

SOUTH STATE Corp  
Form 10-Q  
August 04, 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 June 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

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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   |

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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 July 31, 2017 |
|--------------------------------|---------------------------------|
| Common Stock, \$2.50 par value | 29,263,537                      |

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South State Corporation and Subsidiary

June 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)

|  | June 30,<br>2017<br>(Unaudited) | December 31,<br>2016<br>(Note 1) | June 30,<br>2016<br>(Unaudited) |
|--|---------------------------------|----------------------------------|---------------------------------|
| <b>ASSETS</b>  |                                 |                                  |                                 |
| Cash and cash equivalents:   |                                 |                                  |                                 |
| Cash and due from banks  | \$ 225,259                      | \$ 201,966                       | \$ 182,875                      |
| Interest-bearing deposits with banks   | 185,472                         | 36,241                           | 8,055                           |
| Federal funds sold and securities purchased under agreements to resell                 | 21,159                          | 136,241                          | 290,982                         |
| Total cash and cash equivalents  | 431,890                         | 374,448                          | 481,912                         |
| Investment securities:   |                                 |                                  |                                 |
| Securities held to maturity (fair value of \$4,248, \$6,250 and \$8,231, respectively) | 4,166                           | 6,094                            | 7,921                           |
| Securities available for sale, at fair value   | 1,341,652                       | 999,405                          | 989,610                         |
| Other investments  | 13,076                          | 9,482                            | 9,529                           |
| Total investment securities  | 1,358,894                       | 1,014,981                        | 1,007,060                       |
| Loans held for sale  |                                 |                                  |                                 |
| Loans:   |                                 |                                  |                                 |
| Acquired credit impaired, net of allowance for loan losses                             | 602,481                         | 602,546                          | 658,835                         |
| Acquired non-credit impaired   | 1,585,981                       | 836,699                          | 941,886                         |
| Non-acquired   | 5,992,393                       | 5,241,041                        | 4,816,875                       |
| Less allowance for non-acquired loan losses  | (40,149)                        | (36,960)                         | (36,939)                        |
| Loans, net   | 8,140,706                       | 6,643,326                        | 6,380,657                       |
| Other real estate owned  | 14,430                          | 18,316                           | 22,427                          |
| Premises and equipment, net  | 201,539                         | 183,510                          | 177,950                         |
| Bank owned life insurance  | 150,476                         | 104,148                          | 102,815                         |
| Deferred tax assets  | 39,921                          | 31,123                           | 25,915                          |
| Mortgage servicing rights  | 29,930                          | 29,037                           | 22,350                          |
| Core deposit and other intangibles   | 52,966                          | 39,848                           | 43,629                          |
| Goodwill   | 595,817                         | 338,340                          | 338,340                         |
| Other assets   | 71,877                          | 72,943                           | 72,012                          |
| Total assets   | \$ 11,154,441                   | \$ 8,900,592                     | \$ 8,723,993                    |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                                 |                                  |                                 |
| Deposits:  |                                 |                                  |                                 |

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|  |               |              |              |
|--|---------------|--------------|--------------|
| Noninterest-bearing  | \$ 2,635,147  | \$ 2,199,046 | \$ 2,117,246 |
| Interest-bearing   | 6,396,507     | 5,135,377    | 5,046,680    |
| Total deposits   | 9,031,654     | 7,334,423    | 7,163,926    |
| Federal funds purchased and securities sold under agreements to repurchase   | 334,018       | 313,773      | 341,064      |
| Other borrowings   | 98,147        | 55,358       | 55,254       |
| Other liabilities  | 85,137        | 62,450       | 59,406       |
| Total liabilities  | 9,548,956     | 7,766,004    | 7,619,650    |
| 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; 29,259,264, 24,230,392 and 24,195,226 shares issued and outstanding, respectively | 73,148        | 60,576       | 60,488       |
| Surplus  | 1,134,328     | 711,307      | 703,445      |
| Retained earnings  | 401,706       | 370,916      | 333,900      |
| Accumulated other comprehensive income (loss)  | (3,697)       | (8,211)      | 6,510        |
| Total shareholders' equity   | 1,605,485     | 1,134,588    | 1,104,343    |
| Total liabilities and shareholders' equity   | \$ 11,154,441 | \$ 8,900,592 | \$ 8,723,993 |

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 |           | Six Months Ended |            |
|--|--------------------|-----------|------------------|------------|
|  | June 30,           | 2016      | June 30,         | 2016       |
|  | 2017               |           | 2017             | 2016       |
| Interest income:   |                    |           |                  |            |
| Loans, including fees  | \$ 93,600          | \$ 77,154 | \$ 185,352       | \$ 154,408 |
| Investment securities:   |                    |           |                  |            |
| Taxable  | 7,020              | 4,477     | 14,251           | 9,270      |
| Tax-exempt   | 1,397              | 992       | 2,827            | 2,008      |
| Federal funds sold and securities purchased under agreements to resell     | 762                | 756       | 1,335            | 1,508      |
| Total interest income  | 102,779            | 83,379    | 203,765          | 167,194    |
| Interest expense:  |                    |           |                  |            |
| Deposits   | 2,661              | 1,368     | 5,158            | 2,969      |
| Federal funds purchased and securities sold under agreements to repurchase | 240                | 137       | 480              | 281        |
| Other borrowings   | 847                | 475       | 1,734            | 944        |
| Total interest expense   | 3,748              | 1,980     | 7,372            | 4,194      |
| Net interest income  | 99,031             | 81,399    | 196,393          | 163,000    |
| Provision for loan losses  | 2,313              | 2,727     | 6,020            | 5,286      |
| Net interest income after provision for loan losses                        | 96,718             | 78,672    | 190,373          | 157,714    |
| Noninterest income:  |                    |           |                  |            |
| Fees on deposit accounts   | 22,155             | 21,539    | 43,874           | 41,663     |
| Mortgage banking income  | 5,195              | 5,620     | 10,764           | 9,818      |
| Trust and investment services income                                       | 6,452              | 4,911     | 12,393           | 9,697      |
| Securities gains, net  | 110                | —         | 110              | 122        |
| Recoveries on acquired loans   | 2,171              | 2,002     | 3,703            | 2,923      |
| Amortization of FDIC indemnification asset, net                            | —                  | (4,427)   | —                | (5,901)    |
| Other  | 1,491              | 2,473     | 3,165            | 3,838      |
| Total noninterest income   | 37,574             | 32,118    | 74,009           | 62,160     |
| Noninterest expense:   |                    |           |                  |            |
| Salaries and employee benefits   | 47,580             | 40,537    | 96,466           | 81,969     |
| Net occupancy expense  | 6,048              | 5,541     | 12,436           | 10,900     |
| Information services expense   | 6,413              | 5,083     | 12,773           | 10,117     |
| Furniture and equipment expense  | 3,877              | 3,072     | 7,671            | 5,923      |
| OREO expense and loan related  | 1,753              | 874       | 3,895            | 2,648      |
| Bankcard expense   | 2,886              | 3,040     | 5,656            | 5,919      |
| Amortization of intangibles  | 2,495              | 1,892     | 5,002            | 3,795      |
| Supplies, printing and postage expense                                     | 1,570              | 1,757     | 3,224            | 3,565      |
| Professional fees  | 1,599              | 1,576     | 3,372            | 2,906      |
| FDIC assessment and other regulatory charges                               | 989                | 1,017     | 2,111            | 2,161      |



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|   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
| Advertising and marketing                       | 989       | 858       | 1,548     | 1,502     |
| Merger and branch consolidation related expense | 4,307     | 1,573     | 25,331    | 2,531     |
| Other   | 6,033     | 7,034     | 11,777    | 11,947    |
| Total noninterest expense                       | 86,539    | 73,854    | 191,262   | 145,883   |
| Earnings:                                       |           |           |           |           |
| Income before provision for income taxes        | 47,753    | 36,936    | 73,120    | 73,991    |
| Provision for income taxes                      | 15,930    | 12,420    | 23,033    | 24,981    |
| Net income                                      | \$ 31,823 | \$ 24,516 | \$ 50,087 | \$ 49,010 |
| Earnings per common share:                      |           |           |           |           |
| Basic   | \$ 1.09   | \$ 1.02   | \$ 1.73   | \$ 2.04   |
| Diluted   | \$ 1.08   | \$ 1.01   | \$ 1.71   | \$ 2.02   |
| Dividends per common share                      | \$ 0.33   | \$ 0.30   | \$ 0.66   | \$ 0.58   |
| Weighted average common shares outstanding:     |           |           |           |           |
| Basic   | 29,095    | 23,995    | 28,985    | 23,977    |
| Diluted   | 29,365    | 24,237    | 29,252    | 24,205    |

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

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South State Corporation and Subsidiary

Condensed Consolidated Statements of Comprehensive Income (unaudited)

(Dollars in thousands)

|   | Three Months Ended |           | Six Months Ended |           |
|---|--------------------|-----------|------------------|-----------|
|   | June 30,           | 2016      | June 30,         | 2016      |
|   | 2017               |           | 2017             |           |
| Net income  | \$ 31,823          | \$ 24,516 | \$ 50,087        | \$ 49,010 |
| Other comprehensive income:   |                    |           |                  |           |
| Unrealized gains on securities:   |                    |           |                  |           |
| Unrealized holding gains arising during period  | 1,803              | 4,631     | 6,920            | 16,551    |
| Tax effect  | (688)              | (1,766)   | (2,638)          | (6,311)   |
| Reclassification adjustment for gains included in net income                          | (110)              | —         | (110)            | (122)     |
| Tax effect  | 43                 | —         | 42               | 46        |
| Net of tax amount   | 1,048              | 2,865     | 4,214            | 10,164    |
| Unrealized losses on derivative financial instruments qualifying as cash flow hedges: |                    |           |                  |           |
| Unrealized holding gains (losses) arising during period                               | 18                 | (46)      | (60)             | (198)     |
| Tax effect  | (7)                | 18        | 23               | 75        |
| Reclassification adjustment for losses included in interest expense                   | 19                 | 68        | 168              | 142       |
| Tax effect  | (7)                | (26)      | (64)             | (54)      |
| Net of tax amount   | 23                 | 14        | 67               | (35)      |
| Change in pension plan obligation:  |                    |           |                  |           |
| Reclassification adjustment for changes included in net income                        | 187                | 204       | 376              | 408       |
| Tax effect  | (71)               | (78)      | (143)            | (156)     |
| Net of tax amount   | 116                | 126       | 233              | 252       |
| Other comprehensive income, net of tax  | 1,187              | 3,005     | 4,514            | 10,381    |
| Comprehensive income  | \$ 33,010          | \$ 27,521 | \$ 54,601        | \$ 59,391 |

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

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South State Corporation and Subsidiary

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

Six months ended June 30, 2017 and 2016

(Dollars in thousands, except for share data)

|   | Preferred Stock |        | Common Stock |           |            | Retained   | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Total        |
|---|-----------------|--------|--------------|-----------|------------|------------|---|--------------|
|   | Shares          | Amount | Shares       | Amount    | Surplus    | Earnings   |   |              |
| Balance,<br>December 31,<br>2015  | —               | \$ —   | 24,162,657   | \$ 60,407 | \$ 703,929 | \$ 298,919 | \$ (3,871)  | \$ 1,059,384 |
| Comprehensive<br>income   | —               | —      | —            | —         | —          | 49,010     | 10,381  | 59,391       |
| Cash dividends<br>declared on<br>common stock<br>at \$0.58 per<br>share | —               | —      | —            | —         | —          | (14,029)   | —   | (14,029)     |
| Employee<br>stock<br>purchases  | —               | —      | 3,729        | 9         | 218        | —          | —   | 227          |
| Stock options<br>exercised  | —               | —      | 24,073       | 60        | 748        | —          | —   | 808          |
| Restricted<br>stock awards  | —               | —      | 39,556       | 99        | (99)       | —          | —   | —            |
| Stock issued<br>pursuant to<br>restricted stock<br>units                | —               | —      | 35,903       | 90        | (90)       | —          | —   | —            |
| Common stock<br>repurchased -<br>buyback plan                           | —               | —      | (32,900)     | (82)      | (2,048)    | —          | —   | (2,130)      |
| Common stock<br>repurchased   | —               | —      | (37,792)     | (95)      | (2,377)    | —          | —   | (2,472)      |
|   | —               | —      | —            | —         | 3,164      | —          | —   | 3,164        |

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|   |   |      |            |           |              |            |            |              |
|---|---|------|------------|-----------|--------------|------------|------------|--------------|
| Share-based compensation expense                                      |   |      |            |           |              |            |            |              |
| Balance, June 30, 2016  | — | \$ — | 24,195,226 | \$ 60,488 | \$ 703,445   | \$ 333,900 | \$ 6,510   | \$ 1,104,343 |
| Balance, December 31, 2016  | — | \$ — | 24,230,392 | \$ 60,576 | \$ 711,307   | \$ 370,916 | \$ (8,211) | \$ 1,134,588 |
| Comprehensive income  | — | —    | —          | —         | —            | 50,087     | 4,514      | 54,601       |
| Cash dividends declared on common stock at \$0.66 per share           | — | —    | —          | —         | —            | (19,297)   | —          | (19,297)     |
| Employee stock purchases  | — | —    | 3,226      | 8         | 259          | —          | —          | 267          |
| 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   | — | —    | 15,851     | 39        | (39)         | —          | —          | —            |
| Common stock repurchased  | — | —    | (40,241)   | (100)     | (3,505)      | —          | —          | (3,605)      |
| Stock issued pursuant to restricted stock units                       | — | —    | 37,802     | 95        | (95)         | —          | —          | —            |
| Share-based compensation expense                                      | — | —    | —          | —         | 3,188        | —          | —          | 3,188        |
| Balance, June 30, 2017  | — | \$ — | 29,259,264 | \$ 73,148 | \$ 1,134,328 | \$ 401,706 | \$ (3,697) | \$ 1,605,485 |

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

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South State Corporation and Subsidiary

Condensed Consolidated Statements of Cash Flows (unaudited)

(Dollars in thousands)

|   | Six Months Ended |           |
|---|------------------|-----------|
|   | June 30,         |           |
|   | 2017             | 2016      |
| Cash flows from operating activities:   |                  |           |
| Net income  | \$ 50,087        | \$ 49,010 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                  |           |
| Depreciation and amortization   | 14,064           | 10,565    |
| Provision for loan losses   | 6,020            | 5,286     |
| Deferred income taxes   | 4,040            | 5,515     |
| Gain on sale of securities, net   | (110)            | (122)     |
| Share-based compensation expense  | 3,188            | 3,164     |
| Amortization of FDIC indemnification asset  | —                | 3,566     |
| Accretion of discount related to performing acquired loans                        | (7,543)          | (2,795)   |
| Gain on disposals of premises and equipment                                       | (15)             | (33)      |
| Gain on sale of OREO  | (188)            | (1,483)   |
| Net amortization of premiums on investment securities                             | 3,338            | 2,707     |
| OREO write downs  | 1,729            | 2,943     |
| Fair value adjustment for loans held for sale                                     | 1,332            | (665)     |
| Originations and purchases of mortgage loans for sale                             | (367,673)        | (328,899) |
| Proceeds from mortgage loans sales  | 364,570          | 322,286   |
| Net change in:  |                  |           |
| Accrued interest receivable   | 558              | (1,108)   |
| Prepaid assets  | 387              | (1,248)   |
| FDIC indemnification asset  | —                | 3,177     |
| Miscellaneous other assets  | (914)            | (7,797)   |
| Accrued interest payable  | (469)            | (541)     |
| Accrued income taxes  | 5,798            | 3,187     |
| Miscellaneous other liabilities   | (3,004)          | 6,138     |
| Net cash provided by operating activities   | 75,195           | 72,853    |
| Cash flows from investing activities:   |                  |           |
| Proceeds from sales of investment securities available for sale                   | 215,987          | 137       |
| Proceeds from maturities and calls of investment securities held to maturity      | 1,930            | 1,395     |
| Proceeds from maturities and calls of investment securities available for sale    | 131,250          | 234,765   |
| Proceeds from sales of other investment securities                                | 2,807            | 24        |
| Purchases of investment securities available for sale                             | (101,925)        | (201,130) |
| Purchases of other investment securities  | (303)            | (660)     |
| Net increase in loans   | (449,052)        | (421,134) |
| Payment to terminate FDIC Loss Share Agreements                                   | —                | (2,342)   |
| Recoveries of loans previously charged off  | 1,340            | 1,646     |
| Net cash received from acquisitions   | 71,607           | —         |

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|  |            |            |
|--|------------|------------|
| Purchases of premises and equipment  | (6,095)    | (12,381)   |
| Proceeds from sale of OREO   | 7,677      | 14,209     |
| Proceeds from sale of premises and equipment   | 15         | —          |
| Net cash used in investing activities  | (124,762)  | (385,471)  |
| Cash flows from financing activities:  |            |            |
| Net increase in deposits   | 176,311    | 63,510     |
| Net increase in federal funds purchased and securities sold under agreements to repurchase and other short-term borrowings | 19,231     | 52,833     |
| Repayment of other borrowings  | (67,032)   | (11)       |
| Common stock issuance  | 267        | 227        |
| Common stock repurchase  | (3,605)    | (4,602)    |
| Dividends paid on common stock   | (19,297)   | (14,029)   |
| Stock options exercised  | 1,134      | 808        |
| Net cash provided by financing activities  | 107,009    | 98,736     |
| Net increase (decrease) in cash and cash equivalents   | 57,442     | (213,882)  |
| Cash and cash equivalents at beginning of period   | 374,448    | 695,794    |
| Cash and cash equivalents at end of period   | \$ 431,890 | \$ 481,912 |
| Supplemental Disclosures:  |            |            |
| Cash Flow Information:   |            |            |
| Cash paid for:   |            |            |
| Interest   | \$ 7,841   | \$ 4,735   |
| Income taxes   | \$ 11,850  | \$ 16,676  |
| Schedule of Noncash Investing Transactions:  |            |            |
| Real estate acquired in full or in partial settlement of loans   | \$ 4,947   | \$ 7,542   |

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

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South State Corporation and Subsidiary

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1 — Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by accounting principles generally accepted in the United States (“GAAP”) for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain prior period information has been reclassified to conform to the current period presentation, and these reclassifications had no impact on net income or equity as previously reported. Operating results for the three and six months ended June 30, 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 May 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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, 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 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.



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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 U.S. 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 Accounting Standards Codification (ASC) 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 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 in ASC 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

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

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

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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 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

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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 AFS debt securities in combination with other deferred tax assets. ASU 2016-01 also provides an election to subsequently measure certain nonmarketable equity investments at cost less any impairment and adjusted for certain observable price changes and requires a qualitative impairment assessment of such equity investments and amends certain fair value disclosure requirements. For public business entities, the amendments in ASU 2016-01 are effective for interim and annual periods beginning after December 15, 2017. An entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption of the ASU 2016-01. The Company is currently evaluating the provisions of ASU 2016-01 to determine the potential impact the new standard will have to the Company's consolidated financial statements.

In September 2015, 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 U.S. 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 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.



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Note 4 — Mergers and Acquisitions

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

- Bank of America, N.A. (“BOA”) – August 21, 2015 – Branch acquisition which resulted in the purchase of 12 South Carolina branch locations and one Georgia branch location from BOA
- Southeastern Bank Financial Corporation (“SBFC”) – January 3, 2017

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 June 30, 2017, PSTB reported \$3.3 billion in total assets, \$2.5 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.

Under the terms of the merger agreement, PSTB common shareholders will receive aggregate consideration of approximately 7,459,199 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 SBFC common stock.

The proposed merger is subject to regulatory approvals, the affirmative vote of both SSB’s and PSTB’s shareholders, 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 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<br>by SBFC | Initial<br>Fair Value<br>Adjustments |     | Subsequent<br>Fair Value<br>Adjustments | As Recorded by<br>the Company |
|---|------------------------|--------------------------------------|-----|---|-------------------------------|
| <b>Assets</b>   |                        |                                      |     |   |                               |
| 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                        |
| Other real estate owned and repossessed<br>assets   | 580                    | (30)                                 | (e) | (165)                                   | (e) 385                       |
| Bank owned life insurance   | 44,513                 | —                                    |     | —                                       | 44,513                        |
| Deferred tax asset  | 16,247                 | (687)                                | (f) | 59                                      | (f) 15,619                    |
| Other assets  | 7,545                  | (482)                                | (g) | —                                       | 7,063                         |
| <b>Total assets</b>   | <b>\$ 1,832,581</b>    | <b>\$ 2,131</b>                      |     | <b>\$ (106)</b>                         | <b>\$ 1,834,606</b>           |
| <b>Liabilities</b>  |                        |                                      |     |   |                               |
| <b>Deposits:</b>  |                        |                                      |     |   |                               |
| Noninterest-bearing   | \$ 262,967             | \$ —                                 |     | \$ —                                    | \$ 262,967                    |
| Interest-bearing  | 1,257,953              | —                                    |     | —                                       | 1,257,953                     |
| <b>Total deposits</b>   | <b>1,520,920</b>       | <b>—</b>                             |     | <b>—</b>                                | <b>1,520,920</b>              |
| Federal funds purchased and securities sold<br>under agreements to repurchase                 | 1,014                  | —                                    |     | —                                       | 1,014                         |
| Other borrowings  | 110,620                | (1,120)                              | (h) | —                                       | 109,500                       |
| Other liabilities   | 19,980                 | 5,553                                | (i) | —                                       | 25,533                        |
| <b>Total liabilities</b>  | <b>1,652,534</b>       | <b>4,433</b>                         |     | <b>—</b>                                | <b>1,656,967</b>              |
| Net identifiable assets acquired over (under)<br>liabilities assumed                          | 180,047                | (2,302)                              |     | (106)                                   | 177,639                       |
| Goodwill  | —                      | 257,370                              |     | 106                                     | 257,476                       |
| <b>Net assets acquired over liabilities assumed</b>   | <b>\$ 180,047</b>      | <b>\$ 255,068</b>                    |     | <b>\$ —</b>                             | <b>\$ 435,115</b>             |
| <b>Consideration:</b>   |                        |                                      |     |   |                               |
| South State Corporation common shares<br>issued   |                        |                                      |     |   | 4,978,338                     |
| Purchase price per share of the Company's<br>common stock                                     |                        |                                      |     |   | \$ 87.30                      |
| Company common stock issued (\$434,609)<br>and cash exchanged for fractional shares<br>(\$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 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 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 \$6,049 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<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Value |
|---------------------------------|-------------------|------------------------------|-------------------------------|---------------|
| June 30, 2017:                  |                   |                              |                               |               |
| State and municipal obligations | \$ 4,166          | \$ 82                        | \$ —                          | \$ 4,248      |
| December 31, 2016:              |                   |                              |                               |               |
| State and municipal obligations | \$ 6,094          | \$ 156                       | \$ —                          | \$ 6,250      |
| June 30, 2016:                  |                   |                              |                               |               |
| State and municipal obligations | \$ 7,921          | \$ 310                       | \$ —                          | \$ 8,231      |

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

| (Dollars in thousands)              | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Value |
|-------------------------------------|-------------------|------------------------------|-------------------------------|---------------|
| June 30, 2017:                      |                   |                              |                               |               |
| Government-sponsored entities debt* | \$ 76,508         | \$ 52                        | \$ (608)                      | \$ 75,952     |
| State and municipal obligations     | 188,720           | 4,680                        | (106)                         | 193,294       |
| Mortgage-backed securities**        | 1,068,718         | 5,195                        | (5,316)                       | 1,068,597     |
| Corporate stocks                    | 3,658             | 550                          | (399)                         | 3,809         |
|                                     | \$ 1,337,604      | \$ 10,477                    | \$ (6,429)                    | \$ 1,341,652  |
| December 31, 2016:                  |                   |                              |                               |               |

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|                                     |              |           |            |            |
|-------------------------------------|--------------|-----------|------------|------------|
| 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 |
| June 30, 2016:                      |              |           |            |            |
| Government-sponsored entities debt* | \$ 102,985   | \$ 107    | \$ —       | \$ 103,092 |
| State and municipal obligations     | 118,400      | 5,498     | (4)        | 123,894    |
| Mortgage-backed securities**        | 743,956      | 14,956    | (31)       | 758,881    |
| Corporate stocks                    | 3,658        | 356       | (271)      | 3,743      |
|                                     | \$ 968,999   | \$ 20,917 | \$ (306)   | \$ 989,610 |

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\* - 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<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Value |
|---|-------------------|------------------------------|-------------------------------|---------------|
| June 30, 2017:                            |                   |                              |                               |               |
| Federal Home Loan Bank stock              | \$ 10,814         | \$ —                         | \$ —                          | \$ 10,814     |
| Investment in unconsolidated subsidiaries | 2,262             | —                            | —                             | 2,262         |
|   | \$ 13,076         | \$ —                         | \$ —                          | \$ 13,076     |
| December 31, 2016:                        |                   |                              |                               |               |
| Federal Home Loan Bank stock              | \$ 7,840          | \$ —                         | \$ —                          | \$ 7,840      |
| Investment in unconsolidated subsidiaries | 1,642             | —                            | —                             | 1,642         |
|   | \$ 9,482          | \$ —                         | \$ —                          | \$ 9,482      |
| June 30, 2016:                            |                   |                              |                               |               |
| Federal Home Loan Bank stock              | \$ 7,887          | \$ —                         | \$ —                          | \$ 7,887      |
| Investment in unconsolidated subsidiaries | 1,642             | —                            | —                             | 1,642         |
|   | \$ 9,529          | \$ —                         | \$ —                          | \$ 9,529      |

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

| (Dollars in thousands)                 | Securities<br>Held to Maturity |               | Securities<br>Available for Sale |               |
|--|--------------------------------|---------------|----------------------------------|---------------|
|  | Amortized<br>Cost              | Fair<br>Value | Amortized<br>Cost                | Fair<br>Value |
| Due in one year or less                | \$ 2,226                       | \$ 2,269      | \$ 13,005                        | \$ 13,107     |
| Due after one year through five years  | 1,152                          | 1,186         | 110,358                          | 110,976       |
| Due after five years through ten years | 788                            | 793           | 272,409                          | 274,466       |
| Due after ten years                    | —                              | —             | 941,832                          | 943,103       |
|  | \$ 4,166                       | \$ 4,248      | \$ 1,337,604                     | \$ 1,341,652  |

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Information pertaining to the Company's securities with gross unrealized losses at June 30, 2017, December 31, 2016 and June 30, 2016, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position is as follows:

| (Dollars in thousands)             | Less Than<br>Twelve Months<br>Gross<br>Unrealized |               | Twelve Months<br>or More<br>Gross<br>Unrealized |               |
|------------------------------------|---|---------------|---|---------------|
|                                    | Losses  | Fair<br>Value | Losses  | Fair<br>Value |
| June 30, 2017:                     |   |               |   |               |
| Securities Available for Sale      |   |               |   |               |
| Government-sponsored entities debt | \$ 608  | \$ 70,226     | \$ —  | \$ —          |
| State and municipal obligations    | 106   | 9,171         | —   | —             |
| Mortgage-backed securities         | 5,207   | 570,625       | 109   | 13,854        |
| Corporate stocks                   | —   | —             | 399   | 1,333         |
|                                    | \$ 5,921  | \$ 650,022    | \$ 508  | \$ 15,187     |
| 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      |
| June 30, 2016:                     |   |               |   |               |
| Securities Available for Sale      |   |               |   |               |
| Government-sponsored entities debt | \$ —  | \$ —          | \$ —  | \$ —          |
| State and municipal obligations    | 4   | 1,356         | —   | —             |
| Mortgage-backed securities         | 3   | 15,786        | 28  | 2,447         |
| Corporate stocks                   | —   | —             | 271   | 1,471         |
|                                    | \$ 7  | \$ 17,142     | \$ 299  | \$ 3,918      |

Management evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the financial condition and near-term prospects of the issuer, (2) the outlook for receiving the contractual cash flows of the investments, (3) the length of time and the extent to which the fair value has been less than cost, (4) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value or for a debt security whether it is more-likely-than-not that the Company will be required to sell the debt security prior to recovering its fair value, and (5) the anticipated outlook for changes in the general level of interest rates. All debt securities available for sale in an unrealized loss position as of June 30, 2017 continue to perform as scheduled. All equity securities available for sale in an unrealized loss position as of June 30, 2017 continue to pay dividends. As part of the Company's evaluation of its intent and ability to hold investments for a period of time sufficient to allow for any anticipated recovery in the market, the Company considers its investment strategy, cash flow needs, liquidity position, capital adequacy and interest rate risk position. The Company does not currently intend to sell the securities within the portfolio and it is not more-likely-than-not that the Company will be required to sell the debt securities; therefore, management does not consider these investments to be other-than-temporarily



impaired at June 30, 2017. Management continues to monitor all of these securities with a high degree of scrutiny. There can be no assurance that the Company will not conclude in future periods that conditions existing at that time indicate some or all of these securities may be sold or are other than temporarily impaired, which would require a charge to earnings in such periods.

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## Note 6 — Loans and Allowance for Loan Losses

The following is a summary of non-acquired loans:

| (Dollars in thousands)                          | June 30,<br>2017 | December 31,<br>2016 | June 30,<br>2016 |
|---|------------------|----------------------|------------------|
| Non-acquired loans:                             |                  |                      |                  |
| Commercial non-owner occupied real estate:      |                  |                      |                  |
| Construction and land development               | \$ 712,242       | \$ 580,464           | \$ 533,219       |
| Commercial non-owner occupied                   | 952,911          | 714,715              | 586,828          |
| Total commercial non-owner occupied real estate | 1,665,153        | 1,295,179            | 1,120,047        |
| Consumer real estate:                           |                  |                      |                  |
| Consumer owner occupied                         | 1,382,922        | 1,197,621            | 1,109,667        |
| Home equity loans                               | 411,532          | 383,218              | 345,957          |
| Total consumer real estate                      | 1,794,454        | 1,580,839            | 1,455,624        |
| Commercial owner occupied real estate           | 1,204,953        | 1,177,745            | 1,083,051        |
| Commercial and industrial                       | 762,583          | 671,398              | 611,901          |
| Other income producing property                 | 189,326          | 178,238              | 181,703          |
| Consumer  | 357,761          | 324,238              | 272,957          |
| Other loans                                     | 18,163           | 13,404               | 91,592           |
| Total non-acquired loans                        | 5,992,393        | 5,241,041            | 4,816,875        |
| Less allowance for loan losses                  | (40,149)         | (36,960)             | (36,939)         |
| Non-acquired loans, net                         | \$ 5,952,244     | \$ 5,204,081         | \$ 4,779,936     |

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

| (Dollars in thousands)                          | June 30,<br>2017 | December 31,<br>2016 | June 30,<br>2016 |
|---|------------------|----------------------|------------------|
| FASB ASC Topic 310-20 acquired loans:           |                  |                      |                  |
| Commercial non-owner occupied real estate:      |                  |                      |                  |
| Construction and land development               | \$ 112,855       | \$ 10,090            | \$ 12,516        |
| Commercial non-owner occupied                   | 209,560          | 34,628               | 36,904           |
| Total commercial non-owner occupied real estate | 322,415          | 44,718               | 49,420           |
| Consumer real estate:                           |                  |                      |                  |
| Consumer owner occupied                         | 520,106          | 408,270              | 466,479          |
| Home equity loans                               | 177,129          | 160,879              | 177,946          |
| Total consumer real estate                      | 697,235          | 569,149              | 644,425          |
| Commercial owner occupied real estate           | 221,566          | 27,195               | 32,267           |
| Commercial and industrial                       | 117,884          | 13,641               | 15,598           |

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|  |              |            |            |
|--|--------------|------------|------------|
| Other income producing property            | 83,403       | 39,342     | 44,873     |
| Consumer                                   | 143,478      | 142,654    | 155,303    |
| Total FASB ASC Topic 310-20 acquired loans | \$ 1,585,981 | \$ 836,699 | \$ 941,886 |

The unamortized discount related to the acquired non-credit impaired loans totaled \$22.9 million, \$11.6 million, and \$14.0 million at June 30, 2017, December 31, 2016, and June 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)   | June 30,<br>2017 | December 31,<br>2016 | June 30,<br>2016 |
|--|------------------|----------------------|------------------|
| FASB ASC Topic 310-30 acquired loans:  |                  |                      |                  |
| Commercial loans greater than or equal to \$1 million-Community Bank & Trust ("CBT") | \$ 8,524         | \$ 8,617             | \$ 11,260        |
| Commercial real estate   | 206,271          | 210,204              | 225,460          |
| Commercial real estate—construction and development                                  | 52,977           | 44,373               | 48,274           |
| Residential real estate  | 256,602          | 258,100              | 285,518          |
| Consumer   | 56,362           | 59,300               | 64,114           |
| Commercial and industrial  | 25,486           | 25,347               | 27,961           |
| Total FASB ASC Topic 310-30 acquired loans   | 606,222          | 605,941              | 662,587          |
| Less allowance for loan losses   | (3,741)          | (3,395)              | (3,752)          |
| FASB ASC Topic 310-30 acquired loans, net  | \$ 602,481       | \$ 602,546           | \$ 658,835       |

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:

|                                     | January 3, 2017 |
|-------------------------------------|-----------------|
| (Dollars in thousands)              |                 |
| 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.

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Contractual loan payments receivable, estimates of amounts not expected to be collected, other fair value adjustments and the resulting carrying values of acquired credit impaired loans as of June 30, 2017, December 31, 2016 and June 30, 2016 are as follows:

| (Dollars in thousands)              | June 30,<br>2017 | December 31,<br>2016 | June 30,<br>2016 |
|-------------------------------------|------------------|----------------------|------------------|
| Contractual principal and interest  | \$ 774,471       | \$ 778,822           | \$ 861,401       |
| Non-accretable difference           | (28,966)         | (17,502)             | (23,294)         |
| Cash flows expected to be collected | 745,505          | 761,320              | 838,107          |
| Accretable yield                    | (139,283)        | (155,379)            | (175,520)        |
| Carrying value                      | \$ 606,222       | \$ 605,941           | \$ 662,587       |
| Allowance for acquired loan losses  | \$ (3,741)       | \$ (3,395)           | \$ (3,752)       |

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:

| (Dollars in thousands)   | Six Months Ended June 30, |            |
|--|---------------------------|------------|
|  | 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                     | (55,569)                  | (74,989)   |
| Change in the allowance for loan losses on acquired loans                    | (346)                     | (46)       |
| Balance at end of period, net of allowance for loan losses on acquired loans | \$ 602,481                | \$ 658,835 |

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

| (Dollars in thousands)  | Six Months Ended June 30, |            |
|---|---------------------------|------------|
|   | 2017                      | 2016       |
| Balance at beginning of period  | \$ 155,379                | \$ 201,538 |
| Addition from the SBFC acquisition  | 4,603                     | —          |
| Accretion   | (29,511)                  | (39,522)   |
| Reclass of nonaccretable difference due to improvement in expected cash flows | 9,016                     | 13,146     |
| Other changes, net  | (204)                     | 358        |
| Balance at end of period  | \$ 139,283                | \$ 175,520 |

In the second 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 \$4.0 million during the second quarter of 2017.

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

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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 allowance for loan losses on these loans will be measured and recorded consistent with non acquired loans. The acquired credit impaired loans will follow the description in the next paragraph.

In determining the acquisition date fair value of 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 allowance for loan losses. Management analyzes the acquired loan pools using various assessments of risk to determine an expected loss. The expected loss is derived based upon a loss given default based upon the collateral type and/or detailed review by loan officers and the probability of default that is determined based upon historical data at the loan level. All acquired loans managed by 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<br>Loans | Acquired Non-Credit<br>Impaired Loans | Acquired Credit<br>Impaired Loans | Total     |
|---|-----------------------|---------------------------------------|-----------------------------------|-----------|
| Three Months Ended June 30, 2017:   |                       |                                       |                                   |           |
| Balance at beginning of period  | \$ 38,449             | \$ —                                  | \$ 4,556                          | \$ 43,005 |
| Loans charged-off   | (1,292)               | (501)                                 | —                                 | (1,793)   |
| Recoveries of loans previously charged off (1)                            | 536                   | 72                                    | —                                 | 608       |
| Net charge-offs   | (756)                 | (429)                                 | —                                 | (1,185)   |
| Provision for loan losses charged to operations                           | 2,456                 | 429                                   | (572)                             | 2,313     |
| Provision for loan losses recorded through the FDIC loss share receivable | —                     | —                                     | —                                 | —         |
| Reduction due to loan removals  | —                     | —                                     | (243)                             | (243)     |
| Balance at end of period  | \$ 40,149             | \$ —                                  | \$ 3,741                          | \$ 43,890 |
| Three Months Ended June 30, 2016:   |                       |                                       |                                   |           |
| Balance at beginning of period  | \$ 35,115             | \$ —                                  | \$ 3,877                          | \$ 38,992 |
| Loans charged-off   | (1,557)               | (232)                                 | —                                 | (1,789)   |
| Recoveries of loans previously charged off (1)                            | 881                   | 51                                    | —                                 | 932       |
| Net charge-offs   | (676)                 | (181)                                 | —                                 | (857)     |
| Provision   | 2,500                 | 181                                   | 47                                | 2,728     |
| Benefit attributable to FDIC loss share agreements                        | —                     | —                                     | —                                 | —         |
| Provision for loan losses charged to operations                           | 2,500                 | 181                                   | 47                                | 2,728     |
| Provision for loan losses recorded through the FDIC loss share receivable | —                     | —                                     | —                                 | —         |
| Reduction due to loan removals  | —                     | —                                     | (172)                             | (172)     |
| Balance at end of period  | \$ 36,939             | \$ —                                  | \$ 3,752                          | \$ 40,691 |

| (Dollars in thousands)  | Non-acquired<br>Loans | Acquired Non-Credit<br>Impaired Loans | Acquired Credit<br>Impaired Loans | Total     |
|---|-----------------------|---------------------------------------|-----------------------------------|-----------|
| Six Months Ended June 30, 2017:   |                       |                                       |                                   |           |
| Balance at beginning of period  | \$ 36,960             | \$ —                                  | \$ 3,395                          | \$ 40,355 |
| Loans charged-off   | (2,589)               | (890)                                 | —                                 | (3,479)   |
| Recoveries of loans previously charged off (1)                            | 1,205                 | 135                                   | —                                 | 1,340     |
| Net charge-offs   | (1,384)               | (755)                                 | —                                 | (2,139)   |
| Provision   | 4,573                 | 755                                   | 692                               | 6,020     |
| Benefit attributable to FDIC loss share agreements                        | —                     | —                                     | —                                 | —         |
| Total provision for loan losses charged to operations                     | 4,573                 | 755                                   | 692                               | 6,020     |
| Provision for loan losses recorded through the FDIC loss share receivable | —                     | —                                     | —                                 | —         |
| Reduction due to loan removals  | —                     | —                                     | (346)                             | (346)     |
| Balance at end of period  | \$ 40,149             | \$ —                                  | \$ 3,741                          | \$ 43,890 |

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Six Months Ended June 30, 2016:

|   |           |       |          |           |
|---|-----------|-------|----------|-----------|
| Balance at beginning of period  | \$ 34,090 | \$ —  | \$ 3,706 | \$ 37,796 |
| Loans charged-off   | (3,276)   | (529) | —        | (3,805)   |
| Recoveries of loans previously charged off (1)                            | 1,645     | 141   | —        | 1,786     |
| Net charge-offs   | (1,631)   | (388) | —        | (2,019)   |
| Provision   | 4,480     | 388   | 395      | 5,263     |
| Benefit attributable to FDIC loss share agreements                        | —         | —     | 23       | 23        |
| Total provision for loan losses charged to operations                     | 4,480     | 388   | 418      | 5,286     |
| Provision for loan losses recorded through the FDIC loss share receivable | —         | —     | (23)     | (23)      |
| Reduction due to loan removals  | —         | —     | (349)    | (349)     |
| Balance at end of period  | \$ 36,939 | \$ —  | \$ 3,752 | \$ 40,691 |

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

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

|      | Construction<br>& Land<br>Development | Commercial<br>Non-owner<br>Occupied | Commercial<br>Owner<br>Occupied | Consumer<br>Owner<br>Occupied | Home<br>Equity | Commercial<br>& Industrial | Other Income<br>Producing<br>Property | Consumer   | Other<br>Loans |
|------|---------------------------------------|-------------------------------------|---------------------------------|-------------------------------|----------------|----------------------------|---------------------------------------|------------|----------------|
| 1,   | \$ 4,649                              | \$ 5,464                            | \$ 7,894                        | \$ 8,108                      | \$ 3,456       | \$ 5,124                   | \$ 1,345                              | \$ 2,443   | \$ (34)        |
|      | (69)                                  | —                                   | —                               | (62)                          | (190)          | (167)                      | (7)                                   | (797)      | —              |
|      | 68                                    | 7                                   | 98                              | 27                            | 21             | 143                        | 5                                     | 167        | —              |
| t)   | 1,098                                 | 693                                 | (453)                           | 496                           | (40)           | 43                         | 36                                    | 719        | (136)          |
| 2017 | \$ 5,746                              | \$ 6,164                            | \$ 7,539                        | \$ 8,569                      | \$ 3,247       | \$ 5,143                   | \$ 1,379                              | \$ 2,532   | \$ (170)       |
| y    |                                       |                                     |                                 |                               |                |                            |                                       |            |                |
|      | \$ 1,310                              | \$ 146                              | \$ 62                           | \$ 57                         | \$ 119         | \$ 362                     | \$ 238                                | \$ 6       | \$ —           |
| y    |                                       |                                     |                                 |                               |                |                            |                                       |            |                |
|      | \$ 4,436                              | \$ 6,018                            | \$ 7,477                        | \$ 8,512                      | \$ 3,128       | \$ 4,781                   | \$ 1,141                              | \$ 2,526   | \$ (170)       |
| y    |                                       |                                     |                                 |                               |                |                            |                                       |            |                |
|      | \$ 30,037                             | \$ 754                              | \$ 6,054                        | \$ 4,575                      | \$ 2,626       | \$ 1,198                   | \$ 3,641                              | \$ 235     | \$ —           |
| y    |                                       |                                     |                                 |                               |                |                            |                                       |            |                |
|      | 682,205                               | 952,157                             | 1,198,899                       | 1,378,347                     | 408,906        | 761,385                    | 185,685                               | 357,526    | 18,163         |
| ed   | \$ 712,242                            | \$ 952,911                          | \$ 1,204,953                    | \$ 1,382,922                  | \$ 411,532     | \$ 762,583                 | \$ 189,326                            | \$ 357,761 | \$ 18,163      |
| ded  |                                       |                                     |                                 |                               |                |                            |                                       |            |                |
| an   |                                       |                                     |                                 |                               |                |                            |                                       |            |                |
| 31,  | \$ 4,482                              | \$ 3,923                            | \$ 8,179                        | \$ 7,345                      | \$ 3,097       | \$ 3,951                   | \$ 1,802                              | \$ 1,785   | \$ 551         |
|      | (159)                                 | —                                   | (59)                            | (129)                         | (324)          | (20)                       | (7)                                   | (859)      | —              |
|      | 442                                   | 15                                  | 14                              | 17                            | 87             | 55                         | 35                                    | 216        | —              |
| t)   | (100)                                 | 718                                 | (131)                           | 297                           | 288            | 283                        | (18)                                  | 872        | 291            |
| 2016 | \$ 4,665                              | \$ 4,656                            | \$ 8,003                        | \$ 7,530                      | \$ 3,148       | \$ 4,269                   | \$ 1,812                              | \$ 2,014   | \$ 842         |
| y    |                                       |                                     |                                 |                               |                |                            |                                       |            |                |
|      | \$ 751                                | \$ 202                              | \$ 67                           | \$ 55                         | \$ 38          | \$ 14                      | \$ 376                                | \$ 4       | \$ —           |
| y    | \$ 3,914                              | \$ 4,454                            | \$ 7,936                        | \$ 7,475                      | \$ 3,110       | \$ 4,255                   | \$ 1,436                              | \$ 2,010   | \$ 842         |

|  |            |            |              |              |            |            |            |            |           |
|--|------------|------------|--------------|--------------|------------|------------|------------|------------|-----------|
|  | \$ 4,093   | \$ 1,219   | \$ 6,972     | \$ 3,967     | \$ 2,177   | \$ 767     | \$ 5,000   | \$ 128     | \$ —      |
|  | 529,126    | 585,609    | 1,076,079    | 1,105,700    | 343,780    | 611,134    | 176,703    | 272,829    | 91,592    |
|  | \$ 533,219 | \$ 586,828 | \$ 1,083,051 | \$ 1,109,667 | \$ 345,957 | \$ 611,901 | \$ 181,703 | \$ 272,957 | \$ 91,592 |

| Amounts in thousands)            | Construction & Land Development | Commercial Non-owner Occupied | Commercial Owner Occupied | Consumer Owner Occupied | Home Equity | Commercial & Industrial | Other Income Producing Property | Consumer | Other Loans | Total     |
|----------------------------------|---------------------------------|-------------------------------|---------------------------|-------------------------|-------------|-------------------------|---------------------------------|----------|-------------|-----------|
| Three Months Ended June 30, 2017 |                                 |                               |                           |                         |             |                         |                                 |          |             |           |
| Income for loan                  |                                 |                               |                           |                         |             |                         |                                 |          |             |           |
| Income, per 31, 2016             | \$ 4,091                        | \$ 4,980                      | \$ 8,022                  | \$ 7,820                | \$ 3,211    | \$ 4,842                | \$ 1,542                        | \$ 2,350 | \$ 102      | \$ 30,000 |
| Provision for loan losses        | (474)                           | —                             | —                         | (185)                   | (224)       | (189)                   | (7)                             | (1,510)  | —           | (2,489)   |
| Net income                       | 222                             | 48                            | 105                       | 76                      | 95          | 233                     | 48                              | 378      | —           | 1,060     |
| Income (benefit) from operations | 1,907                           | 1,136                         | (588)                     | 858                     | 165         | 257                     | (204)                           | 1,314    | (272)       | 4,363     |
| Income, per 30, 2017             | \$ 5,746                        | \$ 6,164                      | \$ 7,539                  | \$ 8,569                | \$ 3,247    | \$ 5,143                | \$ 1,379                        | \$ 2,532 | \$ (170)    | \$ 30,000 |
| Three Months Ended June 30, 2016 |                                 |                               |                           |                         |             |                         |                                 |          |             |           |
| Income for loan                  |                                 |                               |                           |                         |             |                         |                                 |          |             |           |
| Income, per 31, 2015             | \$ 4,116                        | \$ 3,568                      | \$ 8,341                  | \$ 7,212                | \$ 2,929    | \$ 3,974                | \$ 1,963                        | \$ 1,694 | \$ 293      | \$ 30,000 |
| Provision for loan losses        | (159)                           | —                             | (101)                     | (129)                   | (767)       | (327)                   | (7)                             | (1,786)  | —           | (2,976)   |
| Net income                       | 607                             | 31                            | 21                        | 98                      | 175         | 103                     | 39                              | 571      | —           | 1,060     |
| Income (benefit) from operations | 101                             | 1,057                         | (258)                     | 349                     | 811         | 519                     | (183)                           | 1,535    | 549         | 4,363     |
| Income, per 30, 2016             | \$ 4,665                        | \$ 4,656                      | \$ 8,003                  | \$ 7,530                | \$ 3,148    | \$ 4,269                | \$ 1,812                        | \$ 2,014 | \$ 842      | \$ 30,000 |

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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:

|                   | Construction<br>& Land<br>Development | Commercial<br>Non-owner<br>Occupied | Commercial<br>Owner<br>Occupied | Consumer<br>Owner<br>Occupied | Home<br>Equity | Commercial<br>& Industrial | Other Income<br>Producing<br>Property | Consumer   | To         |
|-------------------|---------------------------------------|-------------------------------------|---------------------------------|-------------------------------|----------------|----------------------------|---------------------------------------|------------|------------|
| (thousands)       |                                       |                                     |                                 |                               |                |                            |                                       |            |            |
| As of             |                                       |                                     |                                 |                               |                |                            |                                       |            |            |
| December 31, 2017 |                                       |                                     |                                 |                               |                |                            |                                       |            |            |
| Beginning         | \$ —                                  | \$ —                                | \$ —                            | \$ —                          | \$ —           | \$ —                       | \$ —                                  | \$ —       | \$ —       |
| Benefit)          | —                                     | —                                   | —                               | 303                           | (664)          | —                          | —                                     | (140)      | (140)      |
| As of             | 1                                     | —                                   | —                               | 2                             | 60             | 1                          | 1                                     | 7          | 7          |
| December 31, 2017 | (1)                                   | —                                   | —                               | (305)                         | 604            | (1)                        | (1)                                   | 133        | 133        |
| As of             | \$ —                                  | \$ —                                | \$ —                            | \$ —                          | \$ —           | \$ —                       | \$ —                                  | \$ —       | \$ —       |
| As of             | \$ —                                  | \$ —                                | \$ —                            | \$ —                          | \$ —           | \$ —                       | \$ —                                  | \$ —       | \$ —       |
| As of             | \$ —                                  | \$ —                                | \$ —                            | \$ —                          | \$ —           | \$ —                       | \$ —                                  | \$ —       | \$ —       |
| As of             | 112,855                               | 209,560                             | 221,566                         | 520,106                       | 177,129        | 117,884                    | 83,403                                | 143,478    | 143,478    |
| As of             | \$ 112,855                            | \$ 209,560                          | \$ 221,566                      | \$ 520,106                    | \$ 177,129     | \$ 117,884                 | \$ 83,403                             | \$ 143,478 | \$ 143,478 |
| As of             |                                       |                                     |                                 |                               |                |                            |                                       |            |            |
| December 31, 2016 |                                       |                                     |                                 |                               |                |                            |                                       |            |            |
| Beginning         | \$ —                                  | \$ —                                | \$ —                            | \$ —                          | \$ —           | \$ —                       | \$ —                                  | \$ —       | \$ —       |
| Benefit)          | —                                     | —                                   | —                               | —                             | (42)           | (4)                        | —                                     | (186)      | (186)      |
| As of             | 1                                     | —                                   | —                               | 3                             | 24             | —                          | —                                     | 23         | 23         |
| December 31, 2016 | (1)                                   | —                                   | —                               | (3)                           | 18             | 4                          | —                                     | 163        | 163        |
| As of             | \$ —                                  | \$ —                                | \$ —                            | \$ —                          | \$ —           | \$ —                       | \$ —                                  | \$ —       | \$ —       |

|              |           |           |           |            |            |           |           |            |      |
|--------------|-----------|-----------|-----------|------------|------------|-----------|-----------|------------|------|
| Individually | \$ —      | \$ —      | \$ —      | \$ —       | \$ —       | \$ —      | \$ —      | \$ —       | \$ — |
| Collectively | \$ —      | \$ —      | \$ —      | \$ —       | \$ —       | \$ —      | \$ —      | \$ —       | \$ — |
| Individually | \$ —      | \$ —      | \$ —      | \$ —       | \$ —       | \$ —      | \$ —      | \$ —       | \$ — |
| Collectively | 12,516    | 36,904    | 32,267    | 466,479    | 177,946    | 15,598    | 44,873    | 155,303    | 9    |
| Impaired     | \$ 12,516 | \$ 36,904 | \$ 32,267 | \$ 466,479 | \$ 177,946 | \$ 15,598 | \$ 44,873 | \$ 155,303 | \$ 9 |

| (Dollars in thousands)         | Construction & Land Development | Commercial Non-occupied | Commercial Occupied | Consumer Owner Occupied | Home Equity | Commercial & Industrial | Other Producing Property | Income Consumer | Total |
|--------------------------------|---------------------------------|-------------------------|---------------------|-------------------------|-------------|-------------------------|--------------------------|-----------------|-------|
| Six Months Ended June 30, 2017 |                                 |                         |                     |                         |             |                         |                          |                 |       |
| Allowance for loan losses:     |                                 |                         |                     |                         |             |                         |                          |                 |       |
| Balance, December 31, 2016     | \$ —                            | \$ —                    | \$ —                | \$ —                    | \$ —        | \$ —                    | \$ —                     | \$ —            | \$ —  |
| Charge-offs                    | —                               | —                       | —                   | (10)                    | (664)       | (2)                     | —                        | (214)           | (890) |
| Recoveries                     | 2                               | —                       | —                   | 42                      | 69          | 2                       | 1                        | 19              | 135   |
| Provision (benefit)            | (2)                             | —                       | —                   | (32)                    | 595         | —                       | (1)                      | 195             | 755   |
| Balance, June 30, 2017         | \$ —                            | \$ —                    | \$ —                | \$ —                    | \$ —        | \$ —                    | \$ —                     | \$ —            | \$ —  |
| Six Months Ended June 30, 2016 |                                 |                         |                     |                         |             |                         |                          |                 |       |
| Allowance for loan losses:     |                                 |                         |                     |                         |             |                         |                          |                 |       |
| Balance, December 31, 2015     | \$ —                            | \$ —                    | \$ —                | \$ —                    | \$ —        | \$ —                    | \$ —                     | \$ —            | \$ —  |
| Charge-offs                    | —                               | —                       | —                   | —                       | (186)       | (7)                     | —                        | (336)           | (529) |
| Recoveries                     | 2                               | —                       | —                   | 6                       | 108         | 2                       | 1                        | 22              | 141   |
| Provision (benefit)            | (2)                             | —                       | —                   | (6)                     | 78          | 5                       | (1)                      | 314             | 388   |
| Balance, June 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)<br>Three Months Ended<br>June 30, 2017                                 | Commercial<br>Loans Greater<br>Than or Equal<br>to \$1 Million | Commercial<br>Real Estate<br>REIT | Commercial<br>Construction<br>Development | Residential<br>Real Estate | Consumer  | Commercial<br>and Industrial | Single<br>Family | Total      |
|---|--|-----------------------------------|---|----------------------------|-----------|------------------------------|------------------|------------|
| Allowance for loan losses:  |  |                                   |   |                            |           |                              |                  |            |
| Balance, March 31, 2017   | \$ —   | \$ 335                            | \$ 130                                    | \$ 3,108                   | \$ 589    | \$ 394                       | \$ —             | \$ 4,556   |
| Provision (benefit) for loan losses before benefit attributable to FDIC loss share agreements | —  | (292)                             | —   | (192)                      | (37)      | (51)                         | —                | (572)      |
| Benefit attributable to FDIC loss share agreements  | —  | —                                 | —   | —                          | —         | —                            | —                | —          |
| Total provision (benefit) for loan losses charged to operations                               | —  | (292)                             | —   | (192)                      | (37)      | (51)                         | —                | (572)      |
| Provision for loan losses recorded through the FDIC loss share receivable                     | —  | —                                 | —   | —                          | —         | —                            | —                | —          |
| Reduction due to loan removals  | —  | (3)                               | (38)                                      | (175)                      | (4)       | (23)                         | —                | (243)      |
| Balance, June 30, 2017  | \$ —   | \$ 40                             | \$ 92                                     | \$ 2,741                   | \$ 548    | \$ 320                       | \$ —             | \$ 3,741   |
| Loans individually evaluated for impairment   | \$ —   | \$ —                              | \$ —                                      | \$ —                       | \$ —      | \$ —                         | \$ —             | \$ —       |
| Loans collectively evaluated for impairment   | \$ —   | \$ 40                             | \$ 92                                     | \$ 2,741                   | \$ 548    | \$ 320                       | \$ —             | \$ 3,741   |
| Loans:*   |  |                                   |   |                            |           |                              |                  |            |
| Loans individually evaluated for impairment   | \$ —   | \$ —                              | \$ —                                      | \$ —                       | \$ —      | \$ —                         | \$ —             | \$ —       |
| Loans collectively evaluated for impairment   | 8,524  | 206,271                           | 52,977                                    | 256,602                    | 56,362    | 25,486                       | —                | 606,222    |
|   | \$ 8,524   | \$ 206,271                        | \$ 52,977                                 | \$ 256,602                 | \$ 56,362 | \$ 25,486                    | \$ —             | \$ 606,222 |

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Total acquired credit  
impaired loans

Three Months Ended  
June 30, 2016

Allowance for loan  
losses:

Balance, March 31,  
2016

|  |      |       |        |          |        |        |      |          |
|--|------|-------|--------|----------|--------|--------|------|----------|
|  | \$ — | \$ 46 | \$ 154 | \$ 2,863 | \$ 606 | \$ 208 | \$ — | \$ 3,877 |
|--|------|-------|--------|----------|--------|--------|------|----------|

Provision (benefit) for  
loan losses before  
benefit attributable to  
FDIC loss share

agreements

|  |   |   |   |       |     |     |   |    |
|--|---|---|---|-------|-----|-----|---|----|
|  | — | — | — | (165) | 217 | (5) | — | 47 |
|--|---|---|---|-------|-----|-----|---|----|

Benefit attributable to  
FDIC loss share  
agreements

|  |   |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|---|
|  | — | — | — | — | — | — | — | — |
|--|---|---|---|---|---|---|---|---|

Total provision  
(benefit) for loan  
losses charged to  
operations

|  |   |   |   |       |     |     |   |    |
|--|---|---|---|-------|-----|-----|---|----|
|  | — | — | — | (165) | 217 | (5) | — | 47 |
|--|---|---|---|-------|-----|-----|---|----|

Provision for loan  
losses recorded  
through the FDIC loss  
share receivable

|  |   |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|---|
|  | — | — | — | — | — | — | — | — |
|--|---|---|---|---|---|---|---|---|

Reduction due to loan  
removals

|  |   |      |     |       |      |     |   |       |
|--|---|------|-----|-------|------|-----|---|-------|
|  | — | (11) | (3) | (106) | (45) | (7) | — | (172) |
|--|---|------|-----|-------|------|-----|---|-------|

Balance, June 30, 2016

|  |      |       |        |          |        |        |      |          |
|--|------|-------|--------|----------|--------|--------|------|----------|
|  | \$ — | \$ 35 | \$ 151 | \$ 2,592 | \$ 778 | \$ 196 | \$ — | \$ 3,752 |
|--|------|-------|--------|----------|--------|--------|------|----------|

Loans individually  
evaluated for  
impairment

|  |      |      |      |      |      |      |      |      |
|--|------|------|------|------|------|------|------|------|
|  | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
|--|------|------|------|------|------|------|------|------|

Loans collectively  
evaluated for  
impairment

|  |      |       |        |          |        |        |      |          |
|--|------|-------|--------|----------|--------|--------|------|----------|
|  | \$ — | \$ 35 | \$ 151 | \$ 2,592 | \$ 778 | \$ 196 | \$ — | \$ 3,752 |
|--|------|-------|--------|----------|--------|--------|------|----------|

Loans:\*

Loans individually  
evaluated for  
impairment

|  |      |      |      |      |      |      |      |      |
|--|------|------|------|------|------|------|------|------|
|  | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
|--|------|------|------|------|------|------|------|------|

Loans collectively  
evaluated for  
impairment

|  |        |         |        |         |        |        |   |         |
|--|--------|---------|--------|---------|--------|--------|---|---------|
|  | 11,260 | 225,460 | 48,274 | 285,518 | 64,114 | 27,961 | — | 662,587 |
|--|--------|---------|--------|---------|--------|--------|---|---------|

Total acquired credit  
impaired loans

|  |           |            |           |            |           |           |      |            |
|--|-----------|------------|-----------|------------|-----------|-----------|------|------------|
|  | \$ 11,260 | \$ 225,460 | \$ 48,274 | \$ 285,518 | \$ 64,114 | \$ 27,961 | \$ — | \$ 662,587 |
|--|-----------|------------|-----------|------------|-----------|-----------|------|------------|

|   |  |   |   |                        |                              |            |       |
|---|--|---|---|------------------------|------------------------------|------------|-------|
| (Dollars in thousands)<br>Six Months Ended June<br>30, 2017 | Commercial<br>Loans Greater<br>Than or Equal<br>to \$1 Million | Commercial<br>Real Estate<br>Construction<br>Real Estate  | Commercial<br>Real Estate-<br>Residential | Commercial<br>Consumer | Commercial<br>and Industrial | Single Pay | Total |
|   | Commercial<br>Real Estate                                      | Commercial<br>Real Estate-<br>Construction<br>Real Estate | Commercial<br>Real Estate-<br>Residential | Commercial<br>Consumer | Commercial<br>and Industrial | Single Pay | Total |



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|   |    |   |       |        |          |        |        |      |          |
|---|----|---|-------|--------|----------|--------|--------|------|----------|
| 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 |    | — | —     | (3)    | 559      | —      | 136    | —    | 692      |
| Benefit attributable to FDIC loss share agreements  |    | — | —     | —      | —        | —      | —      | —    | —        |
| Total provision (benefit) for loan losses charged to operations                               |    | — | —     | (3)    | 559      | —      | 136    | —    | 692      |
| Provision (benefit) for loan losses recorded through the FDIC loss share receivable           |    | — | —     | —      | —        | —      | —      | —    | —        |
| Reduction due to loan removals  |    | — | (1)   | (44)   | (237)    | (10)   | (54)   | —    | (346)    |
| Balance, June 30, 2017  | \$ | — | \$ 40 | \$ 92  | \$ 2,741 | \$ 548 | \$ 320 | \$ — | \$ 3,741 |
| Six Months Ended June 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     | —      | (180)    | 534    | 40     | —    | 395      |
| Benefit attributable to FDIC loss share agreements  |    | — | —     | —      | 23       | —      | —      | —    | 23       |
| Total provision (benefit) for loan losses charged to operations                               |    | — | 1     | —      | (157)    | 534    | 40     | —    | 418      |
| Provision for loan losses recorded through the FDIC loss share receivable                     |    | — | —     | —      | (23)     | —      | —      | —    | (23)     |
| Reduction due to loan removals  |    | — | (22)  | (26)   | (214)    | (69)   | (18)   | —    | (349)    |
| Balance, June 30, 2016  | \$ | — | \$ 35 | \$ 151 | \$ 2,592 | \$ 778 | \$ 196 | \$ — | \$ 3,752 |

\*— 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 |                      |
|----------------|----------------------------|----------------------|------------------|-------------------------------|----------------------|------------------|---------------------------|----------------------|
|                | June 30,<br>2017           | December 31,<br>2016 | June 30,<br>2016 | June 30,<br>2017              | December 31,<br>2016 | June 30,<br>2016 | June 30,<br>2017          | December 31,<br>2016 |
| (in thousands) | \$ 700,200                 | \$ 567,398           | \$ 518,537       | \$ 939,254                    | \$ 701,150           | \$ 569,815       | \$ 1,177,687              | \$ 1,149,417         |
| Non            | 8,133                      | 8,421                | 9,230            | 11,437                        | 11,434               | 14,859           | 15,004                    | 22,133               |
|                | 3,909                      | 4,645                | 5,452            | 2,220                         | 2,131                | 2,154            | 12,262                    | 6,195                |
|                | —                          | —                    | —                | —                             | —                    | —                | —                         | —                    |
|                | \$ 712,242                 | \$ 580,464           | \$ 533,219       | \$ 952,911                    | \$ 714,715           | \$ 586,828       | \$ 1,204,953              | \$ 1,177,745         |

|     | Commercial & Industrial |                      |                  | Other Income Producing Property |                      |                  | Commercial Total |                      |              |
|-----|-------------------------|----------------------|------------------|---------------------------------|----------------------|------------------|------------------|----------------------|--------------|
|     | June 30,<br>2017        | December 31,<br>2016 | June 30,<br>2016 | June 30,<br>2017                | December 31,<br>2016 | June 30,<br>2016 | June 30,<br>2017 | December 31,<br>2016 | June<br>2016 |
|     | \$ 741,605              | \$ 655,157           | \$ 596,879       | \$ 180,830                      | \$ 167,025           | \$ 167,122       | \$ 3,739,576     | \$ 3,240,147         | \$ 2,8       |
|     | 15,916                  | 14,325               | 13,441           | 6,636                           | 9,280                | 12,039           | 57,126           | 65,593               | 81           |
| ard | 5,062                   | 1,916                | 1,581            | 1,860                           | 1,933                | 2,542            | 25,313           | 16,820               | 21           |
|     | —                       | —                    | —                | —                               | —                    | —                | —                | —                    | —            |
|     | \$ 762,583              | \$ 671,398           | \$ 611,901       | \$ 189,326                      | \$ 178,238           | \$ 181,703       | \$ 3,822,015     | \$ 3,322,560         | \$ 2,9       |

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

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|                | Consumer Owner Occupied |                   |               | Home Equity   |                   |               | Consumer      |                   |
|----------------|-------------------------|-------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|
|                | June 30, 2017           | December 31, 2016 | June 30, 2016 | June 30, 2017 | December 31, 2016 | June 30, 2016 | June 30, 2017 | December 31, 2016 |
| (in thousands) | \$ 1,356,469            | \$ 1,167,768      | \$ 1,078,749  | \$ 397,857    | \$ 368,655        | \$ 330,270    | \$ 356,244    | \$ 322,654        |
| on             | 13,653                  | 15,283            | 17,814        | 7,207         | 8,145             | 8,341         | 348           | 468               |
|                | 12,800                  | 14,570            | 13,104        | 6,468         | 6,418             | 7,346         | 1,169         | 1,116             |
|                | —                       | —                 | —             | —             | —                 | —             | —             | —                 |
|                | \$ 1,382,922            | \$ 1,197,621      | \$ 1,109,667  | \$ 411,532    | \$ 383,218        | \$ 345,957    | \$ 357,761    | \$ 324,238        |

|                 | Other         |                   |               | Consumer Total |                   |               |
|-----------------|---------------|-------------------|---------------|----------------|-------------------|---------------|
|                 | June 30, 2017 | December 31, 2016 | June 30, 2016 | June 30, 2017  | December 31, 2016 | June 30, 2016 |
| Pass            | \$ 18,163     | \$ 13,404         | \$ 91,592     | \$ 2,128,733   | \$ 1,872,481      | \$ 1,771,864  |
| Special mention | —             | —                 | —             | 21,208         | 23,896            | 26,907        |
| Substandard     | —             | —                 | —             | 20,437         | 22,104            | 21,402        |
| Doubtful        | —             | —                 | —             | —              | —                 | —             |
|                 | \$ 18,163     | \$ 13,404         | \$ 91,592     | \$ 2,170,378   | \$ 1,918,481      | \$ 1,820,173  |

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

| (Dollars in thousands) | Total Non-acquired Loans |                   |               |
|------------------------|--------------------------|-------------------|---------------|
|                        | June 30, 2017            | December 31, 2016 | June 30, 2016 |
| Pass                   | \$ 5,868,309             | \$ 5,112,628      | \$ 4,665,729  |
| Special mention        | 78,334                   | 89,489            | 108,107       |
| Substandard            | 45,750                   | 38,924            | 43,039        |
| Doubtful               | —                        | —                 | —             |
|                        | \$ 5,992,393             | \$ 5,241,041      | \$ 4,816,875  |

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

| Dollars in thousands) | Construction & Development |                   |               | Commercial Non-owner Occupied |                   |               | Commercial Owner Occupied |                   |               |
|-----------------------|----------------------------|-------------------|---------------|-------------------------------|-------------------|---------------|---------------------------|-------------------|---------------|
|                       | June 30, 2017              | December 31, 2016 | June 30, 2016 | June 30, 2017                 | December 31, 2016 | June 30, 2016 | June 30, 2017             | December 31, 2016 | June 30, 2016 |
| Pass                  | \$ 110,776                 | \$ 8,997          | \$ 11,432     | \$ 205,623                    | \$ 28,368         | \$ 30,621     | \$ 217,392                | \$ 26,920         | \$ 31,739     |
| Special mention       | 1,290                      | 253               | 230           | 3,856                         | 6,171             | 371           | 4,130                     | —                 | 222           |
| Substandard           | 789                        | 840               | 854           | 81                            | 89                | 5,912         | 44                        | 275               | 306           |
| Doubtful              | —                          | —                 | —             | —                             | —                 | —             | —                         | —                 | —             |
|                       | \$ 112,855                 | \$ 10,090         | \$ 12,516     | \$ 209,560                    | \$ 34,628         | \$ 36,904     | \$ 221,566                | \$ 27,195         | \$ 32,267     |

| Dollars in thousands) | Commercial & Industrial |                   |               | Other Income Producing Property |                   |               | Commercial Total |                   |               |
|-----------------------|-------------------------|-------------------|---------------|---------------------------------|-------------------|---------------|------------------|-------------------|---------------|
|                       | June 30, 2017           | December 31, 2016 | June 30, 2016 | June 30, 2017                   | December 31, 2016 | June 30, 2016 | June 30, 2017    | December 31, 2016 | June 30, 2016 |
| Pass                  | \$ 112,046              | \$ 13,475         | \$ 14,645     | \$ 81,161                       | \$ 38,361         | \$ 43,869     | \$ 726,998       | \$ 116,121        | \$ 132,300    |
| Special mention       | 4,642                   | 117               | 129           | 1,542                           | 273               | 279           | 15,460           | 6,814             | 1,231         |
| Substandard           | 1,196                   | 49                | 824           | 700                             | 708               | 725           | 2,810            | 1,961             | 8,621         |
| Doubtful              | —                       | —                 | —             | —                               | —                 | —             | —                | —                 | —             |
|                       | \$ 117,884              | \$ 13,641         | \$ 15,598     | \$ 83,403                       | \$ 39,342         | \$ 44,873     | \$ 745,268       | \$ 124,896        | \$ 142,150    |

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

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|                        | Consumer Owner Occupied |                      |                  | Home Equity      |                      |                  | Consumer         |                      |                  |
|------------------------|-------------------------|----------------------|------------------|------------------|----------------------|------------------|------------------|----------------------|------------------|
|                        | June 30,<br>2017        | December 31,<br>2016 | June 30,<br>2016 | June 30,<br>2017 | December 31,<br>2016 | June 30,<br>2016 | June 30,<br>2017 | December 31,<br>2016 | June 30,<br>2016 |
| (Amounts in thousands) | \$ 514,294              | \$ 404,761           | \$ 463,107       | \$ 167,786       | \$ 151,752           | \$ 168,079       | \$ 140,426       | \$ 139,686           | \$ 152,000       |
| Special mention        | 2,697                   | 1,326                | 744              | 4,906            | 4,113                | 5,330            | 1,172            | 1,102                | 600              |
| Substandard            | 3,115                   | 2,183                | 2,628            | 4,437            | 5,014                | 4,537            | 1,880            | 1,866                | 2,300            |
| Doubtful               | —                       | —                    | —                | —                | —                    | —                | —                | —                    | —                |
|                        | \$ 520,106              | \$ 408,270           | \$ 466,479       | \$ 177,129       | \$ 160,879           | \$ 177,946       | \$ 143,478       | \$ 142,654           | \$ 155,900       |

|                 | Consumer Total   |                      |                  |
|-----------------|------------------|----------------------|------------------|
|                 | June 30,<br>2017 | December 31,<br>2016 | June 30,<br>2016 |
| Pass            | \$ 822,506       | \$ 696,199           | \$ 783,585       |
| Special mention | 8,775            | 6,541                | 6,674            |
| Substandard     | 9,432            | 9,063                | 9,469            |
| Doubtful        | —                | —                    | —                |
|                 | \$ 840,713       | \$ 711,803           | \$ 799,728       |

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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<br>Non-credit Impaired Loans |                      |                  |
|------------------------|---|----------------------|------------------|
|                        | June 30,<br>2017                            | December 31,<br>2016 | June 30,<br>2016 |
| Pass                   | \$ 1,549,504                                | \$ 812,320           | \$ 915,891       |
| Special mention        | 24,235                                      | 13,355               | 7,905            |
| Substandard            | 12,242                                      | 11,024               | 18,090           |
| Doubtful               | —   | —                    | —                |
|                        | \$ 1,585,981                                | \$ 836,699           | \$ 941,886       |

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):

| (Dollars in thousands) | Commercial Loans Greater Than or Equal to \$1 million-CBT |                   |               | Commercial Real Estate |                   |               | Commercial Real Estate—Construction and Development |                   |               |
|------------------------|---|-------------------|---------------|------------------------|-------------------|---------------|---|-------------------|---------------|
|                        | June 30, 2017   | December 31, 2016 | June 30, 2016 | June 30, 2017          | December 31, 2016 | June 30, 2016 | June 30, 2017                                       | December 31, 2016 | June 30, 2016 |
| Special mention        | \$ 8,206  | \$ 8,297          | \$ 9,891      | \$ 158,755             | \$ 162,870        | \$ 168,431    | \$ 31,656   | \$ 21,150         | \$ 21,150     |
| Substandard            | —   | —                 | 1,014         | 23,162                 | 26,238            | 32,446        | 7,851   | 12,643            | 14,443        |
| Doubtful               | 318   | 320               | 355           | 24,354                 | 21,096            | 24,583        | 13,470  | 10,580            | 12,643        |
|                        | —   | —                 | —             | —                      | —                 | —             | —   | —                 | —             |
|                        | \$ 8,524  | \$ 8,617          | \$ 11,260     | \$ 206,271             | \$ 210,204        | \$ 225,460    | \$ 52,977   | \$ 44,373         | \$ 48,236     |

| (Dollars in thousands) | Residential Real Estate |                   |               | Consumer      |                   |               | Commercial & Industrial |                   |               |
|------------------------|-------------------------|-------------------|---------------|---------------|-------------------|---------------|-------------------------|-------------------|---------------|
|                        | June 30, 2017           | December 31, 2016 | June 30, 2016 | June 30, 2017 | December 31, 2016 | June 30, 2016 | June 30, 2017           | December 31, 2016 | June 30, 2016 |
| Special mention        | \$ 137,735              | \$ 138,343        | \$ 152,575    | \$ 9,178      | \$ 8,513          | \$ 9,379      | \$ 16,534               | \$ 17,371         | \$ 19,290     |
| Substandard            | 52,250                  | 52,546            | 56,845        | 18,536        | 19,685            | 21,401        | 4,188                   | 4,614             | 4,598         |
| Doubtful               | 66,617                  | 67,211            | 76,098        | 28,648        | 31,102            | 33,334        | 4,764                   | 3,362             | 4,067         |
|                        | —                       | —                 | —             | —             | —                 | —             | —                       | —                 | —             |
|                        | \$ 256,602              | \$ 258,100        | \$ 285,518    | \$ 56,362     | \$ 59,300         | \$ 64,114     | \$ 25,486               | \$ 25,347         | \$ 27,961     |

|                 | Total Acquired<br>Credit Impaired Loans |                      |                  |
|-----------------|---|----------------------|------------------|
|                 | June 30,<br>2017                        | December 31,<br>2016 | June 30,<br>2016 |
| Pass            | \$ 362,064                              | \$ 356,544           | \$ 381,301       |
| Special mention | 105,987                                 | 115,726              | 130,498          |
| Substandard     | 138,171                                 | 133,671              | 150,788          |
| Doubtful        | —                                       | —                    | —                |
|                 | \$ 606,222                              | \$ 605,941           | \$ 662,587       |

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<br>Past Due | 60 - 89 Days<br>Past Due | 90+ Days<br>Past Due | Total<br>Past Due | Current      | Total<br>Loans |
|-----------------------------------|--------------------------|--------------------------|----------------------|-------------------|--------------|----------------|
| June 30, 2017                     |                          |                          |                      |                   |              |                |
| Commercial real estate:           |                          |                          |                      |                   |              |                |
| Construction and land development | \$ 102                   | \$ —                     | \$ 505               | \$ 607            | \$ 711,635   | \$ 712,242     |
| Commercial non-owner occupied     | 123                      | 150                      | 255                  | 528               | 952,383      | 952,911        |
| Commercial owner occupied         | 1,041                    | 799                      | 1,562                | 3,402             | 1,201,551    | 1,204,953      |
| Consumer real estate:             |                          |                          |                      |                   |              |                |
| Consumer owner occupied           | 1,168                    | 1,112                    | 766                  | 3,046             | 1,379,876    | 1,382,922      |
| Home equity loans                 | 779                      | 311                      | 1,370                | 2,460             | 409,072      | 411,532        |
| Commercial and industrial         | 608                      | 156                      | 97                   | 861               | 761,722      | 762,583        |
| Other income producing property   | 480                      | 104                      | 257                  | 841               | 188,485      | 189,326        |
| Consumer                          | 359                      | 188                      | 347                  | 894               | 356,867      | 357,761        |
| Other loans                       | —                        | —                        | —                    | —                 | 18,163       | 18,163         |
|                                   | \$ 4,660                 | \$ 2,820                 | \$ 5,159             | \$ 12,639         | \$ 5,979,754 | \$ 5,992,393   |
| 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   |
| June 30, 2016                     |                          |                          |                      |                   |              |                |
| Commercial real estate:           |                          |                          |                      |                   |              |                |
| Construction and land development | \$ 332                   | \$ 192                   | \$ 1,063             | \$ 1,587          | \$ 531,632   | \$ 533,219     |
| Commercial non-owner occupied     | 2,511                    | —                        | 137                  | 2,648             | 584,180      | 586,828        |
| Commercial owner occupied         | 1,897                    | 164                      | 1,563                | 3,624             | 1,079,427    | 1,083,051      |

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|                                    |          |          |          |           |              |              |
|------------------------------------|----------|----------|----------|-----------|--------------|--------------|
| Consumer real estate:              |          |          |          |           |              |              |
| Consumer owner occupied            | 1,338    | 968      | 2,584    | 4,890     | 1,104,777    | 1,109,667    |
| Home equity loans                  | 1,113    | 443      | 1,154    | 2,710     | 343,247      | 345,957      |
| Commercial and industrial          | 473      | 48       | 544      | 1,065     | 610,836      | 611,901      |
| Other income producing<br>property | 517      | 614      | 176      | 1,307     | 180,396      | 181,703      |
| Consumer                           | 527      | 57       | 240      | 824       | 272,133      | 272,957      |
| Other loans                        | —        | —        | —        | —         | 91,592       | 91,592       |
|                                    | \$ 8,708 | \$ 2,486 | \$ 7,461 | \$ 18,655 | \$ 4,798,220 | \$ 4,816,875 |

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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<br>Past Due | 60 - 89 Days<br>Past Due | 90+ Days<br>Past Due | Total<br>Past Due | Current      | Total<br>Loans |
|-----------------------------------|--------------------------|--------------------------|----------------------|-------------------|--------------|----------------|
| June 30, 2017                     |                          |                          |                      |                   |              |                |
| Commercial real estate:           |                          |                          |                      |                   |              |                |
| Construction and land development | \$ 3,784                 | \$ 2                     | \$ 192               | \$ 3,978          | \$ 108,877   | \$ 112,855     |
| Commercial non-owner occupied     | 519                      | —                        | —                    | 519               | 209,041      | 209,560        |
| Commercial owner occupied         | 1,844                    | 143                      | 236                  | 2,223             | 219,343      | 221,566        |
| Consumer real estate:             |                          |                          |                      |                   |              |                |
| Consumer owner occupied           | 499                      | 801                      | 1,282                | 2,582             | 517,524      | 520,106        |
| Home equity loans                 | 1,109                    | 321                      | 722                  | 2,152             | 174,977      | 177,129        |
| Commercial and industrial         | 710                      | 1,508                    | 98                   | 2,316             | 115,568      | 117,884        |
| Other income producing property   | 336                      | 138                      | 56                   | 530               | 82,873       | 83,403         |
| Consumer                          | 540                      | 67                       | 570                  | 1,177             | 142,301      | 143,478        |
|                                   | \$ 9,341                 | \$ 2,980                 | \$ 3,156             | \$ 15,477         | \$ 1,570,504 | \$ 1,585,981   |
| 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     |
| June 30, 2016                     |                          |                          |                      |                   |              |                |
| Commercial real estate:           |                          |                          |                      |                   |              |                |
| Construction and land development | \$ —                     | \$ 181                   | \$ 21                | \$ 202            | \$ 12,314    | \$ 12,516      |
| Commercial non-owner occupied     | —                        | —                        | —                    | —                 | 36,904       | 36,904         |
| Commercial owner occupied         | —                        | —                        | 306                  | 306               | 31,961       | 32,267         |
| Consumer real estate:             |                          |                          |                      |                   |              |                |
| Consumer owner occupied           | 487                      | 210                      | 200                  | 897               | 465,582      | 466,479        |
| Home equity loans                 | 234                      | 98                       | 1,132                | 1,464             | 176,482      | 177,946        |
| Commercial and industrial         | 8                        | 9                        | —                    | 17                | 15,581       | 15,598         |

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|                                 |          |        |          |          |            |            |
|---------------------------------|----------|--------|----------|----------|------------|------------|
| Other income producing property | —        | —      | —        | —        | 44,873     | 44,873     |
| Consumer                        | 508      | 116    | 552      | 1,176    | 154,127    | 155,303    |
|                                 | \$ 1,237 | \$ 614 | \$ 2,211 | \$ 4,062 | \$ 937,824 | \$ 941,886 |

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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<br>Past Due | 60 - 89 Days<br>Past Due | 90+ Days<br>Past Due | Total<br>Past Due | Current    | Total<br>Loans |
|---|--------------------------|--------------------------|----------------------|-------------------|------------|----------------|
| June 30, 2017   |                          |                          |                      |                   |            |                |
| Commercial loans greater than or equal to \$1 million-CBT | \$ —                     | \$ —                     | \$ —                 | \$ —              | \$ 8,524   | \$ 8,524       |
| Commercial real estate                                    | 961                      | 91                       | 2,717                | 3,769             | 202,502    | 206,271        |
| Commercial real estate—construction and development       | 262                      | 252                      | 4,255                | 4,769             | 48,208     | 52,977         |
| Residential real estate                                   | 4,581                    | 1,593                    | 8,138                | 14,312            | 242,290    | 256,602        |
| Consumer  | 518                      | 178                      | 1,203                | 1,899             | 54,463     | 56,362         |
| Commercial and industrial                                 | 426                      | —                        | 2,693                | 3,119             | 22,367     | 25,486         |
|   | \$ 6,748                 | \$ 2,114                 | \$ 19,006            | \$ 27,868         | \$ 578,354 | \$ 606,222     |
| 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     |
| June 30, 2016   |                          |                          |                      |                   |            |                |
| Commercial loans greater than or equal to \$1 million-CBT | \$ —                     | \$ —                     | \$ —                 | \$ —              | \$ 11,260  | \$ 11,260      |
| Commercial real estate                                    | 357                      | 279                      | 4,018                | 4,654             | 220,806    | 225,460        |
| Commercial real estate—construction and development       | 507                      | 43                       | 1,976                | 2,526             | 45,748     | 48,274         |
| Residential real estate                                   | 4,585                    | 1,695                    | 6,199                | 12,479            | 273,039    | 285,518        |
| Consumer  | 926                      | 222                      | 1,676                | 2,824             | 61,290     | 64,114         |
| Commercial and industrial                                 | 26                       | 90                       | 648                  | 764               | 27,197     | 27,961         |
|   | \$ 6,401                 | \$ 2,329                 | \$ 14,517            | \$ 23,247         | \$ 639,340 | \$ 662,587     |

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

| (Dollars in thousands)               | Unpaid<br>Contractual<br>Principal<br>Balance | Recorded<br>Investment<br>With No<br>Allowance | Gross<br>Recorded<br>Investment<br>With Allowance | Total<br>Recorded<br>Investment | Related<br>Allowance |
|--------------------------------------|---|--|---|---------------------------------|----------------------|
| June 30, 2017                        |   |  |   |                                 |                      |
| Commercial real estate:              |   |  |   |                                 |                      |
| Construction and land<br>development | \$ 34,757                                     | \$ 1,289                                       | \$ 28,748   | \$ 30,037                       | \$ 1,310             |
| Commercial non-owner occupied        | 2,376   | 212  | 542   | 754                             | 146                  |
| Commercial owner occupied            | 9,882   | 4,075  | 1,979   | 6,054                           | 62                   |
| Consumer real estate:                |   |  |   |                                 |                      |
| Consumer owner occupied              | 6,093   | 1,451  | 3,124   | 4,575                           | 57                   |
| Home equity loans                    | 3,311   | 688  | 1,938   | 2,626                           | 119                  |
| Commercial and industrial            | 2,244   | —  | 1,198   | 1,198                           | 362                  |
| Other income producing property      | 4,382   | 95   | 3,546   | 3,641                           | 238                  |
| Consumer                             | 556   | —  | 235   | 235                             | 6                    |
| Other loans                          | —   | —  | —   | —                               | —                    |
| Total                                | \$ 63,601                                     | \$ 7,810                                       | \$ 41,310   | \$ 49,120                       | \$ 2,300             |
| December 31, 2016                    |   |  |   |                                 |                      |
| Commercial real estate:              |   |  |   |                                 |                      |
| Construction and land<br>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             |
| June 30, 2016                        |   |  |   |                                 |                      |
| Commercial real estate:              |   |  |   |                                 |                      |
| Construction and land<br>development | \$ 8,286                                      | \$ 798   | \$ 3,295  | \$ 4,093                        | \$ 752               |
| Commercial non-owner occupied        | 1,669   | 337  | 882   | 1,219                           | 202                  |
| Commercial owner occupied            | 10,784  | 4,988  | 1,984   | 6,972                           | 67                   |
| Consumer real estate:                |   |  |   |                                 |                      |
| Consumer owner occupied              | 5,420   | 2,333  | 1,634   | 3,967                           | 55                   |
| Home equity loans                    | 3,024   | 812  | 1,365   | 2,177                           | 38                   |
| Commercial and industrial            | 1,891   | 259  | 508   | 767                             | 14                   |
| Other income producing property      | 5,838   | 492  | 4,508   | 5,000                           | 375                  |
| Consumer                             | 334   | —  | 128   | 128                             | 4                    |

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|       |           |           |           |           |          |
|-------|-----------|-----------|-----------|-----------|----------|
| Other | —         | —         | —         | —         | —        |
| Total | \$ 37,246 | \$ 10,019 | \$ 14,304 | \$ 24,323 | \$ 1,507 |

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 June 30, |                 |
|------------------------|-----------------------------|-----------------|
|                        | 2017                        | 2016            |
|                        | Average                     | Average         |
|                        | Investment                  | Investment      |
|                        | Interest Income             | Interest Income |
| (Dollars in thousands) | Impaired Loans              | Impaired Loans  |