December 31, 2014	June 30, 2014
Pass	**$ 30,641**	$ 39,780	$ 40,255	**$ 57,578**	$ 63,090	$ 66,678	**$ 190,331**	$ 228,938	$ 253,350
Special mention	**384**	448	748	**439**	896	2,004	**1,427**	8,464	9,232
Substandard	**737**	902	974	**970**	1,153	3,002	**9,210**	4,507	6,383
Doubtful									
	$ 31,762	$ 41,130	$ 41,977	**$ 58,987**	$ 65,139	$ 71,684	**$ 200,968**	$ 241,909	$ 268,965

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		
(Dollars in thousands)	June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	December 31, 2014	June 30, 2014
Pass	**$ 569,080**	$ 639,555	$ 680,759	**$ 197,804**	$ 222,653	$ 231,265	**$ 182,254**	$ 201,636	$ 202,026
Special mention	**1,518**	1,241	354	**5,482**	4,491	2,090	**614**	619	2,193
Substandard	**4,099**	5,579	17,467	**7,448**	7,805	15,513	**2,405**	2,511	26,951
Doubtful									
	$ 574,697	$ 646,375	$ 698,580	**$ 210,734**	$ 234,949	$ 248,868	**$ 185,273**	$ 204,766	$ 231,170

	Consumer Total		
(Dollars in thousands)	June 30, 2015	December 31, 2014	June 30, 2014
Pass	**$ 949,138**	$ 1,063,844	$ 1,114,050
Special mention	**7,614**	6,351	4,637
Substandard	**13,952**	15,895	59,931
Doubtful			
	$ 970,704	$ 1,086,090	$ 1,178,618

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)	June 30, 2015	December 31, 2014	June 30, 2014
Pass	**$ 1,139,469**	$ 1,292,782	$ 1,367,400

Special mention	**9,041**	14,815	13,869
Substandard	**23,162**	20,402	66,314
Doubtful			
	$ 1,171,672	$ 1,327,999	$ 1,447,583

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Note 6 Loans and Allowance for Loan Losses (Continued)

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 18):

	Commercial Loans Greater Than or Equal to $1 million-CBT			Commercial Real Estate			Commercial Real Estate Construction and Development		
(Dollars in thousands)	June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	December 31, 2014	June 30, 2014
Pass	$ 11,134	$ 11,248	$ 12,541	$ 188,260	$ 208,269	$ 225,144	$ 27,777	$ 26,855	$ 33,453
Special mention	1,044	1,030	1,010	31,654	35,896	37,439	12,666	9,539	11,627
Substandard	3,195	3,535	6,006	68,842	80,944	113,027	19,376	28,868	40,580
Doubtful									
	$ 15,373	$ 15,813	$ 19,557	$ 288,756	$ 325,109	$ 375,610	$ 59,819	$ 65,262	$ 85,660

	Residential Real Estate			Consumer			Commercial & Industrial		
	June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	December 31, 2014	June 30, 2014
Pass	$ 174,893	$ 190,931	$ 225,366	$ 6,099	$ 7,493	$ 27,665	$ 23,956	$ 25,530	$ 29,680
Special mention	68,017	73,699	43,090	27,079	29,087	6,572	2,428	5,317	3,189
Substandard	105,777	125,614	160,355	43,905	48,869	60,852	12,510	13,957	18,808
Doubtful									
	$ 348,687	$ 390,244	$ 428,811	$ 77,083	$ 85,449	$ 95,089	$ 38,894	$ 44,804	$ 51,677

	Single Pay			Total Acquired Credit Impaired Loans		
	June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	December 31, 2014	June 30, 2014