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

SOUTH STATE CORPORATION

(Exact name of registrant as specified in its charter)

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

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

(800) 277-2175

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

Class	Outstanding as of 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, 2017 (Unaudited)	December 31, 2016 (Note 1)	June 30, 2016 (Unaudited)
ASSETS			
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	65,995	50,572	48,926
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
LIABILITIES AND SHAREHOLDERS’ EQUITY			
Deposits:			

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 June 30,		Six Months Ended June 30,	
	2017	2016	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

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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
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 Other Comprehensive	
	Shares	Amount	Shares	Amount	Surplus	Earnings	Income (Loss)	Total
Balance, December 31, 2015	—	$ —	24,162,657	$ 60,407	$ 703,929	$ 298,919	$ (3,871)	$ 1,059,384
Comprehensive income	—	—	—	—	—	49,010	10,381	59,391
Cash dividends declared on common stock at $0.58 per share	—	—	—	—	—	(14,029)	—	(14,029)
Employee stock purchases	—	—	3,729	9	218	—	—	227
Stock options exercised	—	—	24,073	60	748	—	—	808
Restricted stock awards	—	—	39,556	99	(99)	—	—	—
Stock issued pursuant to restricted stock units	—	—	35,903	90	(90)	—	—	—
Common stock repurchased - buyback plan	—	—	(32,900)	(82)	(2,048)	—	—	(2,130)
Common stock repurchased	—	—	(37,792)	(95)	(2,377)	—	—	(2,472)
	—	—	—	—	3,164	—	—	3,164

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	—

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 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 by SBFC	Intial Fair Value Adjustments		Subsequent Fair Value Adjustments		As Recorded by the Company
Assets						
Cash and cash equivalents	$ 72,043	$ —		$ —		$ 72,043
Investment securities	591,824	(1,770)	(a)	—		590,054
Loans held for sale	13,652	—		—		13,652
Loans, net of allowance and mark	1,060,618	(10,668)	(b)	—		1,049,950
Premises and equipment	25,419	(2,212)	(c)	—		23,207
Intangible assets	140	17,980	(d)	—		18,120
Other real estate owned and repossessed 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
Total assets	$ 1,832,581	$ 2,131		$ (106)		$ 1,834,606
Liabilities						
Deposits:						
Noninterest-bearing	$ 262,967	$ —		$ —		$ 262,967
Interest-bearing	1,257,953	—		—		1,257,953
Total deposits	1,520,920	—		—		1,520,920
Federal funds purchased and securities sold under agreements to repurchase	1,014	—		—		1,014
Other borrowings	110,620	(1,120)	(h)	—		109,500
Other liabilities	19,980	5,553	(i)	—		25,533
Total liabilities	1,652,534	4,433		—		1,656,967
Net identifiable assets acquired over (under) liabilities assumed	180,047	(2,302)		(106)		177,639
Goodwill	—	257,370		106		257,476
Net assets acquired over liabilities assumed	$ 180,047	$ 255,068		$ —		$ 435,115
Consideration:						
South State Corporation common shares issued						4,978,338
Purchase price per share of the Company's common stock						$ 87.30
Company common stock issued ($434,609) and cash exchanged for fractional shares ($16)						$ 434,625
Cash paid for stock option redemptions						490

Fair value of total consideration transferred	$ 435,115

Explanation of fair value adjustments

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

(b)—Adjustment reflects the fair value adjustments of $30,749 based on the Company's evaluation of the acquired loan portfolio and excludes the allowance for loan losses 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 Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair 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 Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair 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:				

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

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

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

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

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
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.

	Securities Held to Maturity		Securities Available for Sale	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 2,226	$ 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:

	Less Than Twelve Months		Twelve Months or More	
(Dollars in thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair 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, 2017	December 31, 2016	June 30, 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, 2017	December 31, 2016	June 30, 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

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, 2017	December 31, 2016	June 30, 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)	Loans Impaired at Acquisition
Contractual principal and interest	$ 73,365
Non-accretable difference	(12,912)
Cash flows expected to be collected	60,453
Accretable difference	(4,603)
Carrying value	$ 55,850

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

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

(Dollars in thousands)	June 30, 2017	December 31, 2016	June 30, 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:

	Six Months Ended June 30,	
(Dollars in thousands)	2017	2016
Balance at beginning of period	$ 602,546	$ 733,870
Fair value of acquired loans	55,850	—
Net reductions for payments, foreclosures, and accretion	(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:

	Six Months Ended June 30,	
(Dollars in thousands)	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 Loans	Acquired Non-Credit Impaired Loans	Acquired Credit 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 Loans	Acquired Non-Credit Impaired Loans	Acquired Credit 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

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:

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

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

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

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

housands)	Construction & Land Development	Commercial Non-owner Occupied	Commercial Owner Occupied	Consumer Owner Occupied	Home Equity	Commercial & Industrial	Other Income Producing Property	Consumer	To
hs Ended 17 for loan									
eginning									
	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$
	—	—	—	303	(664)	—	—	(140)	(
	1	—	—	2	60	1	1	7	7
enefit)	(1)	—	—	(305)	604	(1)	(1)	133	4
ne 30, 2017	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$
idually r	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$
ctively r	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$
idually r	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$
ctively r	112,855	209,560	221,566	520,106	177,129	117,884	83,403	143,478	1
red mpaired	$ 112,855	$ 209,560	$ 221,566	$ 520,106	$ 177,129	$ 117,884	$ 83,403	$ 143,478	$ 1
hs Ended 16 for loan									
eginning									
	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$
	—	—	—	—	(42)	(4)	—	(186)	(
	1	—	—	3	24	—	—	23	5
enefit)	(1)	—	—	(3)	18	4	—	163	1
ne 30, 2016	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$

idually r	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$
ctively r	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$
idually r	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$
ctively r	12,516	36,904	32,267	466,479	177,946	15,598	44,873	155,303	9
red mpaired	$ 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-owner Occupied	Commercial Owner Occupied	Consumer Owner Occupied	Home Equity	Commercial & Industrial	Other Income Producing Property	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)	Commercial Loans Greater Than or Equal to $1 Million-CBT	Commercial Real Estate	Commercial Real Estate-Construction and Development	Residential Real Estate	Consumer	Commercial and Industrial	Single Pay	Total
Three Months Ended June 30, 2017								
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

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)	Commercial Loans Greater Than or Equal to $1 Million-CBT	Commercial Real Estate	Commercial Real Estate-Construction and Development	Residential Real Estate	Consumer	Commercial and Industrial	Single Pay	Total
Six Months Ended June 30, 2017								

Allowance for loan losses:								
Balance, December 31, 2016	$ —	$ 41	$ 139	$ 2,419	$ 558	$ 238	$ —	$ 3,395
Provision (benefit) for loan losses before benefit attributable to FDIC loss share agreements	—	—	(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	
usands)	June 30, 2017	December 31, 2016	June 30, 2016	June 30, 2017	December 31, 2016	June 30, 2016	June 30, 2017	December 31, 2016
	$ 700,200	$ 567,398	$ 518,537	$ 939,254	$ 701,150	$ 569,815	$ 1,177,687	$ 1,149,417
on	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, 2017	December 31, 2016	June 30, 2016	June 30, 2017	December 31, 2016	June 30, 2016	June 30, 2017	December 31, 2016	June 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:

	Consumer Owner Occupied			Home Equity			Consumer	
	June 30,	December 31,	June 30,	June 30,	December 31,	June 30,	June 30,	December 31
usands)	2017	2016	2016	2017	2016	2016	2017	2016
	$ 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:

	Total Non-acquired Loans		
(Dollars in thousands)	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:

	Construction & Development			Commercial Non-owner Occupied			Commercial Owner Occupied		
ollars in usands)	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
ss	$ 110,776	$ 8,997	$ 11,432	$ 205,623	$ 28,368	$ 30,621	$ 217,392	$ 26,920	$ 31,739
ecial ntion	1,290	253	230	3,856	6,171	371	4,130	—	222
bstandard	789	840	854	81	89	5,912	44	275	306
ubtful	—	—	—	—	—	—	—	—	—
	$ 112,855	$ 10,090	$ 12,516	$ 209,560	$ 34,628	$ 36,904	$ 221,566	$ 27,195	$ 32,267

	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
s	$ 112,046	$ 13,475	$ 14,645	$ 81,161	$ 38,361	$ 43,869	$ 726,998	$ 116,121	$ 132,30
cial tion	4,642	117	129	1,542	273	279	15,460	6,814	1,231
standard	1,196	49	824	700	708	725	2,810	1,961	8,621
btful	—	—	—	—	—	—	—	—	—
	$ 117,884	$ 13,641	$ 15,598	$ 83,403	$ 39,342	$ 44,873	$ 745,268	$ 124,896	$ 142,15

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

	Consumer Owner Occupied			Home Equity			Consumer		
s in thousands)	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 3 2016
	$ 514,294	$ 404,761	$ 463,107	$ 167,786	$ 151,752	$ 168,079	$ 140,426	$ 139,686	$ 152
mention	2,697	1,326	744	4,906	4,113	5,330	1,172	1,102	600
ndard	3,115	2,183	2,628	4,437	5,014	4,537	1,880	1,866	2,30
ul	—	—	—	—	—	—	—	—	—
	$ 520,106	$ 408,270	$ 466,479	$ 177,129	$ 160,879	$ 177,946	$ 143,478	$ 142,654	$ 155

	Consumer Total		
	June 30, 2017	December 31, 2016	June 30, 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:

	Total Acquired Non-credit Impaired Loans		
(Dollars in thousands)	June 30, 2017	December 31, 2016	June 30, 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):

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

	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
ss	$ 137,735	$ 138,343	$ 152,575	$ 9,178	$ 8,513	$ 9,379	$ 16,534	$ 17,371	$ 19,296
ecial ntion	52,250	52,546	56,845	18,536	19,685	21,401	4,188	4,614	4,598
bstandard	66,617	67,211	76,098	28,648	31,102	33,334	4,764	3,362	4,067
ubtful	—	—	—	—	—	—	—	—	—
	$ 256,602	$ 258,100	$ 285,518	$ 56,362	$ 59,300	$ 64,114	$ 25,486	$ 25,347	$ 27,961

	Total Acquired Credit Impaired Loans		
	June 30, 2017	December 31, 2016	June 30, 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 Past Due	60 - 89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total 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

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 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 Past Due	60 - 89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total 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

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 Past Due	60 - 89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total 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 Contractual Principal Balance	Recorded Investment With No Allowance	Gross Recorded Investment With Allowance	Total Recorded Investment	Related Allowance
June 30, 2017					
Commercial real estate:					
Construction and land 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 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 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

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	
(Dollars in thousands)	Average Investment in Impaired Loans	Interest Income Recognized	Average Investment in Impaired Loans	Interest Income Recognized
Commercial real estate:				
Construction and land development	$ 19,662	$ 267	$ 5,182	$ 8
Commercial non-owner occupied	764	6	1,177	11
Commercial owner occupied	6,153	69	7,337	6
Consumer real estate:				
Consumer owner occupied	4,644	35	5,805	—
Home equity loans	2,529	26	2,680	4
Commercial and industrial	1,234	4	822	6
Other income producing property	3,024	68	5,197	23
Consumer	211	3	135	—
Other loans	—	—	423	—
Total Impaired Loans	$ 38,221	$ 478	$ 28,758	$ 58

	Six Months Ended June 30,			
	2017		2016	
(Dollars in thousands)	Average Investment in Impaired Loans	Interest Income Recognized	Average Investment in Impaired Loans	Interest Income Recognized
Commercial real estate:				
Construction and land development	$ 16,535	$ 314	$ 5,187	$ 57
Commercial non-owner occupied	780	12	1,335	26
Commercial owner occupied	6,150	145	7,348	80
Consumer real estate:				
Consumer owner occupied	5,124	74	5,758	46
Home equity loans	2,150	46	1,243	12
Commercial and industrial	1,230	22	1,127	85
Other income producing property	3,007	103	4,946	30
Consumer	189	3	115	1
Other loans	—	—	211	2
Total Impaired Loans	$ 35,165	$ 719	$ 27,270	$ 339

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

(Dollars in thousands)	June 30, 2017	December 31, 2016	June 30, 2016
Commercial non-owner occupied real estate:			
Construction and land development	$ 62	$ 672	$ 1,080
Commercial non-owner occupied	2,575	578	528
Total commercial non-owner occupied real estate	2,637	1,250	1,608
Consumer real estate:			
Consumer owner occupied	4,156	5,711	6,705
Home equity loans	10	1,629	2,386
Total consumer real estate	4,166	7,340	9,091
Commercial owner occupied real estate	2,641	2,189	2,242
Commercial and industrial	596	420	360
Other income producing property	1,162	356	1,007
Consumer	898	930	763
Restructured loans	967	1,979	2,851
Total loans on nonaccrual status	$ 13,067	$ 14,464	$ 17,922

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

(Dollars in thousands)	June 30, 2017	December 31, 2016	June 30, 2016
Commercial non-owner occupied real estate:			
Construction and land development	$ 226	$ 232	$ 99
Commercial non-owner occupied	—	—	—
Total commercial non-owner occupied real estate	226	232	99
Consumer real estate:			
Consumer owner occupied	1,927	1,405	1,056
Home equity loans	1,515	1,643	1,607
Total consumer real estate	3,442	3,048	2,663
Commercial owner occupied real estate	44	61	306
Commercial and industrial	57	1	1
Other income producing property	159	145	153
Consumer	1,206	1,241	1,216
Total loans on nonaccrual status	$ 5,134	$ 4,728	$ 4,438

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

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

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Note 7—FDIC Indemnification Asset

The following table provides changes in FDIC indemnification asset:

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

As noted above, on June 23, 2016, the Bank entered into an early termination agreement with the FDIC with respect to all of its outstanding loss share agreements. The Bank recorded a pre-tax charge of $4.4 million, which resulted from a $2.3 million payment to the FDIC as consideration for the early termination, plus the amortization of the remaining FDIC indemnification asset of $2.1 million, net of the clawback, as of March 31, 2016. The entire pre-tax charge was recorded in noninterest income through “Amortization of the FDIC indemnification asset” on the consolidated statements of income.

During 2016, the Bank paid a net $853,000 to the FDIC, prior to the termination of the agreements. The indemnification asset was amortized through March 31, 2016. All assets previously classified as covered became uncovered effective June 23, 2016, and as a result the Bank recognizes the full amount of future charge-offs, recoveries, gains, losses, and expenses related to these previously covered assets, as the FDIC will no longer share in these amounts. As of the termination date, covered loans totaled $87.4 million and covered other real estate owned (“OREO”) totaled $3.0 million.

Note 8—Other Real Estate Owned

The following is a summary of information pertaining to OREO:

	Six Months Ended June 30,					
	2017			2016		
(Dollars in thousands)	OREO	Covered OREO	Total	OREO	Covered OREO	Total
Beginning balance	$ 18,316	$ —	$ 18,316	$ 24,803	$ 5,751	$ 30,554
Acquired in SBFC acquisition	385	—	385	—	—	—
Additions	4,947	—	4,947	5,391	2,151	7,542
Transfers	—	—	—	4,222	(4,222)	—
Writedowns	(1,729)	—	(1,729)	(812)	(2,131)	(2,943)
Sold	(7,489)	—	(7,489)	(11,177)	(1,549)	(12,726)
Ending Balance	$ 14,430	$ —	$ 14,430	$ 22,427	$ —	$ 22,427

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

At June 30, 2017, there were a total of 75 uncovered properties included in OREO. This compares to 103 uncovered properties included in OREO, at June 30, 2016. At June 30, 2017, the Company had $1.7 million in residential real estate included in OREO and $7.4 million in residential real estate consumer mortgage loans in the process of foreclosure.

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Note 9 — Deposits

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

(Dollars in thousands)	June 30, 2017	December 31, 2016	June 30, 2016
Certificates of deposit	$ 1,026,753	$ 872,773	$ 962,759
Interest-bearing demand deposits	3,984,163	3,461,004	3,307,292
Non-interest bearing demand deposits	2,635,147	2,199,046	2,117,246
Savings deposits	1,380,231	799,615	772,463
Other time deposits	5,360	1,985	4,166
Total deposits	$ 9,031,654	$ 7,334,423	$ 7,163,926

At June 30, 2017, December 31, 2016, and June 30, 2016, the Company had $183.1 million, $83.7 million, and $95.5 million in certificates of deposits of $250,000 and greater, respectively. At June 30, 2017, December 31, 2016, and June 30, 2016, the Company had $42.5 million, $2.9 million and $5.5 million, in traditional, out-of-market brokered deposits, respectively. The increase in certificates of deposits of $250,000 and greater and in out-of-market brokered deposits was primarily the result of deposits acquired through the merger with SBFC.

Note 10 — Retirement Plans

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

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

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

(Dollars in thousands)	Three Months Ended 2017	2016	Six Months Ended 2017	2016
Interest cost	$ (281)	$ (283)	$ (562)	$ (566)
Expected return on plan assets	553	534	1,107	1,068
Recognized net actuarial loss	(188)	(204)	(376)	(408)
Net periodic pension benefit	$ 84	$ 47	$ 169	$ 94

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

Under the provisions of Internal Revenue Code Section 401(k), electing employees are eligible to participate in the employees' savings plan after attaining age 21. Plan participants elect to contribute portions of their annual base compensation as a before tax contribution. Employer contributions may be made from current or accumulated net profits. Participants may elect to contribute 1% to 50% of annual base compensation as a before tax contribution. Employees participating in the plan receive a 100% matching of their 401(k) plan contribution, up to 5% of their salary. Employees are eligible for an additional 1% discretionary matching contribution contingent upon achievement of the Company's annual financial goals and paid in the first quarter of the following year. The Company is offering the additional 1% discretionary matching contribution again in 2017 upon achievement of the Company's 2017 financial goals. The Company expensed $1.8 million and $3.4 million for the 401(k) plan during the three and six months ended June 30, 2017, respectively, compared to $1.4 million and $2.8 million for the three and six months ended June 30, 2016, respectively.

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

Note 11 — Earnings Per Share

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars and shares in thousands, except for per share amounts)	2017	2016	2017	2016
Basic earnings per common share:				
Net income	$ 31,823	$ 24,516	$ 50,087	$ 49,010
Weighted-average basic common shares	29,095	23,995	28,985	23,977
Basic earnings per common share	$ 1.09	$ 1.02	$ 1.73	$ 2.04
Diluted earnings per share:				
Net income	$ 31,823	$ 24,516	$ 50,087	$ 49,010
Weighted-average basic common shares	29,095	23,995	28,985	23,977