SOUTH STATE Corp
Form 10-Q
November 03, 2017
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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, 2017

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
	Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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, 2017
Common Stock, $2.50 par value	29,294,271

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South State Corporation and Subsidiary

September 30 2017 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, 2017 (Unaudited)	December 31, 2016 (Note 1)	September 30, 2016 (Unaudited)
ASSETS			
Cash and cash equivalents:			
Cash and due from banks	$ 197,984	$ 201,966	$ 168,774
Interest-bearing deposits with banks	137,543	36,241	66,335
Federal funds sold and securities purchased under agreements to resell	68,407	136,241	272,408
Total cash and cash equivalents	403,934	374,448	507,517
Investment securities:			
Securities held to maturity (fair value of $3,732, $6,250 and $7,076, respectively)	3,678	6,094	6,851
Securities available for sale, at fair value	1,320,679	999,405	925,374
Other investments	12,439	9,482	9,482
Total investment securities	1,336,796	1,014,981	941,707
Loans held for sale	46,321	50,572	57,052
Loans:			
Acquired credit impaired, net of allowance for loan losses	578,863	602,546	632,617
Acquired non-credit impaired	1,455,555	836,699	885,657
Non-acquired	6,230,327	5,241,041	5,008,113
Less allowance for non-acquired loan losses	(41,541)	(36,960)	(37,319)
Loans, net	8,223,204	6,643,326	6,489,068
Other real estate owned	13,527	18,316	22,211
Premises and equipment, net	198,146	183,510	179,450
Bank owned life insurance	151,402	104,148	103,427
Deferred tax assets	41,664	31,123	25,357
Mortgage servicing rights	29,937	29,037	23,064
Core deposit and other intangibles	50,472	39,848	41,738
Goodwill	597,236	338,340	338,340
Other assets	76,471	72,943	68,234
Total assets	$ 11,169,110	$ 8,900,592	$ 8,797,165
LIABILITIES AND SHAREHOLDERS’ EQUITY			
Deposits:			

Noninterest-bearing	$ 2,505,570	$ 2,199,046	$ 2,176,155
Interest-bearing	6,556,451	5,135,377	5,071,251
Total deposits	9,062,021	7,334,423	7,247,406
Federal funds purchased and securities sold under agreements to repurchase	291,099	313,773	305,268
Other borrowings	83,307	55,358	55,306
Other liabilities	99,858	62,450	65,053
Total liabilities	9,536,285	7,766,004	7,673,033
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; 29,267,369, 24,230,392 and 24,209,122 shares issued and outstanding, respectively	73,168	60,576	60,523
Surplus	1,136,352	711,307	705,124
Retained earnings	427,093	370,916	354,490
Accumulated other comprehensive income (loss)	(3,788)	(8,211)	3,995
Total shareholders’ equity	1,632,825	1,134,588	1,124,132
Total liabilities and shareholders’ equity	$ 11,169,110	$ 8,900,592	$ 8,797,165

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,	
	2017	2016	2017	2016
Interest income:				
Loans, including fees	$ 95,864	$ 77,344	$ 281,216	$ 231,752
Investment securities:				
Taxable	6,646	4,309	20,897	13,579
Tax-exempt	1,320	962	4,147	2,970
Federal funds sold and securities purchased under agreements to resell	581	666	1,916	2,174
Total interest income	104,411	83,281	308,176	250,475
Interest expense:				
Deposits	2,974	1,412	8,132	4,380
Federal funds purchased and securities sold under agreements to repurchase	276	137	756	418
Other borrowings	842	487	2,576	1,431
Total interest expense	4,092	2,036	11,464	6,229
Net interest income	100,319	81,245	296,712	244,246
Provision for loan losses	2,062	912	8,082	6,198
Net interest income after provision for loan losses	98,257	80,333	288,630	238,048
Noninterest income:				
Fees on deposit accounts	22,448	20,776	66,322	62,439
Mortgage banking income	3,446	6,286	14,210	16,104
Trust and investment services income	6,310	4,877	18,703	14,573
Securities gains, net	1,278	—	1,388	122
Other-than-temporary impairment losses	(753)	—	(753)	—
Recoveries on acquired loans	1,944	2,207	5,647	5,130
Amortization of FDIC indemnification asset, net	—	—	—	(5,901)
Other	1,367	1,194	4,532	5,032
Total noninterest income	36,040	35,340	110,049	97,499
Noninterest expense:				
Salaries and employee benefits	47,245	41,972	143,711	123,941
Net occupancy expense	6,214	5,464	18,650	16,364
Information services expense	6,003	5,237	18,776	15,353
Furniture and equipment expense	3,751	3,234	11,422	9,157
OREO expense and loan related	1,753	2,085	5,648	4,733
Bankcard expense	2,748	2,940	8,404	8,859
Amortization of intangibles	2,494	1,891	7,496	5,687
Supplies, printing and postage expense	1,491	1,345	4,715	4,910
Professional fees	1,265	1,758	4,637	4,663

FDIC assessment and other regulatory charges	918	1,001	3,029	3,162
Advertising and marketing	852	790	2,400	2,293
Merger and branch consolidation related expense	1,551	709	26,882	3,240
Other	5,289	4,765	17,066	16,712
Total noninterest expense	81,574	73,191	272,836	219,074
Earnings:				
Income before provision for income taxes	52,723	42,482	125,843	116,473
Provision for income taxes	17,677	14,387	40,710	39,368
Net income	$ 35,046	$ 28,095	$ 85,133	$ 77,105
Earnings per common share:				
Basic	$ 1.20	$ 1.17	$ 2.92	$ 3.21
Diluted	$ 1.19	$ 1.16	$ 2.90	$ 3.18
Dividends per common share	$ 0.33	$ 0.31	$ 0.99	$ 0.89
Weighted average common shares outstanding:				
Basic	29,115	24,016	29,023	23,989
Diluted	29,385	24,278	29,291	24,229

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

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,	
	2017	2016	2017	2016
Net income	$ 35,046	$ 28,095	$ 85,133	$ 77,105
Other comprehensive income:				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during period	130	(4,388)	7,049	12,162
Tax effect	(50)	1,673	(2,687)	(4,638)
Reclassification adjustment for gains included in net income	(525)	—	(635)	(122)
Tax effect	200	—	242	47
Net of tax amount	(245)	(2,715)	3,969	7,449
Unrealized gains (losses) on derivative financial instruments qualifying as cash flow hedges:				
Unrealized holding gains (losses) arising during period	4	51	(56)	(147)
Tax effect	(1)	(19)	21	56
Reclassification adjustment for losses included in interest expense	57	69	226	209
Tax effect	(22)	(27)	(86)	(80)
Net of tax amount	38	74	105	38
Change in pension plan obligation:				
Reclassification adjustment for changes included in net income	188	204	564	612
Tax effect	(72)	(78)	(215)	(233)
Net of tax amount	116	126	349	379
Other comprehensive income (loss), net of tax	(91)	(2,515)	4,423	7,866
Comprehensive income	$ 34,955	$ 25,580	$ 89,556	$ 84,971

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)

Nine months ended September 30, 2017 and 2016

(Dollars in thousands, except for share data)

	Preferred Stock		Common Stock			Retained	Accumulated Other Comprehensive Income	
	Shares	Amount	Shares	Amount	Surplus	Earnings	(Loss)	Total
Balance, December 31, 2015	—	$ —	24,162,657	$ 60,407	$ 703,929	$ 298,919	$ (3,871)	$ 1,059,384
Comprehensive income	—	—	—	—	—	77,105	7,866	84,971
Cash dividends declared on common stock 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)
	—	—	—	—	4,704	—	—	4,704

Share-based compensation expense								
Balance, September 30, 2016	—	$ —	24,209,122	$ 60,523	$ 705,124	$ 354,490	$ 3,995	$ 1,124,132
Balance, December 31, 2016	—	$ —	24,230,392	$ 60,576	$ 711,307	$ 370,916	$ (8,211)	$ 1,134,588
Comprehensive income	—	—	—	—	—	85,133	4,423	89,556
Cash dividends declared on common stock at $0.99 per share	—	—	—	—	—	(28,956)	—	(28,956)
Employee stock purchases	—	—	6,742	17	536	—	—	553
Stock options exercised	—	—	33,896	84	1,050	—	—	1,134
Common stock issued for Southeastern Bank Financial Corp. acquisition	—	—	4,978,338	12,446	422,163	—	—	434,609
Restricted stock awards	—	—	20,683	51	(51)	—	—	—
Common stock repurchased	—	—	(40,484)	(101)	(3,525)	—	—	(3,626)
Stock issued pursuant to restricted stock units	—	—	37,802	95	(95)	—	—	—
Share-based compensation expense	—	—	—	—	4,967	—	—	4,967
Balance, September 30, 2017	—	$ —	29,267,369	$ 73,168	$ 1,136,352	$ 427,093	$ (3,788)	$ 1,632,825

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,	
	2017	2016
Cash flows from operating activities:		
Net income	$ 85,133	$ 77,105
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,030	16,016
Provision for loan losses	8,082	6,198
Deferred income taxes	3,144	7,622
Other-than-temporary impairment on securities	753	—
Gain on sale of securities, net	(1,388)	(122)
Share-based compensation expense	4,967	4,704
Amortization of FDIC indemnification asset	—	3,566
Accretion of discount related to performing acquired loans	(9,779)	(4,183)
(Gain) loss on disposal of premises and equipment	171	(52)
Gain on sale of OREO	(2)	(1,672)
Net amortization of premiums on investment securities	5,068	4,095
OREO write downs	2,220	4,070
Fair value adjustment for loans held for sale	867	(732)
Originations and purchases of mortgage loans for sale	(558,459)	(557,388)
Proceeds from mortgage loans sales	575,495	542,717
Net change in:		
Accrued interest receivable	(475)	(419)
Prepaid assets	1,865	(563)
FDIC indemnification asset	—	3,177
Miscellaneous other assets	(5,844)	(7,983)
Accrued interest payable	(160)	(806)
Accrued income taxes	10,763	6,775
Miscellaneous other liabilities	4,482	10,393
Net cash provided by operating activities	147,933	112,518
Cash flows from investing activities:		
Proceeds from sales of investment securities available for sale	265,965	137
Proceeds from maturities and calls of investment securities held to maturity	2,420	2,466
Proceeds from maturities and calls of investment securities available for sale	182,299	324,110
Proceeds from sales of other investment securities	3,444	71
Purchases of investment securities available for sale	(183,581)	(232,016)
Purchases of other investment securities	(303)	(660)
Net increase in loans	(533,647)	(533,393)
Payment to terminate FDIC Loss Share Agreements	—	(2,342)
Recoveries of loans previously charged off	2,455	2,620

Net cash received from acquisitions	70,188	—
Purchases of premises and equipment	(9,095)	(18,320)
Proceeds from sale of OREO	11,331	17,392
Proceeds from sale of premises and equipment	15	52
Net cash used in investing activities	(188,509)	(439,883)
Cash flows from financing activities:		
Net increase in deposits	206,678	146,990
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase and other short-term borrowings	(23,688)	17,037
Repayment of other borrowings	(82,033)	(12)
Common stock issuance	553	474
Common stock repurchase	(3,626)	(5,380)
Dividends paid on common stock	(28,956)	(21,534)
Stock options exercised	1,134	1,513
Net cash provided by financing activities	70,062	139,088
Net increase (decrease) in cash and cash equivalents	29,486	(188,277)
Cash and cash equivalents at beginning of period	374,448	695,794
Cash and cash equivalents at end of period	$ 403,934	$ 507,517
Supplemental Disclosures:		
Cash Flow Information:		
Cash paid for:		
Interest	$ 11,625	$ 7,036
Income taxes	$ 25,534	$ 25,364
Schedule of Noncash Investing Transactions:		
Real estate acquired in full or in partial settlement of loans	$ 8,375	$ 11,447

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, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

The condensed consolidated balance sheet at December 31, 2016 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, 2016, as filed with the Securities and Exchange Commission (the "SEC") on February 24, 2017, 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 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities; ("ASU 2017-12"). ASU 2017-12 amends Accounting Standards Codification ("ASC") Topic 815 to better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. These amendments will improve the transparency of information about an entity's risk management activities and simplify the application of hedge accounting. The guidance is effective for public companies for annual periods beginning on or after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted. All transition requirements and elections should be applied to hedging relationships existing on the date of adoption. The Company is still assessing the impact of this new guidance, but does not think it will have a material impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting; ("ASU 2017-09"). ASU 2017-09 provides clarity by offering guidance on the scope of modification accounting for share-based payment awards and gives direction on which changes to the terms or conditions of these awards require an entity to apply modification accounting. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The guidance is effective prospectively for all companies for annual periods beginning on or after December 15, 2017. Early adoption is permitted. The Company has determined that this guidance will not have a material impact on the Company's consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-08, Receivables-Nonrefundable Fees and Other Cost (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities; ("ASU 2017-08"). ASU 2017-08 shortens the amortization period of the premium for certain callable debt securities, from the contractual maturity date to the earliest call date. The amendments do not require an accounting change for securities held at a discount; an entity

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will continue to amortize to the contractual maturity date the discount related to callable debt securities. The amendments apply to the amortization of premiums on callable debt securities with explicit, noncontingent call features that are callable at fixed prices on preset dates. For public business entities, ASU 2017-08 is effective in fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For entities other than public business entities, the amendments are effective in fiscal years beginning after December 15, 2019 and in interim periods in fiscal years beginning after December 15, 2020. Early adoption is permitted for all entities, including in an interim period. The amendments should be applied on a modified retrospective basis, with a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the amendments are adopted. The Company has determined that this guidance will not have a material impact on the Company's consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost; ("ASU 2017-07"). ASU 2017-07 applies to any employer that sponsors a defined benefit pension plan, other postretirement benefit plan, or other types of benefits accounted for under Topic 715. The amendments require that an employer disaggregate the service cost component from the other components of net benefit cost, as follows (1) service cost must be presented in the same line item(s) as other employee compensation costs. These costs are generally included within income from continuing operations, but in some cases may be eligible for capitalization, (2) all other components of net benefit cost must be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented, (3) the amendments permit capitalizing only the service cost component of net benefit cost, assuming such costs meet the criteria required for capitalization by other GAAP , rather than total net benefit cost which has been permitted under prior GAAP. The guidance is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those years. The amendments should be adopted prospectively and allows a practical expedient that permits an employer to use the amounts disclosed in its pension and other postretirement benefit plan note for the prior periods to apply the retrospective presentation requirements. The Company has determined that this guidance will not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Intangible-Goodwill and other (Topic 350): Simplifying the Test for Goodwill Impairment; ("ASU 2017-04"). ASU 2017-04 simplifies the accounting for goodwill impairment for all entities by requiring impairment charges to be based on the first step in today's two-step impairment test under ASC Topic 350 and eliminating Step 2 from the goodwill impairment test. As amended, the goodwill impairment test will consist of one step comparing the fair value of a reporting unit with its carrying amount. An entity should recognize a goodwill impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The guidance is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those years. The amendments should be adopted prospectively and early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. At this point in time, the Company does not expect that this guidance will have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-03, Accounting Changes and Error Corrections (Topic 250) and Investments-Equity Method and Joint Ventures (Topic 323) ("ASU 2017-03"). ASU 2017-03 amends the Codification for SEC staff announcements made at two Emerging Issues Task Force (EITF) meetings. At the September 2016 meeting, the SEC staff expressed its expectations about the extent of disclosures registrants should make about the effects of the new FASB guidance (including any amendments issued prior to adoption) on revenue (ASU 2014-09), leases (ASU 2016-02) and credit losses on financial instruments (ASU 2016-13) in accordance with SAB Topic 11.M. That Topic requires registrants to disclose the effect that recently issued accounting standards will have on their financial statements when adopted in a future period. ASU 2017-03 incorporates these SEC staff views into ASC Topic 250 and adds references to that guidance in the transition paragraphs of each of the three new standards. The ASU also conforms ASC 323-740-S99-2, which describes the SEC staff's views on accounting for investments in qualified affordable housing projects, to the guidance issued in ASU 2014-01. The Company adopted this standard in the fourth quarter of 2016 and will continue to refine its disclosures around the standard. The Company determined that this guidance did not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business; ("ASU 2017-01"). ASU 2017-01 requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets; if so, the set of transferred assets and activities is not a business. The guidance also requires a business to include at least one substantive process and narrows the definition of outputs by more closely aligning it with how outputs are described

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in ASC Topic 606. The guidance is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted. The Company has determined that this guidance will not have a material impact on the Company's consolidated financial statements.

In December 2016, the FASB issued ASU No. 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers; ("ASU 2016-20"). ASU 2016-20 updates the new revenue standard by clarifying issues that had arisen from ASU 2014-09, but does not change the core principle of the new standard. The issues addressed in this ASU include: 1) Loan guarantee fees, 2) Impairment testing of contract costs, 3) Interaction of impairment testing with guidance in other topics, 4) Provisions for losses on construction-type and production-type contracts, 5) Scope of topic 606, 6) Disclosure of remaining performance obligations, 7) Disclosure of prior-period performance obligations, 8) Contract modifications, 9) Contract asset vs. receivable, 10) Refund liability, 11) Advertising costs, 12) Fixed-odds wagering contracts in the casino industry, 13) Cost capitalization for advisors to private funds and public funds. The updated guidance is effective for interim and annual reporting 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. Our revenue is comprised of net interest income on financial assets and financial liabilities, which is explicitly excluded from the scope of ASU 2014-09, and non-interest income. ASU 2016-20 and 2014-09 could require us to change how we recognize certain revenue streams within non-interest income, however, we do not expect these changes to have a significant impact on our financial statements. We continue to evaluate the impact of ASU 2016-20 and 2014-09 on our Company and expect to adopt the standard in the first quarter of 2018 with a cumulative effect adjustment to opening retained earnings, if such adjustment is deemed to be significant.

In August 2016, the FASB issued 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 issued 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. We have dedicated staff and resources in place evaluating the Company's options including evaluating the appropriate model options and collecting and reviewing loan data for use in these models. The Company is currently still assessing the impact that this new guidance will have on its consolidated financial statements.

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

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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 became effective for interim and annual periods beginning after December 15, 2016 which made this ASU effective for the Company starting On January 1, 2017. For the three and nine months ended September 30, 2017, excess tax benefits of $104,000 and $839,000, respectively, were recorded against income tax expense in the income statement which previously would have been recorded against surplus on the balance sheet.

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. Our revenue is comprised of net interest income on financial assets and financial liabilities, which is explicitly excluded from the scope of ASU 2014-09, and non-interest income. ASU 2016-08 and 2014-09 could require us to change how we recognize certain revenue streams within non-interest income, however, we do not expect these changes to have a significant impact on our financial statements. We continue to evaluate the impact of ASU 2016-08 and 2014-09 on our Company and expect to adopt the standard in the first quarter of 2018 with a cumulative effect adjustment to opening retained earnings, if such adjustment is deemed to be significant.

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. ASU 2016-07 became effective for the Company on January 1, 2017 and did not have a significant impact on 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. ASU 2016-05 became effective for the Company on January 1, 2017 and did not have a significant impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or

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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 has reviewed its outstanding lease agreements and has centrally documented the terms of its leases. The Company is currently evaluating the provisions of ASU 2016-02 in relation to its outstanding leases 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 available for sale 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, 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 August 2014, the FASB issued ASU No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. ASU 2014-15 requires management to assess a company's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. Before this new standard, there was minimal guidance in GAAP specific to going concern. Under the new standard, disclosures are required when conditions give rise to substantial doubt about a company's ability to continue as a going concern within one year from the financial statement issuance date. The new standard applies to all companies and is effective for the annual period ending after December 15, 2016, and all annual and interim periods thereafter. ASU 2014-15 became effective for the Company on December 31, 2016 and did not have an impact on the consolidated financial statements.

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. Our revenue is comprised of net interest income on financial assets and financial liabilities, which is explicitly excluded from the scope of ASU 2014-09, and non-interest income. ASU 2014-09 could require us to change how we recognize certain revenue streams within non-interest

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income, however, we do not expect these changes to have a significant impact on our financial statements. We continue to evaluate the impact of ASU 2014-09 on our Company and expect to adopt the standard in the first quarter of 2018 with a cumulative effect adjustment to opening retained earnings, if such adjustment is deemed to be significant.

Note 4 — Mergers and Acquisitions

The following are business combinations which are currently proposed or have occurred over the past two years:

- Southeastern Bank Financial Corporation (“SBFC”) – January 3, 2017
- Park Sterling Corporation - Proposed

Park Sterling Corporation Proposed Acquisition

On April 26, 2017, South State Corporation, (“SSB”) entered into an Agreement and Plan of Merger with Park Sterling Corporation, a North Carolina corporation ("PSTB), and a bank holding company headquartered in Charlotte, North Carolina. The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, PSTB will merge with and into SSB, with SSB as the surviving corporation in the Merger. Immediately following the Merger, PSTB's wholly owned bank subsidiary, Park Sterling Bank ("PSB"), will merge with and into the Bank, with the Bank as the surviving entity in the bank merger. At September 30, 2017, PSTB reported $3.3 billion in total assets, $2.4 billion in loans and $2.5 billion in deposits. PSTB has over 50 full service branches in North Carolina, South Carolina, Georgia and Virginia that serve individuals and businesses. With the closing of the merger with PSTB, the Company plans to close 12 PSB branches and 2 legacy SSB branches by the end of 2018.

Under the terms of the merger agreement, PSTB common shareholders will receive aggregate consideration of approximately 7,471,072 shares of SSB common stock, plus cash for the value of “in the money” outstanding stock options. The common stock consideration is based upon a fixed exchange ratio of 0.14 shares of SSB common stock for each outstanding share of PSTB common stock.

Special shareholder meetings of PSTB and SSB to ratify the merger proposal were held on October 25, 2017 and the merger proposal was approved. The proposed merger is still subject to regulatory approvals and other customary closing conditions. The transaction is expected to close during the fourth quarter of 2017.

Southeastern Bank Financial Corporation Acquisition

On January 3, 2017, SSB acquired all of the outstanding common stock of Southeastern Bank financial Corporation (“SBFC”), of Augusta, Georgia, the bank holding company for Georgia Bank & Trust Company of Augusta (“GB&T”), in a stock transaction. SBFC common shareholders received 0.7307 shares of the Company’s common stock in exchange for each share of SBFC stock resulting in the Company issuing 4,978,338 shares of its common stock. In total, the purchase price for SBFC was $435.1 million including the value of “in the money” outstanding stock options totaling $490,000.

The SBFC transaction 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.

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The following table presents the assets acquired and liabilities assumed as of January 3, 2017 and their initial and subsequent fair value estimates, as recorded by the Company. The Company has up to one year after the acquisition date to make subsequent fair value adjustments.

(Dollars in thousands)	As Recorded by SBFC	Intial Fair Value Adjustments		Subsequent Fair Value Adjustments		As Recorded by the Company
Assets						
Cash and cash equivalents	$ 72,043	$ —		$ —		$ 72,043
Investment securities	591,824	(1,770)	(a)	—		590,054
Loans held for sale	13,652	—		—		13,652
Loans, net of allowance and mark	1,060,618	(10,668)	(b)	—		1,049,950
Premises and equipment	25,419	(2,212)	(c)	—		23,207
Intangible assets	140	17,980	(d)	—		18,120
OREO and repossessed assets	580	(30)	(e)	(165)	(e)	385
Bank owned life insurance	44,513	—		—		44,513
Deferred tax asset	16,247	(687)	(f)	850	(f)	16,410
Other assets	7,545	(482)	(g)	—		7,063
Total assets	$ 1,832,581	$ 2,131		$ 685		$ 1,835,397
Liabilities						
Deposits:						
Noninterest-bearing	$ 262,967	$ —		$ —		$ 262,967
Interest-bearing	1,257,953	—		—		1,257,953
Total deposits	1,520,920	—		—		1,520,920
Federal funds purchased and securities sold under agreements to repurchase	1,014	—		—		1,014
Other borrowings	110,620	(1,120)	(h)	—		109,500
Other liabilities	19,980	5,553	(i)	2,210	(i)	27,743
Total liabilities	1,652,534	4,433		2,210		1,659,177
Net identifiable assets acquired over (under) liabilities assumed	180,047	(2,302)		(1,525)		176,220
Goodwill	—	257,370		1,525		258,895
Net assets acquired over liabilities assumed	$ 180,047	$ 255,068		$ —		$ 435,115
Consideration:						
South State Corporation common shares issued						4,978,338
Purchase price per share of the Company's common stock						$ 87.30
Company common stock issued ($434,609) and cash exchanged for fractional shares ($16)						$ 434,625
Cash paid for stock option redemptions						490
Fair value of total consideration transferred						$ 435,115

Explanation of fair value adjustments

(a)—Adjustment reflects marking the securities portfolio to fair value as of the acquisition date.

(b)—Adjustment reflects the fair value adjustments of $30,749 based on the Company's evaluation of the acquired loan portfolio and excludes the allowance for loan losses ("ALLL") of $20,081 recorded by SBFC.

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

(d)—Adjustment reflects the recording of the core deposit intangible on the acquired deposit accounts that totaled $18,120.

(e)—Adjustment reflects the fair value adjustments to other real estate owned ("OREO") and repossessed assets based on the Company's evaluation of the acquired OREO and repossessed assets portfolio.

(f)—Adjustment to record deferred tax asset related to the fair value adjustments.

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(g)—Adjustment reflects uncollectible portion of accrued interest receivable and loan fees receivable along with the write-off of certain prepaid expenses.

(h)—Adjustment reflects the fair value adjustments based on the Company's evaluation of other borrowings of Trust Preferred Securities with a discount of $2,149, netted with premium on certain Federal Home Loan Bank ("FHLB ") advances of $1,029.

(i)—Adjustment reflects the fair value adjustments to employee benefit plans of $8,259 netted against an adjustment of other miscellaneous liabilities of $496.

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, 2017:				
State and municipal obligations	$ 3,678	$ 54	$ —	$ 3,732
December 31, 2016:				
State and municipal obligations	$ 6,094	$ 156	$ —	$ 6,250
September 30, 2016:				
State and municipal obligations	$ 6,851	$ 225	$ —	$ 7,076

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, 2017:				
Government-sponsored entities debt*	$ 86,521	$ 72	$ (642)	$ 85,951
State and municipal obligations	199,898	4,584	(188)	204,294
Mortgage-backed securities**	1,027,827	4,673	(5,023)	1,027,477
Corporate stocks	2,781	176	—	2,957
	$ 1,317,027	$ 9,505	$ (5,853)	$ 1,320,679
December 31, 2016:				

Government-sponsored entities debt*	$ 85,488	$ —	$ (846)	$ 84,642
State and municipal obligations	105,303	2,289	(190)	107,402
Mortgage-backed securities**	807,717	3,085	(7,225)	803,577
Corporate stocks	3,658	473	(347)	3,784
	$ 1,002,166	$ 5,847	$ (8,608)	$ 999,405
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

* - 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.

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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, 2017:				
Federal Home Loan Bank stock	$ 10,177	$ —	$ —	$ 10,177
Investment in unconsolidated subsidiaries	2,262	—	—	2,262
	$ 12,439	$ —	$ —	$ 12,439
December 31, 2016:				
Federal Home Loan Bank stock	$ 7,840	$ —	$ —	$ 7,840
Investment in unconsolidated subsidiaries	1,642	—	—	1,642
	$ 9,482	$ —	$ —	$ 9,482
September 30, 2016:				
Federal Home Loan Bank stock	$ 7,840	$ —	$ —	$ 7,840
Investment in unconsolidated subsidiaries	1,642	—	—	1,642
	$ 9,482	$ —	$ —	$ 9,482

The amortized cost and fair value of debt securities at September 30, 2017 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	$ 2,225	$ 2,253	$ 12,023	$ 12,090
Due after one year through five years	1,153	1,179	109,509	110,127
Due after five years through ten years	300	300	275,960	278,021
Due after ten years	—	—	919,535	920,441
	$ 3,678	$ 3,732	$ 1,317,027	$ 1,320,679

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Information pertaining to the Company's securities with gross unrealized losses at September 30, 2017, December 31, 2016 and September 30, 2016, 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, 2017:				
Securities Available for Sale				
Government-sponsored entities debt	$ 473	$ 68,366	$ 169	$ 11,830
State and municipal obligations	188	21,851	—	—
Mortgage-backed securities	4,457	455,145	566	35,917
Corporate stocks	—	—	—	—
	$ 5,118	$ 545,362	$ 735	$ 47,747
December 31, 2016:				
Securities Available for Sale				
Government-sponsored entities debt	$ 846	$ 84,642	$ —	$ —
State and municipal obligations	190	11,506	—	—
Mortgage-backed securities	7,148	592,228	77	2,058
Corporate stocks	—	—	347	1,395
	$ 8,184	$ 688,376	$ 424	$ 3,453
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

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, 2017 continue to perform as scheduled. 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 September 30, 2017. With respect to equity securities held by the Company, the Company recorded an

OTTI charge of $753,000 related to two equity securities during the third quarter of 2017. This charge was recorded due to the fact that management made the decision to sell the two securities in the fourth quarter of 2017 and therefore, no longer had the intent to hold the investments for a period of time sufficient to allow for any anticipated recovery.

Management continues to monitor all of the Company's 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 its securities may be sold or are other than temporarily impaired, which would require a charge to earnings in such periods.

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Note 6 — Loans and Allowance for Loan Losses

The following is a summary of non-acquired loans:

(Dollars in thousands)	September 30, 2017	December 31, 2016	September 30, 2016
Non-acquired loans:			
Commercial non-owner occupied real estate:			
Construction and land development	$ 766,957	$ 580,464	$ 562,336
Commercial non-owner occupied	949,870	714,715	630,437
Total commercial non-owner occupied real estate	1,716,827	1,295,179	1,192,773
Consumer real estate:			
Consumer owner occupied	1,454,758	1,197,621	1,183,441
Home equity loans	419,760	383,218	363,825
Total consumer real estate	1,874,518	1,580,839	1,547,266
Commercial owner occupied real estate	1,278,487	1,177,745	1,153,480
Commercial and industrial	781,757	671,398	617,525
Other income producing property	194,335	178,238	179,595
Consumer	371,758	324,238	305,687
Other loans	12,645	13,404	11,787
Total non-acquired loans	6,230,327	5,241,041	5,008,113
Less allowance for loan losses	(41,541)	(36,960)	(37,319)
Non-acquired loans, net	$ 6,188,786	$ 5,204,081	$ 4,970,794

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, 2017	December 31, 2016	September 30, 2016
FASB ASC Topic 310-20 acquired loans:			
Commercial non-owner occupied real estate:			
Construction and land development	$ 76,886	$ 10,090	$ 10,683
Commercial non-owner occupied	199,704	34,628	35,775
Total commercial non-owner occupied real estate	276,590	44,718	46,458
Consumer real estate:			
Consumer owner occupied	492,615	408,270	435,132
Home equity loans	164,291	160,879	168,758
Total consumer real estate	656,906	569,149	603,890
Commercial owner occupied real estate	207,572	27,195	29,444
Commercial and industrial	101,427	13,641	14,201

Other income producing property	76,924	39,342	43,152
Consumer	136,136	142,654	148,512
Total FASB ASC Topic 310-20 acquired loans	$ 1,455,555	$ 836,699	$ 885,657

The unamortized discount related to the acquired non-credit impaired loans totaled $20.7 million, $11.6 million, and $12.6 million at September 30, 2017, December 31, 2016, and September 30, 2016, 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, 2017	December 31, 2016	September 30, 2016
FASB ASC Topic 310-30 acquired loans:			
Commercial loans greater than or equal to $1 million-Community Bank & Trust ("CBT")	$ 8,439	$ 8,617	$ 10,958
Commercial real estate	199,082	210,204	220,489
Commercial real estate—construction and development	46,248	44,373	47,081
Residential real estate	249,666	258,100	268,968
Consumer	53,302	59,300	61,866
Commercial and industrial	25,796	25,347	26,658
Total FASB ASC Topic 310-30 acquired loans	582,533	605,941	636,020
Less allowance for loan losses	(3,670)	(3,395)	(3,403)
FASB ASC Topic 310-30 acquired loans, net	$ 578,863	$ 602,546	$ 632,617

Contractual loan payments receivable, estimates of amounts not expected to be collected, other fair value adjustments and the resulting fair values of FASB ASC Topic 310-30 acquired loans impaired and non-impaired at the acquisition date for SBFC (January 3, 2017) are as follows:

(Dollars in thousands)	January 3, 2017 Loans Impaired at Acquisition
Contractual principal and interest	$ 73,365
Non-accretable difference	(12,912)
Cash flows expected to be collected	60,453
Accretable difference	(4,603)
Carrying value	$ 55,850

The table above excludes $991.5 million ($1.01 billion in contractual principal less a $18.8 million fair value adjustment) in acquired loans at fair value that were identified as either performing with no discount related to the credit or as revolving lines of credit (commercial or consumer) as of the acquisition date and will be accounted for under FASB ASC Topic 310-20.

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, 2017, December 31, 2016 and

September 30, 2016 are as follows:

(Dollars in thousands)	September 30, 2017	December 31, 2016	September 30, 2016
Contractual principal and interest	$ 741,268	$ 778,822	$ 822,340
Non-accretable difference	(26,160)	(17,502)	(22,222)
Cash flows expected to be collected	715,108	761,320	800,118
Accretable yield	(132,575)	(155,379)	(164,098)
Carrying value	$ 582,533	$ 605,941	$ 636,020
Allowance for acquired loan losses	$ (3,670)	$ (3,395)	$ (3,403)

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.

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

	Nine Months Ended September 30,	
(Dollars in thousands)	2017	2016
Balance at beginning of period	$ 602,546	$ 733,870
Fair value of acquired loans	55,850	—
Net reductions for payments, foreclosures, and accretion	(79,258)	(101,556)
Change in the allowance for loan losses on acquired loans	(275)	303
Balance at end of period, net of allowance for loan losses on acquired loans	$ 578,863	$ 632,617

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

	Nine Months Ended September 30,	
(Dollars in thousands)	2017	2016
Balance at beginning of period	$ 155,379	$ 201,538
Addition from the SBFC acquisition	4,603	—
Accretion	(43,873)	(56,850)
Reclass of nonaccretable difference due to improvement in expected cash flows	16,772	18,631
Other changes, net	(306)	779
Balance at end of period	$ 132,575	$ 164,098

In the third quarter of 2017, the accretable yield balance declined by $14.3 million as loan accretion (income) was recognized. This was partially offset by improved expected cash flows of $7.8 million during the third quarter of 2017.

Our loan loss policy adheres to GAAP as well as interagency guidance. The ALLL is based upon estimates made by management. We maintain an ALLL 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 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, as noted above, 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 ALLL 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.

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Beginning with the First Financial Holdings, Inc. ("FFHI") acquisition in 2013, the Company segregates the acquired loan portfolio into performing loans ("non credit impaired) and purchased 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 ALLL 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 purchased 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 ALLL. Management analyzes the acquired loan pools using various assessments of risk to determine an expected loss. The expected loss is derived based upon a loss given default based upon the collateral type and/or detailed review by loan officers and the probability of default that is determined based upon historical data at the loan level. All acquired loans managed by Special Asset Management are reviewed quarterly and assigned a loss given default. Acquired loans not managed by Special Asset Management are reviewed twice a year in a similar method to the Company's originated portfolio of loans which follow review thresholds based on risk rating categories. In the fourth quarter of 2015, the Company modified its methodology to a more granular approach in determining loss given default on substandard loans with a net book balance between $100,000 and $500,000 by adjusting the loss given default to 90% of the most current collateral valuation based on appraised value. Substandard loans greater than $500,000 were individually assigned loss given defaults each quarter. Trends are reviewed in terms of accrual status, past due status, and weighted average grade of the loans within each of the accounting pools. In addition, the relationship between the change in the unpaid principal balance and change in the mark is assessed to correlate the directional consistency of the expected loss for each pool. Prior to the termination of our loss share agreements in June 2016, as discussed below, which offset the impact of the provision established for acquired loans covered under FDIC loss share agreements, the receivable from the FDIC was 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, which was 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.

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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, 2017:				
Balance at beginning of period	$ 40,149	$ —	$ 3,741	$ 43,890
Loans charged-off	(1,383)	(275)	—	(1,658)
Recoveries of loans previously charged off (1)	836	279	—	1,115
Net charge-offs	(547)	4	—	(543)
Provision for loan losses charged to operations	1,939	(4)	127	2,062
Provision for loan losses recorded through the FDIC loss share receivable	—	—	—	—
Reduction due to loan removals	—	—	(198)	(198)
Balance at end of period	$ 41,541	$ —	$ 3,670	$ 45,211
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	—	—	—	—
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

(Dollars in thousands)	Non-acquired Loans	Acquired Non-Credit Impaired Loans	Acquired Credit Impaired Loans	Total
Nine Months Ended September 30, 2017:				
Balance at beginning of period	$ 36,960	$ —	$ 3,395	$ 40,355
Loans charged-off	(3,972)	(1,165)	—	(5,137)
Recoveries of loans previously charged off (1)	2,041	414	—	2,455
Net charge-offs	(1,931)	(751)	—	(2,682)
Provision	6,512	751	819	8,082
Benefit attributable to FDIC loss share agreements	—	—	—	—
Total provision for loan losses charged to operations	6,512	751	819	8,082
Provision for loan losses recorded through the FDIC loss share receivable	—	—	—	—
Reduction due to loan removals	—	—	(544)	(544)

Balance at end of period	$ 41,541	$ —	$ 3,670	$ 45,211
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

(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 ALLL.

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

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
ded 17 an									
2017	$ 5,746	$ 6,164	$ 7,539	$ 8,569	$ 3,247	$ 5,143	$ 1,379	$ 2,532	$ (170)
	(19)	—	—	—	(17)	(440)	(10)	(897)	—
	333	80	92	65	38	31	29	168	—
t)	(88)	(7)	479	492	(171)	469	(10)	889	(114)
17	$ 5,972	$ 6,237	$ 8,110	$ 9,126	$ 3,097	$ 5,203	$ 1,388	$ 2,692	$ (284)
y									
	$ 1,266	$ 133	$ 64	$ 47	$ 116	$ 18	$ 211	$ 7	$ —
y									
	$ 4,706	$ 6,104	$ 8,046	$ 9,079	$ 2,981	$ 5,185	$ 1,177	$ 2,685	$ (284)
y									
	$ 42,638	$ 716	$ 5,874	$ 4,455	$ 2,623	$ 627	$ 3,605	$ 254	$ —
y									
	724,319	949,154	1,272,613	1,450,303	417,137	781,130	190,730	371,504	12,645
ed									
	$ 766,957	$ 949,870	$ 1,278,487	$ 1,454,758	$ 419,760	$ 781,757	$ 194,335	$ 371,758	$ 12,645
ded 16 an									
,									
	$ 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	—
t)	(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									
y	$ 3,431	$ 764	$ 6,352	$ 3,127	$ 1,599	$ 1,453	$ 4,319	$ 142	$ —
y	558,905	629,673	1,147,128	1,180,314	362,226	616,072	175,276	305,545	11,787
ed	$ 562,336	$ 630,437	$ 1,153,480	$ 1,183,441	$ 363,825	$ 617,525	$ 179,595	$ 305,687	$ 11,787

s 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	To
lonths Ended ber 30, 2017 nce for loan										
e, ber 31, 2016	$ 4,091	$ 4,980	$ 8,022	$ 7,820	$ 3,211	$ 4,842	$ 1,542	$ 2,350	$ 102	$ 3
-offs	(493)	—	—	(185)	(241)	(629)	(17)	(2,407)	—	(
ries	555	128	197	141	133	264	77	546	—	2
on (benefit)	1,819	1,129	(109)	1,350	(6)	726	(214)	2,203	(386)	6
e, ber 30, 2017	$ 5,972	$ 6,237	$ 8,110	$ 9,126	$ 3,097	$ 5,203	$ 1,388	$ 2,692	$ (284)	$ 4
lonths Ended ber 30, 2016 nce for loan										
e, ber 31, 2015	$ 4,116	$ 3,568	$ 8,341	$ 7,212	$ 2,929	$ 3,974	$ 1,963	$ 1,694	$ 293	$ 3
-offs	(159)	—	(117)	(174)	(767)	(358)	(7)	(2,802)	—	(
ries	848	59	46	125	239	207	47	787	—	2
on (benefit)	(694)	964	258	687	880	887	(384)	2,629	28	5
e, ber 30, 2016	$ 4,111	$ 4,591	$ 8,528	$ 7,850	$ 3,281	$ 4,710	$ 1,619	$ 2,308	$ 321	$ 3

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

thousands)	Construction & Land Development	Commercial Non-owner Occupied	Commercial Owner Occupied	Consumer Owner Occupied	Home Equity	Commercial & Industrial	Other Income Producing Property	Consumer	Tot
ths Ended 30, 2017 for loan									
beginning	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ -
s	—	—	—	(80)	(71)	(1)	—	(123)	(
	1	—	1	—	274	1	—	2	2
benefit)	(1)	—	(1)	80	(203)	—	—	121	(4
30, 2017	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ -
vidually or	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ -
ctively or	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ -
vidually or	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ -
ctively or	76,886	199,704	207,572	492,615	164,291	101,427	76,924	136,136	1
ired mpaired	$ 76,886	$ 199,704	$ 207,572	$ 492,615	$ 164,291	$ 101,427	$ 76,924	$ 136,136	$ 1
ths Ended 30, 2016 for loan									
beginning	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ -
s	—	—	(3)	—	(105)	(23)	—	(149)	(
	1	—	—	3	89	1	—	26	1
benefit)	(1)	—	3	(3)	16	22	—	123	1
	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ -

30, 2016

vidually or	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ -
ctively or	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ -
vidually or	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ -
ctively or	10,683	35,775	29,444	435,132	168,758	14,201	43,152	148,512	8
ired mpaired	$ 10,683	$ 35,775	$ 29,444	$ 435,132	$ 168,758	$ 14,201	$ 43,152	$ 148,512	$ 8

(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, 2017									
Allowance for loan losses:									
Balance, December 31, 2016	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Charge-offs	—	—	—	(89)	(736)	(3)	—	(337)	(1,165)
Recoveries	3	—	1	42	343	3	1	21	414
Provision (benefit)	(3)	—	(1)	47	393	—	(1)	316	751
Balance, September 30, 2017	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
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	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

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

(Dollars in thousands)	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, 2017								
Allowance for loan losses:								
Balance, June 30, 2017	$ —	$ 40	$ 92	$ 2,741	$ 548	$ 320	$ —	$ 3,741
Provision (benefit) for loan losses before benefit attributable to FDIC loss share agreements	—	(40)	133	184	(85)	(65)	—	127
Benefit attributable to FDIC loss share agreements	—	—	—	—	—	—	—	—
Total provision (benefit) for loan losses charged to operations	—	(40)	133	184	(85)	(65)	—	127
Provision for loan losses recorded through the FDIC loss share receivable	—	—	—	—	—	—	—	—
Reduction due to loan removals	—	—	(36)	(149)	(1)	(12)	—	(198)
Balance, September 30, 2017	$ —	$ —	$ 189	$ 2,776	$ 462	$ 243	$ —	$ 3,670
Loans individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Loans collectively evaluated for impairment	$ —	$ —	$ 189	$ 2,776	$ 462	$ 243	$ —	$ 3,670
Loans:*								
Loans individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Loans collectively evaluated for impairment	8,439	199,082	46,248	249,666	53,302	25,796	—	582,533
	$ 8,439	$ 199,082	$ 46,248	$ 249,666	$ 53,302	$ 25,796	$ —	$ 582,533

Total acquired credit impaired loans								
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 FDIC loss share agreements	—	—	—	2	(23)	(2)	—	(23)
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

(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, 2017								
Allowance for loan losses:								
Balance, December 31, 2016	$ —	$ 41	$ 139	$ 2,419	$ 558	$ 238	$ —	$ 3,395
Provision (benefit) for loan losses before benefit attributable to FDIC loss share agreements	—	(40)	130	743	(85)	71	—	819
Benefit attributable to FDIC loss share agreements	—	—	—	—	—	—	—	—
Total provision (benefit) for loan losses charged to operations	—	(40)	130	743	(85)	71	—	819
Provision (benefit) for loan losses recorded through the FDIC loss share receivable	—	—	—	—	—	—	—	—
Reduction due to loan removals	—	(1)	(80)	(386)	(11)	(66)	—	(544)
Balance, September 30, 2017	$ —	$ —	$ 189	$ 2,776	$ 462	$ 243	$ —	$ 3,670
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 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

*— 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.

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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		
ousands)	September 30, 2017	December 31, 2016	September 30, 2016	September 30, 2017	December 31, 2016	September 30, 2016	September 30, 2017	December 31, 2016	S 2
	$ 755,633	$ 567,398	$ 548,984	$ 939,125	$ 701,150	$ 615,521	$ 1,247,881	$ 1,149,417	$
on	7,445	8,421	8,492	8,475	11,434	11,499	24,277	22,133	
	3,879	4,645	4,860	2,270	2,131	3,417	6,329	6,195	
	—	—	—	—	—	—	—	—	
	$ 766,957	$ 580,464	$ 562,336	$ 949,870	$ 714,715	$ 630,437	$ 1,278,487	$ 1,177,745	$

	Commercial & Industrial			Other Income Producing Property			Commercial Total		
	September 30, 2017	December 31, 2016	September 30, 2016	September 30, 2017	December 31, 2016	September 30, 2016	September 30, 2017	December 31, 2016	Septe 2016
	$ 770,975	$ 655,157	$ 604,058	$ 186,639	$ 167,025	$ 165,451	$ 3,900,253	$ 3,240,147	$ 3,0
	8,894	14,325	11,246	6,090	9,280	12,099	55,181	65,593	69,
ard	1,888	1,916	2,221	1,606	1,933	2,045	15,972	16,820	21,
	—	—	—	—	—	—	—	—	—
	$ 781,757	$ 671,398	$ 617,525	$ 194,335	$ 178,238	$ 179,595	$ 3,971,406	$ 3,322,560	$ 3,1

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

	Consumer Owner Occupied			Home Equity			Consumer	
	September 30,	December 31,	September 30,	September 30,	December 31,	September 30,	September 30,	December 31
usands)	2017	2016	2016	2017	2016	2016	2017	2016
	$ 1,427,278	$ 1,167,768	$ 1,155,481	$ 405,945	$ 368,655	$ 349,382	$ 370,258	$ 322,654
on	14,914	15,283	14,370	7,346	8,145	8,493	316	468
	12,566	14,570	13,590	6,469	6,418	5,950	1,184	1,116
	—	—	—	—	—	—	—	—
	$ 1,454,758	$ 1,197,621	$ 1,183,441	$ 419,760	$ 383,218	$ 363,825	$ 371,758	$ 324,238

	Other			Consumer Total		
	September 30, 2017	December 31, 2016	September 30, 2016	September 30, 2017	December 31, 2016	September 30, 2016
Pass	$ 12,645	$ 13,404	$ 11,787	$ 2,216,126	$ 1,872,481	$ 1,820,767
Special mention	—	—	—	22,576	23,896	23,474
Substandard	—	—	—	20,219	22,104	20,499
Doubtful	—	—	—	—	—	—
	$ 12,645	$ 13,404	$ 11,787	$ 2,258,921	$ 1,918,481	$ 1,864,740

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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, 2017	December 31, 2016	September 30, 2016
Pass	$ 6,116,379	$ 5,112,628	$ 4,873,202
Special mention	77,757	89,489	93,239
Substandard	36,191	38,924	41,672
Doubtful	—	—	—
	$ 6,230,327	$ 5,241,041	$ 5,008,113

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		
ollars in ousands)	September 30, 2017	December 31, 2016	September 30, 2016	September 30, 2017	December 31, 2016	September 30, 2016	September 30, 2017	December 31, 2016	Septembe 2016
ss	$ 74,665	$ 8,997	$ 9,562	$ 195,808	$ 28,368	$ 29,509	$ 201,498	$ 26,920	$ 28,926
ecial ention	1,403	253	278	3,806	6,171	6,173	4,048	—	—
bstandard	818	840	843	90	89	93	2,026	275	518
oubtful	—	—	—	—	—	—	—	—	—
	$ 76,886	$ 10,090	$ 10,683	$ 199,704	$ 34,628	$ 35,775	$ 207,572	$ 27,195	$ 29,444

	Commercial & Industrial			Other Income Producing Property			Commercial Total		
	September 30, 2017	December 31, 2016	September 30, 2016	September 30, 2017	December 31, 2016	September 30, 2016	September 30, 2017	December 31, 2016	Septembe 2016
s	$ 95,523	$ 13,475	$ 14,016	$ 74,994	$ 38,361	$ 42,159	$ 642,488	$ 116,121	$ 124,17
cial ntion	5,385	117	122	1,208	273	276	15,850	6,814	6,849
standard	519	49	63	722	708	717	4,175	1,961	2,234
ubtful	—	—	—	—	—	—	—	—	—
	$ 101,427	$ 13,641	$ 14,201	$ 76,924	$ 39,342	$ 43,152	$ 662,513	$ 124,896	$ 133,25

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		
	September 30,	December 31,	September 30,	September 30,	December 31,	September 30,	September 30,	December 31,	S
thousands)	2017	2016	2016	2017	2016	2016	2017	2016	2
	$ 487,393	$ 404,761	$ 431,712	$ 154,461	$ 151,752	$ 158,672	$ 132,962	$ 139,686	$
tion	2,502	1,326	759	5,077	4,113	5,340	1,141	1,102	
d	2,720	2,183	2,661	4,753	5,014	4,746	2,033	1,866	
	—	—	—	—	—	—	—	—	
	$ 492,615	$ 408,270	$ 435,132	$ 164,291	$ 160,879	$ 168,758	$ 136,136	$ 142,654	$

	Consumer Total		
	September 30, 2017	December 31, 2016	September 30, 2016
Pass	$ 774,816	$ 696,199	$ 735,978
Special mention	8,720	6,541	7,217
Substandard	9,506	9,063	9,207
Doubtful	—	—	—
	$ 793,042	$ 711,803	$ 752,402

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

(Dollars in thousands)	Total Acquired Non-credit Impaired Loans September 30, 2017	December 31, 2016	September 30, 2016
Pass	$ 1,417,304	$ 812,320	$ 860,150
Special mention	24,570	13,355	14,066
Substandard	13,681	11,024	11,441
Doubtful	—	—	—
	$ 1,455,555	$ 836,699	$ 885,657

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 25):

	Commercial Loans Greater Than or Equal to $1 million-CBT			Commercial Real Estate			Commercial Real Estate—Construction and Development		
rs in thousands)	September 30, 2017	December 31, 2016	September 30, 2016	September 30, 2017	December 31, 2016	September 30, 2016	September 30, 2017	December 31, 2016	Septe 2016
	$ 8,120	$ 8,297	$ 9,616	$ 152,305	$ 162,870	$ 164,737	$ 26,666	$ 21,150	$ 20
l mention	—	—	1,000	22,638	26,238	32,081	6,455	12,643	14
ndard	319	320	342	24,139	21,096	23,671	13,127	10,580	12
ful	—	—	—	—	—	—	—	—	—
	$ 8,439	$ 8,617	$ 10,958	$ 199,082	$ 210,204	$ 220,489	$ 46,248	$ 44,373	$ 47

	Residential Real Estate			Consumer			Commercial & Industrial		
	September 30, 2017	December 31, 2016	September 30, 2016	September 30, 2017	December 31, 2016	September 30, 2016	September 30, 2017	December 31, 2016	Septemb 2016
ss	$ 133,969	$ 138,343	$ 143,946	$ 8,261	$ 8,513	$ 9,072	$ 15,755	$ 17,371	$ 18,71
ecial ntion	50,488	52,546	54,597	17,733	19,685	20,635	1,397	4,614	4,476
bstandard	65,209	67,211	70,425	27,308	31,102	32,159	8,644	3,362	3,467
ubtful	—	—	—	—	—	—	—	—	—
	$ 249,666	$ 258,100	$ 268,968	$ 53,302	$ 59,300	$ 61,866	$ 25,796	$ 25,347	$ 26,65

Total Acquired

	Credit Impaired Loans September 30, 2017	December 31, 2016	September 30, 2016
Pass	$ 345,076	$ 356,544	$ 366,975
Special mention	98,711	115,726	126,881
Substandard	138,746	133,671	142,164
Doubtful	—	—	—
	$ 582,533	$ 605,941	$ 636,020

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.

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

(Dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans
September 30, 2017						
Commercial real estate:						
Construction and land development	$ 728	$ 76	$ 483	$ 1,287	$ 765,670	$ 766,957
Commercial non-owner occupied	26	567	85	678	949,192	949,870
Commercial owner occupied	2,382	300	1,824	4,506	1,273,981	1,278,487
Consumer real estate:						
Consumer owner occupied	2,587	1,514	1,073	5,174	1,449,584	1,454,758
Home equity loans	841	416	1,361	2,618	417,142	419,760
Commercial and industrial	772	1,162	92	2,026	779,731	781,757
Other income producing property	76	100	252	428	193,907	194,335
Consumer	541	110	441	1,092	370,666	371,758
Other loans	—	—	—	—	12,645	12,645
	$ 7,953	$ 4,245	$ 5,611	$ 17,809	$ 6,212,518	$ 6,230,327
December 31, 2016						
Commercial real estate:						
Construction and land development	$ 256	$ 313	$ 1,026	$ 1,595	$ 578,869	$ 580,464
Commercial non-owner occupied	647	232	137	1,016	713,699	714,715
Commercial owner occupied	1,272	957	1,478	3,707	1,174,038	1,177,745
Consumer real estate:						
Consumer owner occupied	1,473	246	1,454	3,173	1,194,448	1,197,621
Home equity loans	566	889	838	2,293	380,925	383,218
Commercial and industrial	1,033	216	345	1,594	669,804	671,398
Other income producing property	310	94	147	551	177,687	178,238
Consumer	666	355	395	1,416	322,822	324,238
Other loans	—	—	—	—	13,404	13,404
	$ 6,223	$ 3,302	$ 5,820	$ 15,345	$ 5,225,696	$ 5,241,041
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

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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, 2017						
Commercial real estate:						
Construction and land development	$ 117	$ 199	$ 225	$ 541	$ 76,345	$ 76,886
Commercial non-owner occupied	618	—	—	618	199,086	199,704
Commercial owner occupied	330	97	893	1,320	206,252	207,572
Consumer real estate:						
Consumer owner occupied	1,404	535	761	2,700	489,915	492,615
Home equity loans	1,240	455	999	2,694	161,597	164,291
Commercial and industrial	749	464	98	1,311	100,116	101,427
Other income producing property	164	64	37	265	76,659	76,924
Consumer	364	814	620	1,798	134,338	136,136
	$ 4,986	$ 2,628	$ 3,633	$ 11,247	$ 1,444,308	$ 1,455,555
December 31, 2016						
Commercial real estate:						
Construction and land development	$ 4	$ —	$ 160	$ 164	$ 9,926	$ 10,090
Commercial non-owner occupied	—	—	—	—	34,628	34,628
Commercial owner occupied	—	—	106	106	27,089	27,195
Consumer real estate:						
Consumer owner occupied	330	113	256	699	407,571	408,270
Home equity loans	476	941	741	2,158	158,721	160,879
Commercial and industrial	2	—	—	2	13,639	13,641
Other income producing property	131	1	—	132	39,210	39,342
Consumer	437	210	576	1,223	141,431	142,654
	$ 1,380	$ 1,265	$ 1,839	$ 4,484	$ 832,215	$ 836,699
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

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

(Dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans
September 30, 2017						
Commercial loans greater than or equal to $1 million-CBT	$ —	$ —	$ —	$ —	$ 8,439	$ 8,439
Commercial real estate	2,018	404	1,427	3,849	195,233	199,082
Commercial real estate—construction and development	22	234	3,239	3,495	42,753	46,248
Residential real estate	3,608	2,750	7,148	13,506	236,160	249,666
Consumer	670	259	943	1,872	51,430	53,302
Commercial and industrial	314	571	361	1,246	24,550	25,796
	$ 6,632	$ 4,218	$ 13,118	$ 23,968	$ 558,565	$ 582,533
December 31, 2016						
Commercial loans greater than or equal to $1 million-CBT	$ —	$ —	$ —	$ —	$ 8,617	$ 8,617
Commercial real estate	573	357	2,667	3,597	206,607	210,204
Commercial real estate—construction and development	168	489	3,612	4,269	40,104	44,373
Residential real estate	4,688	1,105	6,777	12,570	245,530	258,100
Consumer	1,412	381	1,231	3,024	56,276	59,300
Commercial and industrial	46	24	536	606	24,741	25,347
	$ 6,887	$ 2,356	$ 14,823	$ 24,066	$ 581,875	$ 605,941
September 30, 2016						
Commercial loans greater than or equal to $1 million-CBT	$ —	$ —	$ —	$ —	$ 10,958	$ 10,958
Commercial real estate	896	238	2,813	3,947	216,542	220,489
Commercial real estate—construction and development	266	1,971	1,137	3,374	43,707	47,081
Residential real estate	4,260	2,015	5,717	11,992	256,976	268,968
Consumer	1,124	332	1,233	2,689	59,177	61,866
Commercial and industrial	10	30	637	677	25,981	26,658
	$ 6,556	$ 4,586	$ 11,537	$ 22,679	$ 613,341	$ 636,020

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The following is a summary of certain information pertaining to impaired non-acquired loans:

(Dollars in thousands)	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Gross Recorded Investment With Allowance	Total Recorded Investment	Related Allowance
September 30, 2017					
Commercial real estate:					
Construction and land development	$ 46,664	$ 954	$ 41,684	$ 42,638	$ 1,266
Commercial non-owner occupied	2,361	207	509	716	133
Commercial owner occupied	9,504	3,936	1,938	5,874	64
Consumer real estate:					
Consumer owner occupied	5,986	1,369	3,086	4,455	47
Home equity loans	3,184	716	1,907	2,623	116
Commercial and industrial	1,753	—	627	627	18
Other income producing property	4,334	—	3,605	3,605	211
Consumer	623	—	254	254	7
Other loans	—	—	—	—	—
Total	$ 74,409	$ 7,182	$ 53,610	$ 60,792	$ 1,862
December 31, 2016					
Commercial real estate:					
Construction and land development	$ 7,394	$ 1,074	$ 1,959	$ 3,033	$ 348
Commercial non-owner occupied	2,417	223	583	806	170
Commercial owner occupied	10,118	3,976	2,269	6,245	67
Consumer real estate:					
Consumer owner occupied	7,090	2,120	3,553	5,673	80
Home equity loans	2,165	244	1,430	1,674	40
Commercial and industrial	2,335	—	1,263	1,263	386
Other income producing property	3,166	99	2,273	2,372	242
Consumer	394	—	145	145	4
Other loans	—	—	—	—	—
Total	$ 35,079	$ 7,736	$ 13,475	$ 21,211	$ 1,337
September 30, 2016					
Commercial real estate:					
Construction and land development	$ 7,744	$ 1,331	$ 2,100	$ 3,431	$ 359
Commercial non-owner occupied	2,372	228	536	764	181
Commercial owner occupied	10,204	4,301	2,051	6,352	65
Consumer real estate:					
Consumer owner occupied	4,390	1,284	1,843	3,127	58
Home equity loans	2,054	251	1,348	1,599	38
Commercial and industrial	2,738	259	1,194	1,453	385
Other income producing property	5,167	101	4,218	4,319	289
Consumer	342	—	142	142	4
Other	—	—	—	—	—
Total	$ 35,011	$ 7,755	$ 13,432	$ 21,187	$ 1,379

Acquired credit impaired loans are accounted for in pools as shown on page 19 rather than being individually evaluated for impairment; therefore, the table above excludes acquired credit impaired loans.

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The following summarizes the average investment in impaired non-acquired loans, and interest income recognized on these loans:

	Three Months Ended September 30,			
	2017		2016	
(Dollars in thousands)	Average Investment in Impaired Loans	Interest Income Recognized	Average Investment in Impaired Loans	Interest Income Recognized
Commercial real estate:				
Construction and land development	$ 36,337	$ 486	$ 3,762	$ 31
Commercial non-owner occupied	735	3	992	—
Commercial owner occupied	5,964	63	6,662	150
Consumer real estate:				
Consumer owner occupied	4,515	36	3,547	31
Home equity loans	2,624	29	1,888	13
Commercial and industrial	912	8	1,110	16
Other income producing property	3,623	50	4,659	71
Consumer	245	2	135	—
Other loans	—	—	—	—
Total Impaired Loans	$ 54,955	$ 677	$ 22,755	$ 312

	Nine Months Ended September 30,			
	2017		2016	
(Dollars in thousands)	Average Investment in Impaired Loans	Interest Income Recognized	Average Investment in Impaired Loans	Interest Income Recognized
Commercial real estate:				
Construction and land development	$ 22,835	$ 800	$ 4,856	$ 88
Commercial non-owner occupied	761	15	1,108	23
Commercial owner occupied	6,060	208	7,038	233
Consumer real estate:				
Consumer owner occupied	5,064	110	5,338	78
Home equity loans	2,148	75	954	43
Commercial and industrial	945	30	1,470	28
Other income producing property	2,989	153	4,605	157
Consumer	200	5	122	3
Other loans	—	—	211	—
Total Impaired Loans	$ 41,002	$ 1,396	$ 25,702	$ 653

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

(Dollars in thousands)	September 30, 2017	December 31, 2016	September 30, 2016
Commercial non-owner occupied real estate:			
Construction and land development	$ 57	$ 672	$ 1,156
Commercial non-owner occupied	2,755	578	601
Total commercial non-owner occupied real estate	2,812	1,250	1,757
Consumer real estate:			
Consumer owner occupied	3,674	5,711	5,048
Home equity loans	308	1,629	1,564
Total consumer real estate	3,982	7,340	6,612
Commercial owner occupied real estate	557	2,189	2,049
Commercial and industrial	1,952	420	587
Other income producing property	1,083	356	584
Consumer	1,123	930	796
Restructured loans	858	1,979	2,499
Total loans on nonaccrual status	$ 12,367	$ 14,464	$ 14,884

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

(Dollars in thousands)	September 30, 2017	December 31, 2016	September 30, 2016
Commercial non-owner occupied real estate:			
Construction and land development	$ 233	$ 232	$ 235
Commercial non-owner occupied	—	—	—
Total commercial non-owner occupied real estate	233	232	235
Consumer real estate:			
Consumer owner occupied	1,891	1,405	1,112
Home equity loans	1,813	1,643	1,588
Total consumer real estate	3,704	3,048	2,700
Commercial owner occupied real estate	—	61	302
Commercial and industrial	114	1	1
Other income producing property	107	145	149
Consumer	1,299	1,241	1,246
Total loans on nonaccrual status	$ 5,457	$ 4,728	$ 4,633

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

Loans on nonaccrual status at the date of modification are initially classified as nonaccrual TDRs. Loans on accruing status at the date of concession are initially classified as accruing TDRs if the note is reasonably assured of repayment and performance is expected in accordance with its modified terms. Such loans may be designated as nonaccrual loans subsequent to the concession date if reasonable doubt exists as to the collection of interest or principal under the restructuring agreement. Nonaccrual TDRs are returned to accruing status when there is economic substance to the restructuring, there is documented credit evaluation of the borrower’s financial condition, the remaining balance is reasonably assured of repayment in accordance with its modified terms, and the borrower has demonstrated sustained repayment performance in accordance with the modified terms for a reasonable period of time (generally a minimum of six months). For the nine months ended September 30, 2017 and 2016, the Company’s TDRs were not material.

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Note 7—FDIC Indemnification Asset

The following table provides changes in FDIC indemnification asset:

(Dollars in thousands)	Nine Months Ended September 30, 2017	2016
Balance at beginning of period	$ —	$ 4,401
Decrease in expected losses on loans	—	(23)
Additional recoveries on OREO	—	(1,736)
Reimbursable expenses	—	71
Amortization of discounts and premiums, net	—	(1,475)
Payments to (from) FDIC	—	853
Termination of Loss Share Agreements	—	(2,091)
Balance at end of period	$ —	$ —

As noted above, 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 Bank recorded a pre-tax charge of $4.4 million, which resulted from a $2.3 million payment to the FDIC as consideration for the early termination, plus the amortization of the remaining FDIC indemnification asset of $2.1 million, net of the clawback, as of March 31, 2016. The entire pre-tax charge was recorded in noninterest income through “Amortization of the FDIC indemnification asset” on the consolidated statements of income.

During 2016, the Bank paid a net $853,000 to the FDIC, prior to the termination of the agreements. The indemnification asset was amortized through March 31, 2016. All assets previously classified as covered became uncovered effective June 23, 2016, and as a result the Bank recognizes 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. As of the termination date, covered loans totaled $87.4 million and covered OREO totaled $3.0 million.

Note 8—Other Real Estate Owned

The following is a summary of information pertaining to OREO:

	Nine Months Ended September 30,					
	2017			2016		
(Dollars in thousands)	OREO	Covered OREO	Total	OREO	Covered OREO	Total
Beginning balance	$ 18,316	$ —	$ 18,316	$ 24,803	$ 5,751	$ 30,554
Acquired in SBFC acquisition	385	—	385	—	—	—
Additions	8,375	—	8,375	9,296	2,151	11,447
Transfers	—	—	—	4,222	(4,222)	—
Writedowns	(2,220)	—	(2,220)	(1,939)	(2,131)	(4,070)
Sold	(11,329)	—	(11,329)	(14,171)	(1,549)	(15,720)
Ending Balance	$ 13,527	$ —	$ 13,527	$ 22,211	$ —	$ 22,211

OREO previously classified as covered, which consisted of 17 properties with a carrying value of $4.2 million as of March 31, 2016, became uncovered during the second quarter of 2016 in connection with the Bank's early termination agreement with the FDIC with respect to all of its outstanding loss share agreements

At September 30, 2017, there were a total of 67 properties included in OREO. This compares to 108 properties included in OREO, at September 30, 2016. At September 30, 2017, the Company had $1.4 million in residential real estate included in OREO and $7.0 million in residential real estate consumer mortgage loans in the process of foreclosure. At December 31, 2016 and September 30, 2016, the Company had $3.6 million and $3.7 million, respectively, in residential real estate included in OREO and $5.1 million and $4.7 million, respectively, in residential real estate consumer mortgage loans in the process of foreclosure.

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Note 9 — Deposits

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

(Dollars in thousands)	September 30, 2017	December 31, 2016	September 30, 2016
Certificates of deposit	$ 1,083,814	$ 872,773	$ 911,453
Interest-bearing demand deposits	4,102,391	3,461,004	3,358,647
Non-interest bearing demand deposits	2,505,570	2,199,046	2,176,155
Savings deposits	1,363,944	799,615	795,754
Other time deposits	6,302	1,985	5,397
Total deposits	$ 9,062,021	$ 7,334,423	$ 7,247,406

At September 30, 2017, December 31, 2016, and September 30, 2016, the Company had $187.5 million, $83.7 million, and $90.8 million in certificates of deposits of $250,000 and greater, respectively. At September 30, 2017, December 31, 2016, and September 30, 2016, the Company had $23.9 million, $2.9 million and $2.9 million, in traditional, out-of-market brokered deposits, respectively. The increase in certificates of deposits of $250,000 and greater and in out-of-market brokered deposits was primarily the result of deposits acquired through the merger with SBFC.

Note 10 — Retirement Plans

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

Effective July 1, 2009, the Company suspended the accrual of benefits for pension plan participants under the non-contributory defined benefit plan. The pension plan remained suspended as of September 30, 2017.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2017	2016	2017	2016
Interest cost	$ (281)	$ (283)	$ (843)	$ (849)
Expected return on plan assets	553	534	1,660	1,602
Recognized net actuarial loss	(188)	(204)	(564)	(612)
Net periodic pension benefit	$ 84	$ 47	$ 253	$ 141

The Company did not contribute to the pension plan for the three and nine months ended September 30, 2017, and does not expect to make any additional contributions during the remainder of 2017. The Company reserves the right to contribute between the minimum required and maximum deductible amounts as determined under applicable federal laws.

Under the provisions of Internal Revenue Code Section 401(k), electing employees are eligible to participate in the employees' savings plan after attaining age 21. Plan participants elect to contribute portions of their annual base compensation as a before tax contribution. Employer contributions may be made from current or accumulated net profits. Participants may elect to contribute 1% to 50% of annual base compensation as a before tax contribution. Employees participating in the plan receive a 100% matching of their 401(k) plan contribution, up to 5% of their salary. Employees are eligible for an additional 1% discretionary matching contribution contingent upon achievement of the Company's annual financial goals and paid in the first quarter of the following year. The Company is offering the additional 1% discretionary matching contribution again in 2017 upon achievement of the Company's 2017 financial goals. The Company expensed $2.1 million and $1.7 million for the 401(k) plan during the three months ended September 30, 2017 and 2016, respectively. The Company expensed $5.5 million and $4.5 million for the 401(k) plan during the nine months ended September 30, 2017 and 2016, respectively.

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

Note 11 — Earnings Per Share

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars and shares in thousands, except for per share amounts)	2017	2016	2017	2016
Basic earnings per common share:				
Net income	$ 35,046	$ 28,095	$ 85,133	$ 77,105
Weighted-average basic common shares	29,115	24,016	29,023	23,989
Basic earnings per common share	$ 1.20	$ 1.17	$ 2.92	$ 3.21
Diluted earnings per share:				
Net income	$ 35,046	$ 28,095	$ 85,133	$ 77,105
Weighted-average basic common shares	29,115	24,016	29,023	23,989
Effect of dilutive securities	270	262	268	240
Weighted-average dilutive shares	29,385	24,278	29,291	24,229
Diluted earnings per common share	$ 1.19	$ 1.16	$ 2.90	$ 3.18

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2017	2016	2017	2016
Number of shares	34,712	52,064	34,712	72,480
Range of exercise prices	$ 69.48 to $ 91.35	$ 61.42 to $ 69.48	$ 69.48 to $ 91.35	$ 61.42 to $ 69.48

Note 12 — Share-Based Compensation

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

Stock Options

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

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

	Shares	Weighted Average Price	Weighted Average Remaining (Yrs.)	Aggregate Intrinsic (000's)
Outstanding at January 1, 2017	246,535	$ 42.53		
Granted	33,634	91.23		
Exercised	(29,030)	34.09		
Outstanding at September 30, 2017	251,139	50.02	5.15	$ 10,094
Exercisable at September 30, 2017	181,152	39.84	3.87	$ 9,096
Weighted-average fair value of options granted during the year	$ 35.42			

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

	Nine months ended September 30, 2017	2016
Dividend yield	1.40 %	1.60 %
Expected life	8.5 years	8.5 years
Expected volatility	37.2 %	40.6 %
Risk-free interest rate	2.43 %	1.90 %

As of September 30, 2017, there was $1.5 million of total unrecognized compensation cost related to nonvested stock option grants under the plans. The cost is expected to be recognized over a weighted-average period of 1.38 years as of September 30, 2017. The total fair value of shares vested during the nine months ended September 30, 2017 was $578,000.

Restricted Stock

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

All restricted stock agreements are conditioned upon continued employment. Termination of employment prior to a vesting date, as described below, would terminate any interest in non-vested shares. Prior to vesting of the shares, as long as employed by the Company, the key employees and non-employee directors will have the right to vote such shares and to receive dividends paid with respect to such shares. All restricted shares will fully vest in the event of change in control of the Company or upon the death of the recipient.

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Nonvested restricted stock for the nine months ended September 30, 2017 is summarized in the following table. All information has been retroactively adjusted for stock dividends and stock splits.

Restricted Stock	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2017	183,014	$ 51.88
Granted	21,683	88.63
Vested	(52,153)	47.82
Forfeited	(1,000)	91.35
Nonvested at September 30, 2017	151,544	58.28

As of September 30, 2017, there was $4.9 million of total unrecognized compensation cost related to nonvested restricted stock granted under the plans. This cost is expected to be recognized over a weighted-average period of 2.23 years as of September 30, 2017. The total fair value of shares vested during the nine months ended September 30, 2017 was $2.6 million.

Restricted Stock Units

The Company from time-to-time also grants performance and discretionary RSUs to key employees. These awards help align the interests of these employees with the interests of the shareholders of the Company by providing economic value directly related to the performance of the Company. Some performance RSU grants contain a three-year performance period while others contain a one-year performance period and a time vested requirement (generally four years from grant date). The Company communicates threshold, target, and maximum performance RSU awards and performance targets to the applicable key employees at the beginning of a performance period. Discretionary RSUs are based upon prior performance and typically cliff-vest over four years from the grant date. Dividends are not paid in respect to the awards during the performance or the vesting period. The value of the RSUs awarded is established as the fair market value of the stock at the time of the grant. The Company recognizes expenses on a straight-line basis typically over the performance and vesting periods based upon the probable performance target that will be met. For the nine months ended September 30, 2017, the Company accrued for 90% of the RSUs granted, based on Management’s expectations of performance.

Nonvested RSUs for the nine months ended September 30, 2017 is summarized in the following table.

Weighted-

Restricted Stock Units	Shares	Average Grant-Date Fair Value
Nonvested at January 1, 2017	107,876	$ 66.37
Granted	66,655	89.01
LTIP Adjustment	(3,951)	63.93
Nonvested at September 30, 2017	170,580	75.27

As of September 30, 2017, there was $5.9 million of total unrecognized compensation cost related to nonvested RSUs granted under the plan. This cost is expected to be recognized over a weighted-average period of 1.8 years as of September 30, 2017. The total fair value of RSUs vested during the nine months ended September 30, 2017 was $2.3 million. During the nine months ended September 30, 2017, 57,455 vested restricted stock units were issued to the participants in the 2014 Long-Term Incentive Plan.

Note 13 — Commitments and Contingent Liabilities

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities, which are not reflected in the accompanying financial statements. The commitments and contingent liabilities include guarantees, commitments to extend credit, and standby letters of credit. At September 30, 2017, commitments to extend credit and standby letters of credit totaled $2.2 billion. The Company does not anticipate any material losses as a result of these transactions.

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

Note 14 — Fair Value

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

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Available for sale securities, derivative contracts, and mortgage servicing rights ("MSRs") are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as impaired loans, OREO, and certain other assets. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

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

Level 1 Observable inputs such as quoted prices in active markets;
Level 2 Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
Level 3 Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

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

Investment Securities

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

Mortgage Loans Held for Sale

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

Loans

The Company does not record loans at fair value on a recurring basis. However, from time to time, a loan may be considered impaired and an ALLL may be established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment using estimated fair value methodologies. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At September 30, 2017, substantially all of the impaired loans were evaluated based on the fair value of the collateral because such loans were considered collateral dependent. Impaired loans, where an allowance is established based on the fair value of collateral; require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company considers the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company considers the impaired loan as nonrecurring Level 3.

Other Real Estate Owned

Typically OREO, consisting of properties obtained through foreclosure or in satisfaction of loans, is reported at fair value, determined on the basis of current appraisals, comparable sales, and other estimates of value obtained principally from independent sources, adjusted for estimated selling costs (Level 2). However, OREO is considered Level 3 in the fair value hierarchy because management has qualitatively applied a discount due to the size, supply of inventory, and the incremental discounts applied to the appraisals. Management also considers other factors, including changes in absorption rates, length of time the property has been on the market and anticipated sales values, which have resulted in adjustments to the collateral value estimates indicated in certain appraisals. At the time of foreclosure, any excess of the loan balance over the fair value of the real estate held as collateral is treated as a charge against the ALLL. Gains or losses on sale and generally any subsequent adjustments to the value are recorded as a component of OREO expense.

Derivative Financial Instruments

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

Mortgage servicing rights

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

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Assets and Liabilities Recorded at Fair Value on a Recurring Basis

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

(Dollars in thousands)	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2017:				
Assets				
Derivative financial instruments	$ 1,492	$ —	$ 1,492	$ —
Loans held for sale	46,321	—	46,321	—
Securities available for sale:				
Government-sponsored entities debt	85,951	—	85,951	—
State and municipal obligations	204,294	—	204,294	—
Mortgage-backed securities	1,027,477	—	1,027,477	—
Corporate stocks	2,957	1,732	1,225	—
Total securities available for sale	1,320,679	1,732	1,318,947	—
Mortgage servicing rights	29,937	—	—	29,937
	$ 1,398,429	$ 1,732	$ 1,366,760	$ 29,937
Liabilities				
Derivative financial instruments	$ 1,301	$ —	$ 1,301	$ —
December 31, 2016:				
Assets				
Derivative financial instruments	$ 2,606	$ —	$ 2,606	$ —
Loans held for sale	50,572	—	50,572	—
Securities available for sale:				
Government-sponsored entities debt	84,642	—	84,642	—
State and municipal obligations	107,402	—	107,402	—
Mortgage-backed securities	803,577	—	803,577	—
Corporate stocks	3,784	2,559	1,225	—
Total securities available for sale	999,405	2,559	996,846	—
Mortgage servicing rights	29,037	—	—	29,037
	$ 1,081,620	$ 2,559	$ 1,050,024	$ 29,037
Liabilities				
Derivative financial instruments	$ 730	$ —	$ 730	$ —
September 30, 2016:				
Assets				
Derivative financial instruments	$ 3,091	$ —	$ 3,091	$ —
Loans held for sale	57,052	—	57,052	—

Securities available for sale:				
Government-sponsored entities debt	$ 62,980	$ —	$ 62,980	$ —
State and municipal obligations	117,324	—	117,324	—
Mortgage-backed securities	741,277	—	741,277	—
Corporate stocks	3,793	2,568	1,225	—
Total securities available for sale	925,374	2,568	922,806	—
Mortgage servicing rights	23,064	—	—	23,064
	$ 1,008,581	$ 2,568	$ 982,949	$ 23,064
Liabilities				
Derivative financial instruments	$ 1,100	$ —	$ 1,100	$ —

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Changes in Level 1, 2 and 3 Fair Value Measurements

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

There were no changes in hierarchy classifications of Level 3 assets or liabilities for the nine months ended September 30, 2017. A reconciliation of the beginning and ending balances of Level 3 assets and liabilities recorded at fair value on a recurring basis for the nine months ended September 30, 2017 and 2016 is as follows:

(Dollars in thousands)	Assets	Liabilities
Fair value, January 1, 2017	$ 29,037	$ —
Servicing assets that resulted from transfers of financial assets	4,764	—
Changes in fair value due to valuation inputs or assumptions	(1,055)	—
Changes in fair value due to decay	(2,809)	—
Fair value , September 30, 2017	$ 29,937	$ —
Fair value, January 1, 2016	$ 26,202	$ —
Servicing assets that resulted from transfers of financial assets	4,182	—
Changes in fair value due to valuation inputs or assumptions	(4,305)	—
Changes in fair value due to decay	(3,015)	—
Fair value, September 30, 2016	$ 23,064	$ —

There were no unrealized losses included in accumulated other comprehensive income related to Level 3 financial assets and liabilities at September 30, 2017 or 2016.

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

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

	Quoted Prices In Active Markets	Significant Other	Significant

(Dollars in thousands)	Fair Value	for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
September 30, 2017:				
OREO	$ 13,527	$ —	$ —	$ 13,527
Non-acquired impaired loans	5,588	—	—	5,588
December 31, 2016:				
OREO	$ 18,316	$ —	$ —	$ 18,316
Non-acquired impaired loans	6,611	—	—	6,611
September 30, 2016:				
OREO	$ 22,211	$ —	$ —	$ 22,211
Non-acquired impaired loans	4,360	—	—	4,360

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Quantitative Information about Level 3 Fair Value Measurement

		Weighted Average		
Valuation Technique	Unobservable Input	September 30, 2017	December 31, 2016	September 30, 2016