Ameris Bancorp
Form 10-Q
November 09, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

OR

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

Commission File Number: 001-13901

AMERIS BANCORP

(Exact name of registrant as specified in its charter)

GEORGIA **58-1456434**
(State of incorporation) **(IRS Employer ID No.)**

310 FIRST STREET, S.E., MOULTRIE, GA 31768

(Address of principal executive offices)

(229) 890-1111

(Registrant's telephone number)

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

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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 definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨

Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨

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

There were 34,919,974 shares of Common Stock outstanding as of November 1, 2016.

AMERIS BANCORP

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Item 1. Financial Statements.

AMERIS BANCORP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share data)

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)	September 30, 2015 (Unaudited)
Assets			
Cash and due from banks	$ 123,270	$ 118,518	$ 114,396
Federal funds sold and interest-bearing accounts	90,801	272,045	120,925
Investment securities available for sale, at fair value	838,124	783,185	811,385
Other investments	24,578	9,323	9,322
Mortgage loans held for sale, at fair value	126,263	111,182	111,807
Loans, net of unearned income	3,091,039	2,406,877	2,290,649
Purchased loans not covered by FDIC loss-share agreements (“purchased non-covered loans”)	1,067,090	771,554	767,494
Purchased loan pools not covered by FDIC loss-share agreements (“purchased loan pools”)	624,886	592,963	410,072
Purchased loans covered by FDIC loss-share agreements (“covered loans”)	62,291	137,529	191,021
Less: allowance for loan losses	(22,963)	(21,062)	(22,471)
Loans, net	4,822,343	3,887,861	3,636,765
Other real estate owned, net	10,392	16,147	20,730
Purchased, non-covered other real estate owned, net	14,126	14,333	11,538
Covered other real estate owned, net	1,000	5,011	12,203
Total other real estate owned, net	25,518	35,491	44,471
Premises and equipment, net	122,191	121,639	124,756
FDIC loss-share receivable, net	-	6,301	4,506
Other intangible assets, net	18,472	17,058	18,218
Goodwill	122,545	90,082	87,701
Cash value of bank owned life insurance	77,637	64,251	59,894
Other assets	101,753	72,004	72,154
Total assets	$ 6,493,495	$ 5,588,940	$ 5,216,300
Liabilities and Stockholders’ Equity			
Liabilities			
Deposits:			

Noninterest-bearing	$ 1,563,316	$ 1,329,857	$ 1,275,800
Interest-bearing	3,742,782	3,549,433	3,254,723
Total deposits	5,306,098	4,879,290	4,530,523
Securities sold under agreements to repurchase	42,647	63,585	51,506
FDIC loss-share payable, net	7,775	-	-
Other borrowings	373,461	39,000	39,000
Other liabilities	37,033	22,432	23,371
Subordinated deferrable interest debentures	83,898	69,874	69,600
Total liabilities	5,850,912	5,074,181	4,714,000
Stockholders' Equity			
Preferred stock, stated value $1,000; 5,000,000 shares authorized; 0 shares issued and outstanding	-	-	-
Common stock, par value $1; 100,000,000 shares authorized; 36,347,637; 33,625,162 and 33,609,894 issued	36,348	33,625	33,610
Capital surplus	409,630	337,349	336,599
Retained earnings	199,769	152,820	140,282
Accumulated other comprehensive income	10,449	3,353	4,197
Treasury stock, at cost, 1,456,333; 1,413,777 and 1,413,777 shares	(13,613)	(12,388)	(12,388)
Total stockholders' equity	642,583	514,759	502,300
Total liabilities and stockholders' equity	$ 6,493,495	$ 5,588,940	$ 5,216,300

See notes to unaudited consolidated financial statements.

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AMERIS BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME/(LOSS)

(dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest income				
Interest and fees on loans	$ 57,322	$ 45,775	$ 160,677	$ 124,231
Interest on taxable securities	4,336	4,694	13,476	11,594
Interest on nontaxable securities	397	480	1,297	1,411
Interest on deposits in other banks and federal funds sold	155	246	659	556
Total interest income	62,210	51,195	176,109	137,792
Interest expense				
Interest on deposits	3,074	2,521	8,730	7,065
Interest on other borrowings	2,069	1,275	5,287	3,808
Total interest expense	5,143	3,796	14,017	10,873
Net interest income	57,067	47,399	162,092	126,919
Provision for loan losses	811	986	2,381	4,711
Net interest income after provision for loan losses	56,256	46,413	159,711	122,208
Noninterest income				
Service charges on deposit accounts	11,358	10,766	31,709	24,346
Mortgage banking activity	14,067	10,404	38,420	28,214
Other service charges, commissions and fees	791	1,145	2,869	2,642
Gain on sale of securities	-	115	94	137
Other noninterest income	2,648	2,548	8,437	7,840
Total noninterest income	28,864	24,978	81,529	63,179
Noninterest expense				
Salaries and employee benefits	27,982	24,934	81,700	68,031
Occupancy and equipment expense	5,989	5,915	18,060	15,278
Advertising and marketing expense	1,249	667	2,908	2,141
Amortization of intangible assets	993	1,321	3,332	2,581
Data processing and communications costs	6,185	5,329	18,347	13,803
Credit resolution-related expenses	1,526	1,083	5,089	15,484
Merger and conversion charges	-	446	6,359	6,173
Other noninterest expenses	9,275	8,701	25,363	22,596
Total noninterest expense	53,199	48,396	161,158	146,087
Income before income tax expense	31,921	22,995	80,082	39,300

Income tax expense	10,364	7,368	26,159	12,601
Net income	21,557	15,627	53,923	26,699
Other comprehensive income (loss)				
Unrealized holding gains (losses) arising during period on investment securities available for sale, net of tax (benefit) of ($1,481), $936, $4,160 and ($615)	(2,752)	1,739	7,724	(1,143)
Reclassification adjustment for gains included in earnings, net of tax of $0, $40, $33 and $48	-	(75)	(61)	(89)
Unrealized gains (losses) on cash flow hedges arising during period, net of tax (benefit) of $130, ($290), ($306) and ($360)	241	(539)	(567)	(669)
Other comprehensive income (loss)	(2,511)	1,125	7,096	(1,901)
Total comprehensive income (loss)	$19,046	$16,752	$61,019	$24,798
Basic earnings per common share	$0.62	$0.49	$1.58	$0.84
Diluted earnings per common share	$0.61	$0.48	$1.56	$0.84
Dividends declared per common share	$0.10	$0.05	$0.20	$0.15
Weighted average common shares outstanding				
Basic	34,870	32,195	34,156	31,614
Diluted	35,195	32,553	34,470	31,962

See notes to unaudited consolidated financial statements.

AMERIS BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(dollars in thousands, except per share data)

(Unaudited)

	Nine Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	Shares	Amount	Shares	Amount
COMMON STOCK				
Balance at beginning of period	33,625,162	$33,625	28,159,027	$28,159
Issuance of common stock	2,549,469	2,549	5,320,000	5,320
Issuance of restricted shares	125,581	126	71,000	71
Cancellation of restricted shares	(7,085)	(7)	-	-
Proceeds from exercise of stock options	54,510	55	59,867	60
Issued at end of period	36,347,637	$36,348	33,609,894	$33,610
CAPITAL SURPLUS				
Balance at beginning of period		$337,349		$225,015
Stock-based compensation		1,586		1,140
Issuance of common shares, net of issuance costs of $0 and $4,811		69,906		109,569
Issuance of restricted shares		(126)		(71)
Cancellation of restricted shares		7		-
Proceeds from exercise of stock options		908		946
Balance at end of period		$409,630		$336,599
RETAINED EARNINGS				
Balance at beginning of period		$152,820		$118,412
Net income		53,923		26,699
Dividends on common shares		(6,974)		(4,829)
Balance at end of period		$199,769		$140,282
ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF TAX				
Unrealized gains on securities and derivatives:				
Balance at beginning of period		$3,353		$6,098
Other comprehensive income (loss) during the period		7,096		(1.901)
Balance at end of period		$10,449		$4,197
TREASURY STOCK				
Balance at beginning of period	(1,413,777)	$(12,388)	(1,385,164)	$(11,656)

Purchase of treasury shares	(42,556)	(1,225)	(28,613)	(732)
Balance at end of period	(1,456,333)	$(13,613)	(1,413,777)	$(12,388)
TOTAL STOCKHOLDERS' EQUITY		$642,583		$502,300

See notes to unaudited consolidated financial statements.

AMERIS BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net income	$53,923	$26,699
Adjustments reconciling net income to net cash provided by operating activities:		
Depreciation	7,041	5,735
Amortization of intangible assets	3,332	2,581
Net amortization of investment securities available for sale	5,086	4,397
Amortization of purchased loan pools	4,149	-
Net accretion of other borrowings	(57)	-
Amortization of subordinated deferrable interest debentures	1,123	769
Net gains on securities available for sale	(94)	(137)
Stock based compensation expense	1,586	1,140
Net losses on sale or disposal of premises and equipment	112	83
Net write-downs and losses on sale of other real estate owned	1,844	12,193
Provision for loan losses	2,381	4,711
Accretion of discount on covered loans	(2,855)	(8,105)
Accretion of discount on purchased non-covered loans	(10,071)	(8,055)
Changes in FDIC loss-share receivable/payable, net of cash payments received	10,277	7,756
Increase in cash surrender value of BOLI	(1,318)	(1,027)
Originations of mortgage loans held for sale	(1,051,812)	(784,548)
Payments received on mortgage loans held for sale	1,167	1,002
Proceeds from sales of mortgage loans held for sale	982,898	747,507
Net gains on sale of mortgage loans held for sale	(41,935)	(30,427)
Originations of SBA loans	(57,462)	(41,116)
Proceeds from sales of SBA loans	21,656	29,381
Net gains on sale of SBA loans	(3,054)	(3,158)
Change attributable to other operating activities	9,833	14,630
Net cash provided by (used in) operating activities	(62,250)	(17,989)
Cash flows from investing activities:		
Purchase of securities available for sale	(134,786)	(246,090)
Proceeds from maturities of securities available for sale	93,513	64,390
Proceeds from sales of securities available for sale	53,026	69,208
Decrease (increase) in other investments, net	(13,050)	1,825
Net increase in loans, excluding purchased non-covered and covered loans	(556,182)	(349,541)
Purchases of non-covered loan pools	(151,481)	(422,956)
Payments received on purchased non-covered loans	158,700	123,311

Payments received on purchased loan pools	115,409	12,884
Payments received on covered loans	27,619	60,930
Purchases of premises and equipment	(8,250)	(11,057)
Proceeds from sales of premises and equipment	207	282
Proceeds from sales of other real estate owned	18,329	33,460
Payments received from FDIC under loss-share agreements	4,770	19,089
Net cash proceeds received (paid) from acquisitions	(7,205)	673,840
Net cash provided by (used in) investing activities	(399,381)	29,575

(Continued)

AMERIS BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2016	**2015**
Cash flows from financing activities:		
Net increase (decrease) in deposits	$25,448	$46,315
Net decrease in securities sold under agreements to repurchase	(20,938)	(63,392)
Proceeds from other borrowings	339,500	-
Repayment of other borrowings	(53,513)	(39,881)
Dividends paid - common stock	(5,096)	(4,829)
Purchase of treasury shares	(1,225)	(732)
Issuance of common stock	-	114,889
Proceeds from exercise of stock options	963	1,006
Net cash provided by (used in) financing activities	285,139	53,376
Net increase (decrease) in cash and cash equivalents	(176,492)	64,962
Cash and cash equivalents at beginning of period	390,563	170,359
Cash and cash equivalents at end of period	$214,071	$235,321
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	$13,791	$11,106
Income taxes	$30,969	$2,739
Loans (excluding purchased non-covered and covered loans) transferred to other real estate owned	$2,101	$9,838
Purchased non-covered loans transferred to other real estate owned	$3,871	$2,565
Covered loans transferred to other real estate owned	$2,391	$6,909
Loans provided for the sales of other real estate owned	$1,471	$4,996
Change in unrealized gain on securities available for sale, net of tax	$7,724	$(1,143)
Change in unrealized loss on cash flow hedge (interest rate swap), net of tax	$(567)	$(669)
Issuance of common stock in acquisitions	$72,455	$-

(Concluded)

See notes to unaudited consolidated financial statements.

AMERIS BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

(Unaudited)

NOTE 1 – BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Ameris Bancorp (the "Company" or "Ameris") is a financial holding company headquartered in Moultrie, Georgia. Ameris conducts substantially all of its operations through its wholly owned banking subsidiary, Ameris Bank (the "Bank"). At September 30, 2016, the Bank operated 99 branches in select markets in Georgia, Alabama, Florida and South Carolina. Our business model capitalizes on the efficiencies of a large financial services company while still providing the community with the personalized banking service expected by our customers. We manage our Bank through a balance of decentralized management responsibilities and efficient centralized operating systems, products and loan underwriting standards. The Company's Board of Directors and senior managers establish corporate policy, strategy and administrative policies. Within our established guidelines and policies, the banker closest to the customer responds to the differing needs and demands of his or her unique market.

The accompanying unaudited consolidated financial statements for Ameris have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and Regulation S-X. Accordingly, the financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statement presentation. The interim consolidated financial statements included herein are unaudited but reflect all adjustments (consisting of normal recurring accruals) which, in the opinion of management, are necessary for a fair presentation of the consolidated financial position and results of operations for the interim periods presented. All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the period ended September 30, 2016 are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto and the report of our registered independent public accounting firm included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Recent Accounting Pronouncements

ASU 2016-13 - *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard will replace the current incurred loss approach with an expected loss model, referred to as the current expected credit loss ("CECL") model. The new standard will apply to financial assets subject to credit losses and measured at amortized cost and certain off-balance sheet credit exposures, which include, but are not limited to, loans, leases, held-to-maturity

securities, loan commitments and financial guarantees. ASU 2016-13 simplifies the accounting for purchased credit-impaired debt securities and loans and expands the disclosure requirements regarding an entity's assumptions, models and methods for estimating the allowance for loan and lease losses. In addition, entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. ASU 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted for interim and annual reporting periods beginning after December 15, 2018. Upon adoption, ASU 2016-13 provides for a modified retrospective transition by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is effective. The Company is currently evaluating the impact this standard will have on the Company's results of operations, financial position or disclosures.

ASU 2016-09 – *Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"). ASU 2016-09 simplifies various aspects of how share-based payments are accounted for and presented in the financial statements. Under ASU 2016-09, companies will record all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement and will no longer record excess tax benefits and certain tax deficiencies in additional paid-in capital. The standard eliminates the requirement that excess tax benefits be realized before companies can recognize them. The excess tax benefits will be reported as an operating activity on the statement of cash flows, and the cash paid to a tax authority when shares are withheld to satisfy a company's statutory income tax withholding obligation will be reported as a financing activity on its statement of cash. In addition, the standard increases the amount an employer can withhold to cover income taxes on awards and still qualify for the exception to liability classification for shares used to satisfy the employer's statutory income tax withholding obligation. ASU 2016-09 permits companies to make an accounting policy election for the impact of forfeitures on the recognition of expense for share-based payment awards. Forfeitures can be estimated, as required today, or recognized when they occur. ASU 2016-09 is effective for interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted, but all of the guidance must be adopted in the same period. The Company is currently evaluating the impact this standard will have on the Company's results of operations, financial position or disclosures.

ASU 2016-02 – *Leases (Topic 842)* (“ASU 2016-02”). ASU 2016-02 amends the existing standards for lease accounting effectively requiring most leases be carried on the balance sheets of the related lessees by requiring them to recognize a right-of-use asset and a corresponding lease liability. ASU 2016-02 includes qualitative and quantitative disclosure requirements intended to provide greater insight into the nature of an entity’s leasing activities. The standard must be adopted using a modified retrospective transition with a cumulative-effect adjustment to equity as of the beginning of the period in which it is adopted. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within those annual periods with early adoption permitted. The Company is currently evaluating the impact this standard will have on the Company’s results of operations, financial position or disclosures.

ASU 2015-16 – *Business Combinations (Topic 805) - Simplifying the Accounting for Measurement-Period Adjustments* (“ASU 2015-16”). ASU 2015-16 requires that an acquirer recognize adjustments to estimated amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the estimated amounts, calculated as if the accounting had been completed at the acquisition date. The standard also requires an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the estimated amounts had been recognized as of the acquisition date. ASU 2015-16 is effective for public business entities for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not been issued. The Company has early adopted the provisions of this amendment, and the adoption did not have a material impact on the Company's consolidated financial statements.

ASU 2015-03 – *Interest – Imputation of Interest* (“ASU 2015-03”). ASU 2015-03 simplifies presentation of debt issuance costs by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. ASU 2015-03 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015, and early adoption is permitted. It should be applied on a retrospective basis. The adoption of this standard did not have a material effect on the Company’s results of operations, financial position or disclosures.

ASU 2015-02 “*Consolidation (Topic 810) - Amendments to the Consolidation Analysis* (“ASU 2015-02”). ASU 2015-02 includes amendments that are intended to improve targeted areas of consolidation for legal entities including reducing the number of consolidation models from four to two and simplifying the FASB Accounting Standards Codification. ASU 2015-02 is effective for annual and interim periods within those annual periods, beginning after December 15, 2015. The amendments may be applied retrospectively in previously issued financial statements for one or more years with a cumulative effect adjustment to retained earnings as of the beginning of the first year restated. Early adoption is permitted, including adoption in an interim period. The adoption of this standard did not have a material effect on the Company’s results of operations, financial position or disclosures.

ASU 2015-01- *Income Statement – Extraordinary and Unusual Items* (“ASU 2015-01”). ASU 2015-01 eliminates the concept of extraordinary items by no longer allowing companies to segregate an extraordinary item from the results of operations, separately present an extraordinary item on the income statement, or disclose income taxes or earnings-per-share data applicable to an extraordinary item. ASU 2015-01 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015, and early adoption is permitted. The adoption of this standard did not have a material effect on the Company’s results of operations, financial position or disclosures.

ASU 2014-09 – *Revenue from Contracts with Customers* (“ASU 2014-09”). ASU 2014-09 provides guidance that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective prospectively, for annual and interim periods, beginning after December 15, 2016. The Company is currently evaluating the impact this standard will have on the Company’s results of operations, financial position or disclosures.

NOTE 2 – BUSINESS COMBINATIONS

Jacksonville Bancorp, Inc.

On March 11, 2016, the Company completed its acquisition of Jacksonville Bancorp, Inc. (“JAXB”), a bank holding company headquartered in Jacksonville, Florida. Upon consummation of the acquisition, JAXB was merged with and into the Company, with Ameris as the surviving entity in the merger. At that time, JAXB’s wholly owned banking subsidiary, The Jacksonville Bank (“Jacksonville Bank”), was also merged with and into the Bank. The acquisition expanded the Company’s existing market presence, as Jacksonville Bank had a total of eight full-service branches located in Jacksonville and Jacksonville Beach, Duval County, Florida. Under the terms of the merger, JAXB’s common shareholders received 0.5861 shares of Ameris common stock or $16.50 in cash for each share of JAXB common stock or nonvoting common stock they previously held, subject to the total consideration being allocated 75% stock and 25% cash. As a result, the Company issued 2,549,469 common shares at a fair value of $72.5 million and paid $23.9 million in cash to former shareholders of JAXB.

The acquisition of JAXB was accounted for using the acquisition method of accounting in accordance with FASB ASC 805, *Business Combinations*. Assets acquired, liabilities assumed and consideration exchanged were recorded at their respective acquisition date fair values. Determining the fair value of assets and liabilities is a complicated process involving significant judgment regarding methods and assumptions used to calculate estimated fair values. Fair values are preliminary and subject to refinement for up to one year after the closing date of the acquisition as additional information regarding the closing date fair values becomes available. During the third quarter of 2016, management revised its initial estimates regarding the valuation of loans, premises and equipment, core deposit intangible and other assets acquired. In addition, management assessed and recorded the deferred tax assets resulting from differences in the carrying values of acquired assets and assumed liabilities for financial reporting purposes and their basis for income tax purposes. This estimate also reflects acquired net operating loss carryforwards and other acquired assets with built-in losses that are expected to be settled or otherwise recovered in future periods where the realization of such benefits would be subject to applicable limitations under Section 382 of the Internal Revenue Code of 1986, as amended. Management continues to evaluate fair value adjustments related to loans, other real estate owned and deferred tax assets.

The following table presents the assets acquired and liabilities of JAXB assumed as of March 11, 2016 and their initial fair value estimates. The fair value adjustments shown in the following table continue to be evaluated by management and may be subject to further adjustment:

(Dollars in Thousands)	As Recorded by JAXB	Initial Fair Value Adjustments	Subsequent Fair Value Adjustments	As Recorded by Ameris
Assets				
Cash and cash equivalents	$ 9,704	$ -	$ -	$ 9,704
Federal funds sold and interest-bearing balances	7,027	-	-	7,027
Investment securities	60,836	(942)(a)	-	59,894
Other investments	2,458	-	-	2,458
Loans	416,831	(15,746)(b)	1,857 (j)	402,942
Less allowance for loan losses	(12,613)	12,613 (c)	-	-
Loans, net	404,218	(3,133)	1,857	402,942
Other real estate owned	2,873	(1,035)(d)	-	1,838
Premises and equipment	4,798	-	(31)(k)	4,767
Intangible assets	288	5,566 (e)	(1,108)(l)	4,746
Other assets	14,141	23,266 (f)	(1,841)(m)	35,566
Total assets	$ 506,343	$ 23,722	$ (1,123)	$ 528,942
Liabilities				
Deposits:				
Noninterest-bearing	$ 123,399	$ -	$ -	$ 123,399
Interest-bearing	277,539	421 (g)	-	277,960
Total deposits	400,938	421	-	401,359
Other borrowings	48,350	84 (h)	-	48,434
Other liabilities	2,354	-	-	2,354

Subordinated deferrable interest debentures	16,294	(3,393)(i)	-	12,901
Total liabilities	467,936	(2,888)	-	465,048
Net identifiable assets acquired over (under) liabilities assumed	38,407	26,610	(1,123)	63,894
Goodwill	-	31,375	1,123	32,498
Net assets acquired over (under) liabilities assumed	$ 38,407	$ 57,985	$ -	$ 96,392
Consideration:				
Ameris Bancorp common shares issued	2,549,469			
Purchase price per share of the Company's common stock	$ 28.42			
Company common stock issued	$ 72,455			
Cash exchanged for shares	$ 23,937			
Fair value of total consideration transferred	$ 96,392			

Explanation of fair value adjustments

(a) Adjustment reflects the fair value adjustments of the portfolio of securities available for sale as of the acquisition date.

(b) Adjustment reflects the fair value adjustments based on the Company's evaluation of the acquired loan portfolio, net of the reversal of JAXB remaining fair value adjustments from their prior acquisitions.

(c) Adjustment reflects the elimination of JAXB's allowance for loan losses.

(d) Adjustment reflects the fair value adjustment based on the Company's evaluation of the acquired OREO portfolio, which is based largely on contracted sale prices.

(e) Adjustment reflects the recording of core deposit intangible on the acquired core deposit accounts.

(f) Adjustment reflects the deferred taxes on the difference in the carrying values of acquired assets and assumed liabilities for financial reporting purposes and their basis for federal income tax purposes and the reversal of JAXB valuation allowance established on their deferred tax assets.

(g) Adjustment reflects the fair value adjustments based on the Company's evaluation of the acquired deposits.

(h) Adjustment reflects the fair value adjustments based on the Company's evaluation of the liability for other borrowings.

(i) Adjustment reflects the fair value adjustment to the subordinated deferrable interest debentures at the acquisition date, net of the reversal of JAXB remaining fair value adjustments from their prior acquisitions.

(j) Adjustment reflects additional recording of fair value adjustment of the acquired loan portfolio.

(k) Adjustment reflects recording of fair value adjustment of the premises and equipment.

(l) Adjustment reflects adjustment to the core deposit intangible on the acquired core deposit accounts.

(m) Adjustment reflects the additional deferred taxes on the difference in the carrying values of acquired assets and assumed liabilities for financial reporting purposes and their basis for federal income tax purposes.

Goodwill of $32.5 million, which is the excess of the purchase price over the fair value of net assets acquired, was recorded in the JAXB acquisition and is the result of expected operational synergies and other factors. This goodwill is not expected to be deductible for tax purposes.

In the acquisition, the Company purchased $402.9 million of loans at fair value, net of $13.9 million, or 3.33%, estimated discount to the outstanding principal balance. Of the total loans acquired, management identified $28.3 million that were considered to be credit impaired and are accounted for under ASC Topic 310-30. The table below summarizes the total contractually required principal and interest cash payments, management's estimate of expected total cash payments and fair value of the loans as of acquisition date for purchased credit impaired loans. Contractually required principal and interest payments have been adjusted for estimated prepayments.

(Dollars in Thousands)	
Contractually required principal and interest	$42,314
Non-accretable difference	(7,877)
Cash flows expected to be collected	34,437
Accretable yield	(6,182)
Total purchased credit-impaired loans acquired	$28,255

The following table presents the acquired loan data for the JAXB acquisition.

	Fair Value of Acquired Loans at Acquisition Date	Gross Contractual Amounts Receivable at Acquisition Date	Best Estimate at Acquisition Date of Contractual Cash Flows Not Expected to be Collected
	(Dollars in Thousands)		
Acquired receivables subject to ASC 310-30	$28,255	$ 42,314	$ 7,877
Acquired receivables not subject to ASC 310-30	$374,687	$ 488,346	$ -

Branch Acquisition

On June 12, 2015, the Company completed its acquisition of 18 branches from Bank of America, National Association located in Calhoun, Columbia, Dixie, Hamilton, Suwanee and Walton Counties, Florida and Ben Hill, Colquitt, Dougherty, Laurens, Liberty, Thomas, Tift and Ware Counties, Georgia. Under the terms of the Purchase and Assumption Agreement dated January 28, 2015, the Company paid a deposit premium of $20.0 million, equal to 3.00% of the average daily deposits for the 15 calendar-day period immediately prior to the acquisition date. In addition, the Company acquired approximately $4.0 million in loans and $10.7 million in premises and equipment.

The acquisition of the 18 branches was accounted for using the acquisition method of accounting in accordance with FASB ASC 805, *Business Combinations*. Assets acquired, liabilities assumed and consideration exchanged were recorded at their respective acquisition date fair values. Determining the fair value of assets and liabilities is a complicated process involving significant judgment regarding methods and assumptions used to calculate estimated fair values. Fair values are preliminary and subject to refinement for up to one year after the closing date of the acquisition as additional information regarding the closing date fair values becomes available. During the third and fourth quarters of 2015, management revised its initial estimates regarding the valuation of loans, premises and intangible assets acquired.

The following table presents the assets acquired and liabilities assumed as of June 12, 2015 and their fair value estimates.

(Dollars in Thousands)	As Recorded by Bank of America	Initial Fair Value Adjustments	Subsequent Fair Value Adjustments	As Recorded by Ameris
Assets				
Cash and cash equivalents	$ 630,220	$ -	$ -	$ 630,220
Loans	4,363	-	(364)(d)	3,999
Premises and equipment	10,348	1,060 (a)	(755)(e)	10,653
Intangible assets	-	7,651 (b)	985 (f)	8,636
Other assets	126	-	-	126
Total assets	$ 645,057	$ 8,711	$ (134)	$ 653,634
Deposits:				
Noninterest-bearing	$ 149,854	$ -	$ -	$ 149,854
Interest-bearing	495,110	(215)(c)	-	494,895
Total deposits	644,964	(215)	-	644,749
Other liabilities	93	-	-	93
Total liabilities	645,057	(215)	-	644,842
Net identifiable assets acquired over (under) liabilities assumed	-	8,926	(134)	8,792
Goodwill	-	11,076	134	11,210
Net assets acquired over (under) liabilities assumed	$ -	$ 20,002	$ -	$ 20,002
Consideration:				
Cash paid as deposit premium	$ 20,002			
Fair value of total consideration transferred	$ 20,002			

Explanation of fair value adjustments

(a) Adjustment reflects the fair value adjustments of the premises and equipment as of the acquisition date.

(b) Adjustment reflects the recording of core deposit intangible on the acquired core deposit accounts.

(c) Adjustment reflects the fair value adjustments based on the Company’s evaluation of the acquired deposits.

(d) Adjustment reflects the fair value adjustments based on the Company’s evaluation of the acquired loan portfolio.

(e) Adjustment reflects additional recording of fair value adjustment of the premises and equipment.

(f) Adjustment reflects additional recording of core deposit intangible on the acquired core deposit accounts.

Goodwill of $11.2 million, which is the excess of the purchase consideration over the fair value of net assets acquired, was recorded in the branch acquisition and is the result of expected operational synergies and other factors.

In the acquisition, the Company purchased $4.0 million of loans at fair value. Management identified $364,000 of overdrafts that were considered to be credit impaired and were subsequently charged off as uncollectible under ASC Topic 310-30.

Merchants & Southern Banks of Florida, Incorporated

On May 22, 2015, the Company completed its acquisition of all shares of the outstanding common stock of Merchants & Southern Banks of Florida, Incorporated ("Merchants"), a bank holding company headquartered in Gainesville, Florida, for a total purchase price of $50,000,000. Upon consummation of the stock purchase, Merchants was merged with and into the Company, with Ameris as the surviving entity in the merger. At that time, Merchants' wholly owned banking subsidiary, Merchants and Southern Bank, was also merged with and into the Bank. The acquisition grew the Company's existing market presence, as Merchants and Southern Bank had a total of 13 banking locations in Alachua, Marion and Clay Counties, Florida.

The acquisition of Merchants was accounted for using the acquisition method of accounting in accordance with FASB ASC 805, *Business Combinations*. Assets acquired, liabilities assumed and consideration exchanged were recorded at their respective acquisition date fair values. Determining the fair value of assets and liabilities is a complicated process involving significant judgment regarding methods and assumptions used to calculate estimated fair values. Fair values are preliminary and subject to refinement for up to one year after the closing date of the acquisition as additional information regarding the closing date fair values becomes available. During the third and fourth quarters of 2015, management revised its initial estimates regarding the valuation of investment securities, core deposit intangible and other assets acquired. In addition, management continued its assessment and recorded the deferred tax assets resulting from differences in the carrying values of acquired assets and assumed liabilities for financial reporting purposes and their basis for income tax purposes. This estimate also reflects acquired net operating loss carryforwards and other acquired assets with built-in losses that are expected to be settled or otherwise recovered in future periods where the realization of such benefits would be subject to applicable limitations under Section 382 of the Internal Revenue Code of 1986, as amended. During the second quarter of 2016, management revised its initial estimates regarding the valuation of loans.

The following table presents the assets acquired and liabilities of Merchants assumed as of May 22, 2015 and their fair value estimates.

(Dollars in Thousands)	As Recorded by Merchants	Initial Fair Value Adjustments	Subsequent Fair Value Adjustments	As Recorded by Ameris
Assets				
Cash and cash equivalents	$ 7,527	$ -	$ -	$ 7,527
Federal funds sold and interest-bearing balances	106,188	-	-	106,188
Investment securities	164,421	(553)(a)	(639)(j)	163,229
Other investments	872	-	(253)(k)	619
Loans	199,955	(8,500)(b)	91 (l)	191,546
Less allowance for loan losses	(3,354)	3,354 (c)	-	-
Loans, net	196,601	(5,146)	91	191,546
Other real estate owned	4,082	(1,115)(d)	-	2,967
Premises and equipment	14,614	(3,680)(e)	-	10,934
Intangible assets	-	4,577 (f)	(634)(m)	3,943
Other assets	2,333	2,335 (g)	(1,109)(n)	3,559
Total assets	$ 496,638	$ (3,582)	$ (2,544)	$ 490,512
Liabilities				
Deposits:				
Noninterest-bearing	$ 121,708	$ -	$ -	$ 121,708
Interest-bearing	286,112	-	41,588 (o)	327,700
Total deposits	407,820	-	41,588	449,408
Federal funds purchased and securities sold under agreements to repurchase	41,588	-	(41,588)(o)	-
Other liabilities	2,151	81 (h)	-	2,232
Subordinated deferrable interest debentures	6,186	(2,680)(i)	-	3,506
Total liabilities	457,745	(2,599)	-	455,146
Net identifiable assets acquired over (under) liabilities assumed	38,893	(983)	(2,544)	35,366
Goodwill	-	12,090	2,544	14,634
Net assets acquired over (under) liabilities assumed	$ 38,893	$ 11,107	$ -	$ 50,000
Consideration:				
Cash exchanged for shares	$ 50,000			
Fair value of total consideration transferred	$ 50,000			

Explanation of fair value adjustments

(a) Adjustment reflects the fair value adjustments of the portfolio of securities available for sale as of the acquisition date.

(b) Adjustment reflects the fair value adjustments based on the Company's evaluation of the acquired loan portfolio.

(c) Adjustment reflects the elimination of Merchants' allowance for loan losses.

(d) Adjustment reflects the fair value adjustment based on the Company's evaluation of the acquired OREO portfolio.

(e) Adjustment reflects the fair value adjustment based on the Company's evaluation of the acquired premises.

(f) Adjustment reflects the recording of core deposit intangible on the acquired core deposit accounts.

(g) Adjustment reflects the deferred taxes on the difference in the carrying values of acquired assets and assumed liabilities for financial reporting purposes and their basis for federal income tax purposes.

(h) Adjustment reflects the fair value adjustments based on the Company's evaluation of interest rate swap liabilities.

(i) Adjustment reflects the fair value adjustment to the subordinated deferrable interest debentures at the acquisition date.

(j) Adjustment reflects the additional fair value adjustments of the portfolio of securities available for sale as of the acquisition date.

(k) Adjustment reflects the fair value adjustments of other investments as of the acquisition date.

(l) Adjustment reflects additional recording of fair value adjustment of the acquired loan portfolio.

(m) Adjustment reflects adjustment to the core deposit intangible on the acquired core deposit accounts.

(n) Adjustment reflects the additional deferred taxes on the difference in the carrying values of acquired assets and assumed liabilities for financial reporting purposes and their basis for federal income tax purposes.

(o) Subsequent to acquisition, the acquired securities sold under agreements to repurchase were converted to deposit accounts and are no longer reported as securities sold under agreements to repurchase on the Consolidated Balance Sheet as of December 31, 2015.

Goodwill of $14.6 million, which is the excess of the purchase price over the fair value of net assets acquired, was recorded in the Merchants acquisition and is the result of expected operational synergies and other factors. This goodwill is not expected to be deductible for tax purposes.

In the acquisition, the Company purchased $191.5 million of loans at fair value, net of $8.4 million, or 4.21%, estimated discount to the outstanding principal balance. Of the total loans acquired, management identified $11.2 million that were considered to be credit impaired and are accounted for under ASC Topic 310-30. The table below summarizes the total contractually required principal and interest cash payments, management's estimate of expected total cash payments and fair value of the loans as of acquisition date for purchased credit impaired loans. Contractually required principal and interest payments have been adjusted for estimated prepayments.

(Dollars in Thousands)	
Contractually required principal and interest	$17,201
Non-accretable difference	(2,712)
Cash flows expected to be collected	14,489
Accretable yield	(3,254)
Total purchased credit-impaired loans acquired	$11,235

The following table presents the acquired loan data for the Merchants acquisition.

	Fair Value of Acquired Loans at Acquisition Date	Gross Contractual Amounts Receivable at Acquisition Date	Best Estimate at Acquisition Date of Contractual Cash Flows Not Expected to be Collected
	(Dollars in Thousands)		
Acquired receivables subject to ASC 310-30	$11,235	$ 14,086	$ 2,712
Acquired receivables not subject to ASC 310-30	$180,311	$ 184,906	$ -

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The results of operations of JAXB and Merchants subsequent to the respective acquisition dates are included in the Company's consolidated statements of operations. The following unaudited pro forma information reflects the Company's estimated consolidated results of operations as if the acquisitions had occurred on January 1, 2015, unadjusted for potential cost savings (in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net interest income and noninterest income	$ 85,931	$ 77,325	$ 247,697	$ 210,556
Net income	$ 21,557	$ 17,076	$ 54,658	$ 32,621
Net income available to common stockholders	$ 21,557	$ 17.076	$ 54,658	$ 32,621
Income per common share available to common stockholders – basic	$ 0.62	$ 0.49	$ 1.57	$ 0.95
Income per common share available to common stockholders – diluted	$ 0.61	$ 0.49	$ 1.56	$ 0.95
Average number of shares outstanding, basic	34,870	34,744	34,817	34,163
Average number of shares outstanding, diluted	35,195	35,102	35,131	34,511

A rollforward of purchased non-covered loans for the nine months ended September 30, 2016, the year ended December 31, 2015 and the nine months ended September 30, 2015 is shown below:

(Dollars in Thousands)	September 30, 2016	December 31, 2015	September 30, 2015
Balance, January 1	$ 771,554	$ 674,239	$ 674,239
Charge-offs, net of recoveries	(904)	(991)	(814)
Additions due to acquisitions	402,942	195,818	195,818
Accretion	10,071	10,590	8,055
Transfers to purchased non-covered other real estate owned	(3,871)	(4,473)	(2,565)
Transfer from covered loans due to loss-share expiration	45,908	50,568	15,462
Payments received	(158,700)	(154,666)	(123,311)
Other	90	469	610
Ending balance	$ 1,067,090	$ 771,554	$ 767,494

The following is a summary of changes in the accretable discounts of purchased non-covered loans during the nine months ended September 30, 2016, the year ended December 31, 2015 and the nine months ended September 30, 2015:

(Dollars in Thousands)	**September 30, 2016**	**December 31, 2015**	**September 30, 2015**

Balance, January 1	$ 24,785	$ 25,716	$ 25,716
Additions due to acquisitions	9,991	5,788	4,686
Accretion	(10,071)	(10,590)	(8,055)
Transfer from covered loans due to loss-share expiration	3,457	1,665	-
Accretable discounts removed due to charge-offs	(161)	(1,768)	(1,686)
Transfers between non-accretable and accretable discounts, net	2,263	3,974	(106)
Ending balance	$ 30,264	$ 24,785	$ 20,555

NOTE 3 – INVESTMENT SECURITIES

The Company's investment policy blends the Company's liquidity needs and interest rate risk management with its desire to increase income and provide funds for expected growth in loans. The investment securities portfolio consists primarily of U.S. government-sponsored mortgage-backed securities and agencies, state, county and municipal securities and corporate debt securities. The Company's portfolio and investing philosophy concentrate activities in obligations where the credit risk is limited. For the small portion of the Company's portfolio found to present credit risk, the Company has reviewed the investments and financial performance of the obligors and believes the credit risk to be acceptable.

The amortized cost and estimated fair value of investment securities available for sale at September 30, 2016, December 31, 2015 and September 30, 2015 are presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
September 30, 2016:				
U.S. government agencies	$999	$ 29	$ (0)	$1,028
State, county and municipal securities	150,083	5,939	(28)	155,994
Corporate debt securities	28,924	194	(20)	29,098
Mortgage-backed securities	641,404	10,917	(317)	652,004
Total debt securities	$821,410	$ 17,079	$ (365)	$838,124
December 31, 2015:				
U.S. government agencies	$14,959	$ -	$ (69)	$14,890
State, county and municipal securities	157,681	4,046	(411)	161,316
Corporate debt securities	5,900	145	(28)	6,017
Mortgage-backed securities	599,721	3,945	(2,704)	600,962
Total debt securities	$778,261	$ 8,136	$ (3,212)	$783,185
September 30, 2015:				
U.S. government agencies	$14,957	$ 26	$ (15)	$14,968
State, county and municipal securities	161,509	3,875	(519)	164,865
Corporate debt securities	5,901	150	(19)	6,032
Mortgage-backed securities	622,313	5,208	(2,001)	625,520
Total debt securities	$804,680	$ 9,259	$ (2,554)	$811,385

The amortized cost and fair value of available-for-sale securities at September 30, 2016 by contractual maturity are summarized in the table below. Expected maturities for mortgage-backed securities may differ from contractual maturities because in certain cases borrowers can prepay obligations without prepayment penalties. Therefore, these

securities are not included in the following maturity summary.

	Amortized Cost	Fair Value
	(Dollars in Thousands)	
Due in one year or less	$ 5,260	$ 5,312
Due from one year to five years	63,450	65,135
Due from five to ten years	56,521	59,169
Due after ten years	54,775	56,504
Mortgage-backed securities	641,404	652,004
	$ 821,410	$ 838,124

Securities with a carrying value of approximately $416.8 million serve as collateral to secure public deposits, securities sold under agreements to repurchase and for other purposes required or permitted by law at September 30, 2016, compared with $551.0 million and $381.9 million at December 31, 2015 and September 30, 2015, respectively.

The following table details the gross unrealized losses and fair value of securities aggregated by category and duration of continuous unrealized loss position at September 30, 2016, December 31, 2015 and September 30, 2015.

Description of Securities	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in Thousands)					
September 30, 2016:						
U.S. government agencies	$-	$ -	$-	$ -	$-	$ -
State, county and municipal securities	4,398	(17)	1,634	(11)	6,032	(28)
Corporate debt securities	3,012	(5)	487	(15)	3,499	(20)
Mortgage-backed securities	66,920	(195)	12,519	(122)	79,439	(317)
Total debt securities	$74,330	$ (217)	$14,640	$ (148)	$88,970	$ (365)
December 31, 2015:						
U.S. government agencies	$9,932	$ (27)	$4,958	$ (42)	$14,890	$ (69)
State, county and municipal securities	19,293	(199)	11,557	(212)	30,850	(411)
Corporate debt securities	1,383	(28)	-	-	1,383	(28)
Mortgage-backed securities	263,281	(1,950)	29,950	(754)	293,231	(2,704)
Total debt securities	$293,889	$ (2,204)	$46,465	$ (1,008)	$340,354	$ (3,212)
September 30, 2015:						
U.S. government agencies	$-	$ -	$4,985	$ (15)	$4,985	$ (15)
State, county and municipal securities	28,339	(297)	10,451	(222)	38,790	(519)
Corporate debt securities	894	(19)	-	-	894	(19)
Mortgage-backed securities	213,439	(1,184)	30,708	(817)	244,147	(2,001)
Total debt securities	$242,672	$ (1,500)	$46,144	$ (1,054)	$288,816	$ (2,554)

As of September 30, 2016, the Company’s securities portfolio consisted of 414 securities, 28 of which were in an unrealized loss position. The majority of unrealized losses are related to the Company’s mortgage-backed securities, as discussed below.

At September 30, 2016, the Company held 23 mortgage-backed securities that were in an unrealized loss position, all of which were issued by U.S. government-sponsored entities and agencies. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at September 30, 2016.

At September 30, 2016, the Company held three state, county and municipal securities and two corporate debt securities that were in an unrealized loss position. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at September 30, 2016.

During the first nine months of 2016 and 2015, the Company received timely and current interest and principal payments on all of the securities classified as corporate debt securities, except for one security that began deferring interest during the fourth quarter of 2010. The Company's investments in subordinated debt include investments in regional and super-regional banks on which the Company prepares regular analysis through review of financial information and credit ratings. Investments in preferred securities are also concentrated in the preferred obligations of regional and super-regional banks through non-pooled investment structures. The Company did not have investments in "pooled" trust preferred securities at September 30, 2016, December 31, 2015 or September 30, 2015.

Management and the Company's Asset and Liability Committee (the "ALCO Committee") evaluate securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. While the majority of the unrealized losses on debt securities relate to changes in interest rates, corporate debt securities have also been affected by reduced levels of liquidity and higher risk premiums. Occasionally, management engages independent third parties to evaluate the Company's position in certain corporate debt securities to aid management and the ALCO Committee in its determination regarding the status of impairment. The Company believes that each investment poses minimal credit risk and further, that the Company does not intend to sell these investment securities at an unrealized loss position at September 30, 2016, and it is more likely than not that the Company will not be required to sell these securities prior to recovery or maturity. Therefore, at September 30, 2016, these investments are not considered impaired on an other-than-temporary basis.

At September 30, 2016, December 31, 2015 and September 30, 2015, all of the Company's mortgage-backed securities were obligations of government-sponsored agencies.

The following table is a summary of sales activities in the Company's investment securities available for sale for the nine months ended September 30, 2016, year ended December 31, 2015 and nine months ended September 30, 2015:

	September 30, 2016	December 31, 2015	September 30, 2015
	(Dollars in Thousands)		
Gross gains on sales of securities	$312	$ 396	$ 396
Gross losses on sales of securities	(218)	(259)	(259)
Net realized gains on sales of securities available for sale	$94	$ 137	$ 137
Sales proceeds	$53,026	$ 72,528	$ 69,208

NOTE 4 – LOANS

The Bank engages in a full complement of lending activities, including real estate-related loans, agriculture-related loans, commercial and financial loans and consumer installment loans within select markets in Georgia, Alabama, Florida and South Carolina. During the third quarter of 2016, the Bank began purchasing from an unrelated third party consumer installment home improvement loans made to borrowers throughout the United States. The Bank also purchased residential mortgage loan pools during 2015 and 2016 collateralized by properties located outside our Southeast markets, specifically in California, Washington and Illinois. The Bank concentrates the majority of its lending activities in real estate loans. While risk of loss in the Company's portfolio is primarily tied to the credit quality of the various borrowers, risk of loss may increase due to factors beyond the Company's control, such as local, regional and/or national economic downturns. General conditions in the real estate market may also impact the relative risk in the real estate portfolio.

A substantial portion of the Bank's loans are secured by real estate in the Bank's primary market area. In addition, a substantial portion of the OREO is located in those same markets. Accordingly, the ultimate collectability of a substantial portion of the Bank's loan portfolio and the recovery of a substantial portion of the carrying amount of OREO are susceptible to changes in real estate conditions in the Bank's primary market area.

Commercial, financial and agricultural loans include both secured and unsecured loans for working capital, expansion, crop production, and other business purposes, including SBA guaranteed loans and municipal loans. Short-term working capital loans are secured by non-real estate collateral such as accounts receivable, crops, inventory and equipment. The Bank evaluates the financial strength, cash flow, management, credit history of the borrower and the

quality of the collateral securing the loan. The Bank often requires personal guarantees and secondary sources of repayment on commercial, financial and agricultural loans.

Real estate loans include construction and development loans, commercial and farmland loans and residential loans. Construction and development loans include loans for the development of residential neighborhoods, one-to-four family home residential construction loans to builders and consumers, and commercial real estate construction loans, primarily for owner-occupied properties. The Company limits its construction lending risk through adherence to established underwriting procedures. Commercial real estate loans include loans secured by owner-occupied commercial buildings for office, storage, retail, farmland and warehouse space. They also include non-owner occupied commercial buildings such as leased retail and office space. Commercial real estate loans may be larger in size and may involve a greater degree of risk than one-to-four family residential mortgage loans. Payments on such loans are often dependent on successful operation or management of the properties. Residential loans represent permanent mortgage financing and are secured by residential properties located within the Bank's market areas, along with warehouse lines of credit secured by residential mortgages.

Consumer installment loans and other loans include home improvement loans, automobile loans, boat and recreational vehicle financing, and secured and unsecured personal loans. Consumer loans carry greater risks than other loans, as the collateral can consist of rapidly depreciating assets such as automobiles and equipment that may not provide an adequate source of repayment of the loan in the case of default.

Loans are stated at unpaid balances, net of unearned income and deferred loan fees. Balances within the major loans receivable categories are presented in the following table, excluding purchased non-covered and covered loans:

(Dollars in Thousands)	September 30, 2016	December 31, 2015	September 30, 2015
Commercial, financial and agricultural	$ 625,947	$ 449,623	$ 427,747
Real estate – construction and development	328,308	244,693	220,798
Real estate – commercial and farmland	1,297,582	1,104,991	1,067,828
Real estate – residential	766,933	570,430	532,285
Consumer installment	68,305	31,125	31,299
Other	3,964	6,015	10,692
	$ 3,091,039	$ 2,406,877	$ 2,290,649

Purchased non-covered loans are defined as loans that were acquired in bank acquisitions that are not covered by a loss-sharing agreement with the Federal Deposit Insurance Corporation (the “FDIC”). Purchased non-covered loans totaling $1.07 billion, $771.6 million and $767.5 million at September 30, 2016, December 31, 2015 and September 30, 2015, respectively, are not included in the above schedule.

Purchased non-covered loans are shown below according to major loan type as of the end of the periods shown:

(Dollars in Thousands)	September 30, 2016	December 31, 2015	September 30, 2015
Commercial, financial and agricultural	$ 99,596	$ 45,462	$ 42,350
Real estate – construction and development	86,099	72,080	71,109
Real estate – commercial and farmland	590,388	390,755	385,032
Real estate – residential	286,169	258,153	263,312
Consumer installment	4,838	5,104	5,691
	$ 1,067,090	$ 771,554	$ 767,494

Purchased loan pools are defined as groups of residential mortgage loans that were not acquired in bank acquisitions or FDIC-assisted transactions. As of September 30, 2016, purchased loan pools totaled $624.9 million and consisted of whole-loan, adjustable rate residential mortgages on properties outside the Company’s markets, with principal balances totaling $614.4 million and $10.5 million of remaining purchase premium paid at acquisition. As of December 31, 2015, purchased loan pools totaled $593.0 million and consisted of whole-loan, adjustable rate residential mortgages on properties outside the Company’s markets, with principal balances totaling $580.7 million and $12.3 million of purchase premium paid at acquisition. As of September 30, 2015, purchased loan pools totaled $410.1 million and consisted of whole-loan, adjustable rate residential mortgages on properties outside the Company’s markets, with principal balances totaling $402.1 million and $8.0 million of purchase premium paid at acquisition. At September 30, 2016, one loan in the purchased loan pools with a principal balance of $864,000 was past due and

risk-rated grade 40, while all other loans included in the purchased loan pools were performing current loans, risk-rated grade 20. At December 31, 2015 and September 30, 2015, all loans included in the purchased loan pools were performing current loans, all risk-rated grade 20. At September 30, 2016, December 31, 2015 and September 30, 2015, the Company had allocated $2.0 million, $581,000 and $402,000, respectively, of allowance for loan losses for the purchased loan pools. As part of the due diligence process prior to purchasing an individual mortgage pool, a complete re-underwrite of the individual loan files was conducted. The underwriting process included a review of all income, asset, credit and property related documentation that was used to originate the loan. Underwriters utilized the originating lender's program guidelines, as well as general prudent mortgage lending standards, to assess each individual loan file. Additional research was conducted to assess the real estate market conditions and market expectations in the geographic areas where a collateral concentration existed. As part of this review, an automated valuation model was employed to provide current collateral valuations and to support individual loan-to-value ratios. Additionally, a sample of site inspections was completed to provide further assurance. The results of the due diligence review were evaluated by officers of the Company in order to determine overall conformance to the Bank's credit and lending policies.

Covered loans are defined as loans that were acquired in FDIC-assisted transactions that are covered by a loss-sharing agreement with the FDIC. Covered loans totaling $62.3 million, $137.5 million and $191.0 million at September 30, 2016, December 31, 2015 and September 30, 2015, respectively, are not included in the above schedules.

Covered loans are shown below according to loan type as of the end of the periods shown:

(Dollars in Thousands)	September 30, 2016	December 31, 2015	September 30, 2015
Commercial, financial and agricultural	$ 830	$ 5,546	$ 13,349
Real estate – construction and development	3,220	7,612	14,266
Real estate – commercial and farmland	13,688	71,226	103,399
Real estate – residential	44,457	53,038	59,835
Consumer installment	96	107	172
	$ 62,291	$ 137,529	$ 191,021

Nonaccrual and Past-Due Loans

A loan is placed on nonaccrual status when, in management's judgment, the collection of the interest income appears doubtful. Interest receivable that has been accrued and is subsequently determined to have doubtful collectability is charged against interest income. Interest on loans that are classified as nonaccrual is subsequently applied to principal until the loans are returned to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Past-due loans are loans whose principal or interest is past due 30 days or more. In some cases, where borrowers are experiencing financial difficulties, loans may be restructured to provide terms significantly different from the original contractual terms.

The following table presents an analysis of loans accounted for on a nonaccrual basis, excluding purchased non-covered and covered loans:

(Dollars in Thousands)	September 30, 2016	December 31, 2015	September 30, 2015
Commercial, financial and agricultural	$ 1,313	$ 1,302	$ 1,995
Real estate – construction and development	1,255	1,812	1,753
Real estate – commercial and farmland	7,485	7,019	11,645
Real estate – residential	5,999	6,278	4,810
Consumer installment	518	449	355
	$ 16,570	$ 16,860	$ 20,558

The following table presents an analysis of purchased non-covered loans accounted for on a nonaccrual basis:

(Dollars in Thousands)	September 30, 2016	December 31, 2015	September 30, 2015

Commercial, financial and agricultural	$ 744	$ 1,064	$ 214
Real estate – construction and development	2,403	1,106	916
Real estate – commercial and farmland	7,796	4,920	4,728
Real estate – residential	7,012	6,168	5,464
Consumer installment	38	72	52
	$ 17,993	$ 13,330	$ 11,374

The following table presents an analysis of covered loans accounted for on a nonaccrual basis:

(Dollars in Thousands)	September 30, 2016	December 31, 2015	September 30, 2015
Commercial, financial and agricultural	$ 128	$ 2,803	$ 7,916
Real estate – construction and development	60	1,701	2,934
Real estate – commercial and farmland	1,540	5,034	18,164
Real estate – residential	4,078	3,663	3,979
Consumer installment	28	37	91
	$ 5,834	$ 13,238	$ 33,084

The following table presents an analysis of past-due loans, excluding purchased non-covered and covered past-due loans as of September 30, 2016, December 31, 2015 and September 30, 2015:

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Loans Past Due	Current Loans	Total Loans	Loans 90 Days or More Past Due and Still Accruing
	(Dollars in Thousands)						
As of September 30, 2016:							
Commercial, financial & agricultural	$798	$ 336	$ 1,134	$ 2,268	$623,679	$625,947	$ -
Real estate – construction & development	5,320	177	1,136	6,633	321,675	328,308	-
Real estate – commercial & farmland	2,726	199	5,788	8,713	1,288,869	1,297,582	-
Real estate – residential	2,890	802	5,035	8,727	758,206	766,933	-
Consumer installment loans	513	174	309	996	67,309	68,305	-
Other	-	-	-	-	3,964	3,964	-
Total	$12,247	$ 1,688	$ 13,402	$ 27,337	$3,063,702	$3,091,039	$ -

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Loans Past Due	Current Loans	Total Loans	Loans 90 Days or More Past Due and Still Accruing
	(Dollars in Thousands)						
As of December 31, 2015:							
Commercial, financial & agricultural	$568	$ 271	$ 835	$ 1,674	$447,949	$449,623	$ -
Real estate – construction & development	1,413	261	1,739	3,413	241,280	244,693	-
Real estate – commercial & farmland	1,781	641	6,912	9,334	1,095,657	1,104,991	-
Real estate – residential	3,806	2,120	5,121	11,047	559,383	570,430	-
Consumer installment loans	374	188	238	800	30,325	31,125	-
Other	-	-	-	-	6,015	6,015	-
Total	$7,942	$ 3,481	$ 14,845	$ 26,268	$2,380,609	$2,406,877	$ -

	Loans 30-59 Days Past Due	**Loans 60-89 Days Past Due**	**Loans 90 or More Days Past Due**	**Total Loans Past Due**	**Current Loans**	**Total Loans**	**Loans 90 Days or More Past**

							Due and Still Accruing
	(Dollars in Thousands)						
As of September 30, 2015:							
Commercial, financial & agricultural	$781	$ 714	$ 1,799	$ 3,294	$424,453	$427,747	$ -
Real estate – construction & development	1,184	417	1,753	3,354	217,444	220,798	-
Real estate – commercial & farmland	4,275	399	8,082	12,756	1,055,072	1,067,828	-
Real estate – residential	6,424	1,558	4,247	12,229	520,056	532,285	-
Consumer installment loans	326	82	227	635	30,664	31,299	-
Other	-	-	-	-	10,692	10,692	-
Total	$12,990	$ 3,170	$ 16,108	$ 32,268	$2,258,381	$2,290,649	$ -

The following table presents an analysis of purchased non-covered past-due loans as of September 30, 2016, December 31, 2015 and September 30, 2015:

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Loans Past Due	Current Loans	Total Loans	Loans 90 Days or More Past Due and Still Accruing
	(Dollars in Thousands)						
As of September 30, 2016:							
Commercial, financial & agricultural	$244	$ -	$ 624	$ 868	$98,728	$99,596	$ -
Real estate – construction & development	1,082	233	2,070	3,385	82,714	86,099	-
Real estate – commercial & farmland	1,806	599	6,369	8,774	581,614	590,388	-
Real estate – residential	1,481	2,144	5,379	9,004	277,165	286,169	-
Consumer installment loans	33	267	38	338	4,500	4,838	-
Total	$4,646	$ 3,243	$ 14,480	$ 22,369	$1,044,721	$1,067,090	$ -

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Loans Past Due	Current Loans	Total Loans	Loans 90 Days or More Past Due and Still Accruing
	(Dollars in Thousands)						
As of December 31, 2015:							
Commercial, financial & agricultural	$248	$ 13	$ 846	$ 1,107	$44,355	$45,462	$ -
Real estate – construction & development	416	687	420	1,523	70,557	72,080	-
Real estate – commercial & farmland	2,479	1,629	3,347	7,455	383,300	390,755	-
Real estate – residential	4,965	2,176	4,928	12,069	246,084	258,153	-
Consumer installment loans	31	9	70	110	4,994	5,104	-
Total	$8,139	$ 4,514	$ 9,611	$ 22,264	$749,290	$771,554	$ -

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Loans Past Due	Current Loans	Total Loans	Loans 90 Days or More Past Due and Still Accruing
	(Dollars in Thousands)						

As of September 30, 2015:							
Commercial, financial & agricultural	$140	$ 11	$ 112	$ 263	$42,087	$42,350	$ -
Real estate – construction & development	322	-	459	781	70,328	71,109	-
Real estate – commercial & farmland	2,681	613	3,391	6,685	378,347	385,032	-
Real estate – residential	3,822	1,672	4,901	10,395	252,917	263,312	-
Consumer installment loans	5	-	49	54	5,637	5,691	-
Total	$6,970	$ 2,296	$ 8,912	$ 18,178	$749,316	$767,494	$ -

The following table presents an analysis of covered past-due loans as of September 30, 2016, December 31, 2015 and September 30, 2015:

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Loans Past Due	Current Loans	Total Loans	Loans 90 Days or More Past Due and Still Accruing
	(Dollars in Thousands)						
As of September 30, 2016:							
Commercial, financial & agricultural	$-	$ -	$ 128	$ 128	$702	$830	$ -
Real estate – construction & development	114	4	-	118	3,102	3,220	-
Real estate – commercial & farmland	906	-	1	907	12,781	13,688	-
Real estate – residential	1,047	943	2,589	4,579	39,878	44,457	-
Consumer installment loans	-	-	-	-	96	96	-
Total	$2,067	$ 947	$ 2,718	$ 5,732	$56,559	$62,291	$ -

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Loans Past Due	Current Loans	Total Loans	Loans 90 Days or More Past Due and Still Accruing
	(Dollars in Thousands)						
As of December 31, 2015:							
Commercial, financial & agricultural	$-	$ -	$ 2,802	$ 2,802	$2,744	$5,546	$ -
Real estate – construction & development	96	-	1,633	1,729	5,883	7,612	-
Real estate – commercial & farmland	170	205	3,064	3,439	67,787	71,226	-
Real estate – residential	2,155	1,001	2,658	5,814	47,224	53,038	-
Consumer installment loans	-	-	37	37	70	107	-
Total	$2,421	$ 1,206	$ 10,194	$ 13,821	$123,708	$137,529	$ -

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Loans Past Due	Current Loans	Total Loans	Loans 90 Days or More Past Due and Still Accruing
	(Dollars in Thousands)						
As of September 30, 2015:							
Commercial, financial & agricultural	$40	$ 48	$ 7,886	$ 7,974	$5,375	$13,349	$ -

Real estate – construction & development	1,548	68	2,408	4,024	10,242	14,266	-
Real estate – commercial & farmland	1,003	550	6,573	8,126	95,273	103,399	-
Real estate – residential	2,612	783	2,140	5,535	54,300	59,835	-
Consumer installment loans	-	-	49	49	123	172	-
Total	$5,203	$ 1,449	$ 19,056	$ 25,708	$165,313	$191,021	$ -

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Impaired Loans

Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreements. Impaired loans include loans on nonaccrual status and accruing troubled debt restructurings. When determining if the Company will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement, the Company considers the borrower's capacity to pay, which includes such factors as the borrower's current financial statements, an analysis of global cash flow sufficient to pay all debt obligations and an evaluation of secondary sources of repayment, such as guarantor support and collateral value. The Company individually assesses for impairment all nonaccrual loans greater than $100,000 and all troubled debt restructurings greater than $100,000 (including all troubled debt restructurings, whether or not currently classified as such). The tables below include all loans deemed impaired, whether or not individually assessed for impairment. If a loan is deemed impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis.

The following is a summary of information pertaining to impaired loans, excluding purchased non-covered and covered loans:

	As of and For the Period Ended		
	September 30, 2016	December 31, 2015	September 30, 2015
	(Dollars in Thousands)		
Nonaccrual loans	$ 16,570	$ 16,860	$ 20,558
Troubled debt restructurings not included above	14,013	14,418	12,075
Total impaired loans	$ 30,583	$ 31,278	$ 32,633
Quarter-to-date interest income recognized on impaired loans	$ 252	$ 274	$ 241
Year-to-date interest income recognized on impaired loans	$ 808	$ 909	$ 635
Quarter-to-date foregone interest income on impaired loans	$ 239	$ 265	$ 309
Year-to-date foregone interest income on impaired loans	$ 710	$ 1,204	$ 939

The following table presents an analysis of information pertaining to impaired loans, excluding purchased non-covered and covered loans as of September 30, 2016, December 31, 2015 and September 30, 2015:

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Three Month Average Recorded Investment	Nine Month Average Recorded Investment
	(Dollars in Thousands)						
As of September 30, 2016:							
Commercial, financial & agricultural	$2,568	$ 252	$ 1,114	$ 1,366	$ 118	$ 1,736	$ 1,640
Real estate – construction & development	2,972	-	1,946	1,946	537	2,001	2,214
Real estate – commercial & farmland	14,015	5,499	7,520	13,019	873	12,776	12,837
Real estate – residential	14,350	2,046	11,667	13,713	2,648	13,686	13,516
Consumer installment loans	586	-	539	539	6	492	479
Total	$34,491	$ 7,797	$ 22,786	$ 30,583	$ 4,182	$ 30,691	$ 30,686

	Unpaid Contractual Principal	Recorded Investment With No	Recorded Investment With	Total Recorded Investment	Related Allowance	Three Month Average	Twelve Month Average

	Balance	Allowance	Allowance			Recorded Investment	Recorded Investment
	(Dollars in Thousands)						
As of December 31, 2015:							
Commercial, financial & agricultural	$3,062	$ 158	$ 1,385	$ 1,543	$ 135	$ 1,887	$ 2,275
Real estate – construction & development	3,581	230	2,374	2,604	774	2,598	3,228
Real estate – commercial & farmland	14,385	6,702	6,083	12,785	1,067	15,074	15,105
Real estate – residential	15,809	1,621	12,230	13,851	2,224	11,935	11,977
Consumer installment loans	592	-	495	495	9	461	488
Total	$37,429	$ 8,711	$ 22,567	$ 31,278	$ 4,209	$ 31,955	$ 33,073

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Three Month Average Recorded Investment	Nine Month Average Recorded Investment
	(Dollars in Thousands)						
As of September 30, 2015:							
Commercial, financial & agricultural	$3,761	$ 471	$ 1,762	$ 2,233	$ 528	$ 3,289	$ 2,458
Real estate – construction & development	3,757	230	2,361	2,591	731	2,503	3,384
Real estate – commercial & farmland	18,652	5,870	11,494	17,364	1,635	16,459	15,684
Real estate – residential	11,549	1,752	8,266	10,018	1,872	10,185	11,509
Consumer installment loans	524	-	426	426	7	483	487
Total	$38,243	$ 8,323	$ 24,309	$ 32,632	$ 4,773	$ 32,919	$ 33,522

The following is a summary of information pertaining to purchased non-covered impaired loans:

	As of and For the Period Ended		
	September 30, 2016	December 31, 2015	September 30, 2015
	(Dollars in Thousands)		
Nonaccrual loans	$ 17,993	$ 13,330	$ 11,374
Troubled debt restructurings not included above	9,294	9,373	7,188
Total impaired loans	$ 27,287	$ 22,703	$ 18,562
Quarter-to-date interest income recognized on impaired loans	$ 1,339	$ 442	$ 158
Year-to-date interest income recognized on impaired loans	$ 1,885	$ 785	$ 342
Quarter-to-date foregone interest income on impaired loans	$ 264	$ 245	$ 198
Year-to-date foregone interest income on impaired loans	$ 883	$ 1,365	$ 1,121

The following table presents an analysis of information pertaining to purchased non-covered impaired loans as of September 30, 2016, December 31, 2015 and September 30, 2015:

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Three Month Average Recorded Investment	Nine Month Average Recorded Investment
	(Dollars in Thousands)						
As of September 30, 2016:							
Commercial, financial & agricultural	$4,801	$ 520	$ 225	$ 745	$ -	$ 710	$ 787
Real estate – construction & development	23,284	233	2,699	2,932	183	2,306	2,053
Real estate – commercial & farmland	34,021	1,778	11,858	13,636	380	13,310	13,732
Real estate – residential	12,458	2,705	7,227	9,932	722	9,685	9,163
Consumer installment loans	55	42	-	42	-	43	64
Total	$74,619	$ 5,278	$ 22,009	$ 27,287	$ 1,285	$ 26,054	$ 25,799

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Three Month Average Recorded	Twelve Month Average Recorded

							Investment	Investment
	(Dollars in Thousands)							
As of December 31, 2015:								
Commercial, financial & agricultural	$3,103	$ 1,066	$ -	$ 1,066	$ -		$ 640	$ 392
Real estate – construction & development	8,987	1,469	-	1,469	-		1,369	1,429
Real estate – commercial & farmland	14,999	11,134	-	11,134	-		9,966	10,806
Real estate – residential	14,946	8,957	-	8,957	-		8,591	8,067
Consumer installment loans	94	77	-	77	-		67	65
Total	$42,129	$ 22,703	$ -	$ 22,703	$ -		$ 20,633	$ 20,759

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Three Month Average Recorded Investment	Nine Month Average Recorded Investment
	(Dollars in Thousands)						
As of September 30, 2015:							
Commercial, financial & agricultural	$1,137	$ 214	$ -	$ 214	$ -	$ 262	$ 224
Real estate – construction & development	9,211	1,268	-	1,268	-	1,563	1,419
Real estate – commercial & farmland	13,399	8,799	-	8,799	-	11,245	10,724
Real estate – residential	12,443	8,224	-	8,224	-	8,255	7,845
Consumer installment loans	74	57	-	57	-	76	63
Total	$36,264	$ 18,562	$ -	$ 18,562	$ -	$ 21,402	$ 20,275

The following is a summary of information pertaining to covered impaired loans:

	As of and For the Period Ended		
	September 30, 2016	December 31, 2015	September 30, 2015
	(Dollars in Thousands)		
Nonaccrual loans	$ 5,834	$ 13,238	$ 33,084
Troubled debt restructurings not included above	11,823	13,283	16,576
Total impaired loans	$ 17,657	$ 26,521	$ 49,660
Quarter-to-date interest income recognized on impaired loans	$ 154	$ 154	$ 268
Year-to-date interest income recognized on impaired loans	$ 493	$ 886	$ 732
Quarter-to-date foregone interest income on impaired loans	$ 82	$ 181	$ 468
Year-to-date foregone interest income on impaired loans	$ 400	$ 1,596	$ 1,416

The following table presents an analysis of information pertaining to covered impaired loans as of September 30, 2016, December 31, 2015 and September 30, 2015:

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Three Month Average Recorded Investment	Nine Month Average Recorded Investment
	(Dollars in Thousands)						
As of September 30, 2016:							
Commercial, financial & agricultural	$ 296	$ 128	$ -	$ 128	$ -	$ 128	$ 1,464
Real estate – construction & development	969	63	810	873	1	1,640	2,022
Real estate – commercial & farmland	7,077	83	3,258	3,341	22	4,886	5,837
Real estate – residential	14,450	4,768	8,513	13,281	213	13,418	13,730
Consumer installment loans	43	34	-	34	-	37	41
Total	$ 22,835	$ 5,076	$ 12,581	$ 17,657	$ 236	$ 20,109	$ 23,094

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Three Month Average Recorded	Twelve Month Average Recorded

							Investment	Investment
	(Dollars in Thousands)							
As of December 31, 2015:								
Commercial, financial & agricultural	$5,188	$ 2,802	$ -	$ 2,802	$ -		$ 5,360	$ 7,408
Real estate – construction & development	15,119	2,480	-	2,480	-		4,130	6,906
Real estate – commercial & farmland	20,508	7,001	-	7,001	-		14,133	18,504
Real estate – residential	15,830	14,192	-	14,192	-		14,399	16,010
Consumer installment loans	60	46	-	46	-		69	86
Total	$56,705	$ 26,521	$ -	$ 26,521	$ -		$ 38,091	$ 48,914

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Three Month Average Recorded Investment	Nine Month Average Recorded Investment
	(Dollars in Thousands)						
As of September 30, 2015:							
Commercial, financial & agricultural	$11,794	$ 7,918	$ -	$ 7,918	$ -	$ 8,625	$ 8,560
Real estate – construction & development	29,596	5,780	-	5,780	-	6,166	8,013
Real estate – commercial & farmland	41,724	21,265	-	21,265	-	20,697	21,380
Real estate – residential	18,097	14,605	-	14,605	-	14,881	16,465
Consumer installment loans	126	92	-	92	-	101	96
Total	$101,337	$ 49,660	$ -	$ 49,660	$ -	$ 50,470	$ 54,514

Credit Quality Indicators

The Company uses a nine category risk grading system to assign a risk grade to each loan in the portfolio. The following is a description of the general characteristics of the grades:

Grade 10 – Prime Credit – This grade represents loans to the Company's most creditworthy borrowers or loans that are secured by cash or cash equivalents.

Grade 15 – Good Credit – This grade includes loans that exhibit one or more characteristics better than that of a *Satisfactory Credit*. Generally, the debt service coverage and borrower's liquidity is materially better than required by the Company's loan policy.

Grade 20 – Satisfactory Credit – This grade is assigned to loans to borrowers who exhibit satisfactory credit histories, contain acceptable loan structures and demonstrate ability to repay.

Grade 23 – Performing, Under-Collateralized Credit – This grade is assigned to loans that are currently performing and supported by adequate financial information that reflects repayment capacity but exhibits a loan-to-value ratio greater than 110%, based on a documented collateral valuation.

Grade 25 – Minimum Acceptable Credit – This grade includes loans which exhibit all the characteristics of a *Satisfactory Credit*, but warrant more than normal level of banker supervision due to (i) circumstances which elevate the risks of performance (such as start-up operations, untested management, heavy leverage and interim losses); (ii) adverse, extraordinary events that have affected, or could affect, the borrower's cash flow, financial condition, ability to continue operating profitability or refinancing (such as death of principal, fire and divorce); (iii) loans that require more than the normal servicing requirements (such as any type of construction financing, acquisition and development loans, accounts receivable or inventory loans and floor plan loans); (iv) existing technical exceptions which raise some doubts about the Bank's perfection in its collateral position or the continued financial capacity of the borrower; or (v) improvements in formerly criticized borrowers, which may warrant banker supervision.

Grade 30 – Other Asset Especially Mentioned – This grade includes loans that exhibit potential weaknesses that deserve management's close attention. If left uncorrected, these weaknesses may result in deterioration of the repayment prospects for the asset or in the Company's credit position at some future date.

Grade 40 – Substandard – This grade represents loans which are inadequately protected by the current credit worthiness and paying capacity of the borrower or of the collateral pledged, if any. These assets exhibit a well-defined weakness or are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. These weaknesses may be characterized by past due performance, operating losses or questionable collateral values.

Grade 50 – Doubtful – This grade includes loans which exhibit all of the characteristics of a substandard loan with the added provision that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable or improbable.

Grade 60 – Loss – This grade is assigned to loans which are considered uncollectible and of such little value that their continuance as active assets of the Bank is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing it off.

The following table presents the loan portfolio, excluding purchased non-covered and covered loans, by risk grade as of September 30, 2016:

Risk Grade	Commercial financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
	(Dollars in Thousands)						
10	$381,814	$ -	$ 9,053	$ 127	$ 7,787	$-	$398,781
15	23,627	6,732	105,298	54,346	386	-	190,389
20	105,573	41,759	835,021	596,886	24,870	3,964	1,608,073
23	372	7,126	8,719	6,530	16	-	22,763
25	108,887	266,728	299,714	87,480	34,339	-	797,148
30	967	3,087	23,457	4,165	88	-	31,764
40	4,707	2,876	16,320	17,399	819	-	42,121
50	-	-	-	-	-	-	-
60	-	-	-	-	-	-	-
Total	$625,947	$ 328,308	$ 1,297,582	$ 766,933	$ 68,305	$3,964	$3,091,039

The following table presents the loan portfolio, excluding purchased non-covered and covered loans, by risk grade as of December 31, 2015:

Risk Grade	Commercial financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
	(Dollars in Thousands)						
10	$241,721	$ 294	$ 116	$ 1,606	$ 6,872	$-	$250,609
15	28,420	2,074	117,880	78,165	1,191	-	227,730
20	97,142	46,221	685,538	369,624	19,780	6,015	1,224,320
23	559	7,827	13,073	6,112	36	-	27,607
25	77,829	183,512	254,012	91,465	2,595	-	609,413
30	1,492	1,620	13,821	7,347	143	-	24,423
40	2,460	3,145	20,551	16,111	506	-	42,773
50	-	-	-	-	-	-	-
60	-	-	-	-	2	-	2
Total	$449,623	$ 244,693	$ 1,104,991	$ 570,430	$ 31,125	$6,015	$2,406,877

The following table presents the loan portfolio, excluding purchased non-covered and covered loans, by risk grade as of September 30, 2015:

Risk Grade	Commercial financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
	(Dollars in Thousands)						
10	$222,693	$ 294	$ 116	$ 1,490	$ 6,688	$-	$231,281
15	23,807	2,150	123,515	83,361	1,352	-	234,185
20	99,414	45,091	645,949	327,576	19,302	10,692	1,148,024
23	645	7,754	11,792	6,240	46	-	26,477
25	75,635	159,944	250,575	90,320	3,168	-	579,642
30	2,378	2,035	9,762	7,811	204	-	22,190
40	3,175	3,530	26,119	15,487	537	-	48,848
50	-	-	-	-	2	-	2
60	-	-	-	-	-	-	-
Total	$427,747	$ 220,798	$ 1,067,828	$ 532,285	$ 31,299	$10,692	$2,290,649

The following table presents the purchased non-covered loan portfolio by risk grade as of September 30, 2016:

Risk Grade	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
	(Dollars in Thousands)						
10	$5,676	$ -	$ -	$ -	$ 867	$ -	$6,543
15	1,055	-	7,842	32,763	597	-	42,257
20	16,726	7,741	196,901	108,007	1,934	-	331,309
23	-	3,677	11,925	11,902	-	-	27,504
25	70,241	63,343	328,657	111,720	1,319	-	575,280
30	4,716	7,609	26,782	5,731	-	-	44,838
40	1,182	3,729	18,281	16,046	121	-	39,359
50	-	-	-	-	-	-	-
60	-	-	-	-	-	-	-
Total	$99,596	$ 86,099	$ 590,388	$ 286,169	$ 4,838	$ -	$1,067,090

The following table presents the purchased non-covered loan portfolio by risk grade as of December 31, 2015:

Risk Grade	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
	(Dollars in Thousands)						
10	$8,592	$ -	$ -	$ -	$ 1,010	$ -	$9,602
15	1,186	1,143	10,490	37,808	541	-	51,168
20	10,057	13,678	183,219	128,005	2,031	-	336,990
23	-	438	5,177	6,414	-	-	12,029
25	17,565	47,517	162,253	66,166	1,328	-	294,829
30	6,657	4,185	14,297	5,503	51	-	30,693
40	1,373	5,119	15,319	14,257	143	-	36,211
50	30	-	-	-	-	-	30
60	2	-	-	-	-	-	2
Total	$45,462	$ 72,080	$ 390,755	$ 258,153	$ 5,104	$ -	$771,554

The following table presents the purchased non-covered loan portfolio by risk grade as of September 30, 2015:

Risk Grade	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
	(Dollars in Thousands)						
10	$8,741	$ -	$ -	$ -	$ 1,060	$ -	$9,801
15	1,229	1,805	8,440	38,643	789	-	50,906
20	10,982	13,518	187,329	133,914	2,291	-	348,034
23	-	230	4,079	6,303	-	-	10,612
25	17,873	48,137	159,816	63,049	1,397	-	290,272
30	2,379	3,418	12,997	7,609	55	-	26,458
40	1,116	4,001	12,371	13,794	99	-	31,381
50	30	-	-	-	-	-	30
60	-	-	-	-	-	-	-
Total	$42,350	$ 71,109	$ 385,032	$ 263,312	$ 5,691	$ -	$767,494

The following table presents the covered loan portfolio by risk grade as of September 30, 2016:

Risk Grade	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
	(Dollars in Thousands)						
10	$-	$ -	$ -	$ -	$ -	$ -	$-
15	-	-	-	-	-	-	-
20	23	551	2,203	7,458	-	-	10,235
23	23	-	298	4,016	-	-	4,337
25	657	2,214	5,757	20,349	15	-	28,992
30	-	357	1,825	3,625	46	-	5,853
40	127	98	3,605	9,009	35	-	12,874
50	-	-	-	-	-	-	-
60	-	-	-	-	-	-	-
Total	$830	$ 3,220	$ 13,688	$ 44,457	$ 96	$ -	$62,291

The following table presents the covered loan portfolio by risk grade as of December 31, 2015:

Risk Grade	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
	(Dollars in Thousands)						
10	$-	$ -	$ -	$ -	$ -	$ -	$-
15	-	-	-	-	-	-	-
20	93	800	11,698	10,040	-	-	22,631
23	52	-	2,957	5,723	-	-	8,732
25	2,594	3,907	38,741	24,345	11	-	69,598
30	5	828	2,857	4,552	-	-	8,242
40	2,802	2,077	14,973	8,378	96	-	28,326
50	-	-	-	-	-	-	-
60	-	-	-	-	-	-	-
Total	$5,546	$ 7,612	$ 71,226	$ 53,038	$ 107	$ -	$137,529

The following table presents the covered loan portfolio by risk grade as of September 30, 2015:

Risk Grade	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
	(Dollars in Thousands)						
10	$-	$ -	$ -	$ -	$ -	$ -	$-
15	-	-	478	115	-	-	593
20	327	1,147	16,211	12,304	42	-	30,031
23	53	-	4,783	6,396	-	-	11,232
25	4,476	8,241	53,126	27,795	37	-	93,675
30	4,060	1,965	5,539	5,481	-	-	17,045
40	4,431	2,913	23,262	7,744	93	-	38,443
50	-	-	-	-	-	-	-
60	2	-	-	-	-	-	2
Total	$13,349	$ 14,266	$ 103,399	$ 59,835	$ 172	$ -	$191,021

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Troubled Debt Restructurings

The restructuring of a loan is considered a “troubled debt restructuring” if both (i) the borrower is experiencing financial difficulties and (ii) the Company has granted a concession. Concessions may include interest rate reductions to below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses. The Company has exhibited the greatest success for rehabilitation of the loan by a reduction in the rate alone (maintaining the amortization of the debt) or a combination of a rate reduction and the forbearance of previously past due interest or principal. This has most typically been evidenced in certain commercial real estate loans whereby a disruption in the borrower’s cash flow resulted in an extended past due status, of which the borrower was unable to catch up completely as the cash flow of the property ultimately stabilized at a level lower than its original level. A reduction in rate, coupled with a forbearance of unpaid principal and/or interest, allowed the net cash flows to service the debt under the modified terms.

The Company’s policy requires a restructure request to be supported by a current, well-documented credit evaluation of the borrower’s financial condition and a collateral evaluation that is no older than six months from the date of the restructure. Key factors of that evaluation include the documentation of current, recurring cash flows, support provided by the guarantor(s) and the current valuation of the collateral. If the appraisal in the file is older than six months, an evaluation must be made as to the continued reasonableness of the valuation. For certain income-producing properties, current rent rolls and/or other income information can be utilized to support the appraisal valuation, when coupled with documented cap rates within our markets and a physical inspection of the collateral to validate the current condition.

The Company’s policy states that in the event a loan has been identified as a troubled debt restructuring, it should be assigned a grade of substandard and placed on nonaccrual status until such time the borrower has demonstrated the ability to service the loan payments based on the restructured terms – generally defined as six months of satisfactory payment history. Missed payments under the original loan terms are not considered under the new structure; however, subsequent missed payments are considered non-performance and are not considered toward the six month required term of satisfactory payment history. The Company’s loan policy states that a nonaccrual loan may be returned to accrual status when (i) none of its principal and interest is due and unpaid, and the Company expects repayment of the remaining contractual principal and interest or (ii) it otherwise becomes well secured and in the process of collection. Restoration to accrual status on any given loan must be supported by a well-documented credit evaluation of the borrower’s financial condition and the prospects for full repayment, approved by the Company’s Chief Credit Officer.

In the normal course of business, the Company renews loans with a modification of the interest rate or terms that are not deemed as troubled debt restructurings because the borrower is not experiencing financial difficulty. The Company modified loans in the first nine months of 2016 and 2015 totaling $58.2 million and $77.4 million, respectively, under such parameters.

As of September 30, 2016, December 31, 2015 and September 30, 2015, the Company had a balance of $17.1 million, $16.4 million and $13.9 million, respectively, in troubled debt restructurings, excluding purchased non-covered and covered loans. The Company has recorded $1.2 million, $1.3 million and $1.3 million in previous charge-offs on such loans at September 30, 2016, December 31, 2015 and September 30, 2015, respectively. The Company's balance in the allowance for loan losses allocated to such troubled debt restructurings was $2.8 million, $2.7 million and $183,000 at September 30, 2016, December 31, 2015 and September 30, 2015, respectively. At September 30, 2016, the Company did not have any commitments to lend additional funds to debtors whose terms have been modified in troubled restructurings.

During the nine months ending September 30, 2016 and 2015, the Company modified loans as troubled debt restructurings, excluding purchased non-covered and covered loans, with principal balances of $2.9 million and $4.3 million, respectively, and these modifications did not have a material impact on the Company's allowance for loan loss. The following table presents the loans by class modified as troubled debt restructurings, excluding purchased non-covered and covered loans, which occurred during the nine months ending September 30, 2016 and 2015:

	September 30, 2016		September 30, 2015	
Loan class:	#	**Balance** ***(in thousands)***	#	**Balance** ***(in thousands)***
Commercial, financial & agricultural	5	$ 59	4	$ 26
Real estate – construction & development	2	251	2	15
Real estate – commercial & farmland	4	1,658	2	2,125
Real estate – residential	7	887	28	2,089
Consumer installment	9	44	13	47
Total	27	$ 2,899	49	$ 4,302

Troubled debt restructurings, excluding purchased non-covered and covered loans, with an outstanding balance of $793,000 and $2.6 million defaulted during the nine months ended September 30, 2016 and 2015, respectively, and these defaults did not have a material impact on the Company's allowance for loan loss. The following table presents the troubled debt restructurings by class that defaulted (defined as 30 days past due) during the nine months ending September 30, 2016 and 2015:

	September 30, 2016		September 30, 2015	
Loan class:	#	**Balance** ***(in thousands)***	#	**Balance** ***(in thousands)***
Commercial, financial & agricultural	5	$ 51	4	$ 18
Real estate – construction & development	-	-	2	34
Real estate – commercial & farmland	5	517	5	1,011
Real estate – residential	3	219	18	1,473
Consumer installment	2	6	9	32
Total	15	$ 793	38	$ 2,568

The following table presents the amount of troubled debt restructurings by loan class, excluding purchased non-covered and covered loans, classified separately as accrual and nonaccrual at September 30, 2016, December 31, 2015 and September 30, 2015:

As of September 30, 2016	Accruing Loans		Non-Accruing Loans	
Loan class:	#	**Balance** ***(in thousands)***	#	**Balance** ***(in thousands)***
Commercial, financial & agricultural	4	$ 53	14	$ 112
Real estate – construction & development	8	691	2	35
Real estate – commercial & farmland	17	5,535	5	2,015
Real estate – residential	53	7,713	19	849
Consumer installment	7	21	29	120
Total	89	$ 14,013	69	$ 3,131

As of December 31, 2015	Accruing Loans		Non-Accruing Loans	
Loan class:	#	**Balance** ***(in thousands)***	#	**Balance** ***(in thousands)***
Commercial, financial & agricultural	4	$ 240	10	$ 110
Real estate – construction & development	11	792	3	63
Real estate – commercial & farmland	16	5,766	3	596
Real estate – residential	51	7,574	20	1,123
Consumer installment	12	46	23	94
Total	94	$ 14,418	59	$ 1,986

As of September 30, 2015	Accruing Loans		Non-Accruing Loans	
Loan class:	#	**Balance** ***(in thousands)***	#	**Balance** ***(in thousands)***
Commercial, financial & agricultural	4	$ 238	8	$ 68
Real estate – construction & development	12	838	2	30
Real estate – commercial & farmland	15	5,719	4	943
Real estate – residential	51	5,209	16	759
Consumer installment	15	71	18	64
Total	97	$ 12,075	48	$ 1,864

As of September 30, 2016, December 31, 2015 and September 30, 2015, the Company had a balance of $10.4 million, $10.0 million and $7.7 million, respectively, in troubled debt restructurings included in purchased non-covered loans. The Company has recorded $752,000, $377,000 and $60,000 in previous charge-offs on such loans at September 30, 2016, December 31, 2015 and September 30, 2015, respectively. At September 30, 2016, the Company did not have any commitments to lend additional funds to debtors whose terms have been modified in troubled restructurings.

During the nine months ending September 30, 2016 and 2015, the Company modified purchased non-covered loans as troubled debt restructurings, with principal balances of $1.3 million and $2.4 million, respectively, and these modifications did not have a material impact on the Company's allowance for loan loss. During the nine months ending September 30, 2016, the Company did not transfer any troubled debt restructurings from the covered loan category to the purchased non-covered loan category due to the expiration of the loss-sharing portion of the agreements. During the nine months ending September 30, 2015, the Company transferred troubled debt restructurings with principal balances $4.1 million from the covered loan category to the purchased non-covered loan category due to the expiration of the loss-sharing portion of the agreements. The following table presents the purchased non-covered loans by class modified as troubled debt restructurings, which occurred during the nine months ending September 30, 2016 and 2015:

	September 30, 2016		September 30, 2015	
Loan class:	#	**Balance** ***(in thousands)***	#	**Balance** ***(in thousands)***
Commercial, financial & agricultural	-	$ -	1	$ 1
Real estate – construction & development	-	-	2	30
Real estate – commercial & farmland	2	235	3	622
Real estate – residential	6	1,076	7	1,730
Consumer installment	-	-	3	8
Total	8	$ 1,311	16	$ 2,391

Troubled debt restructurings included in purchased non-covered loans with an outstanding balance of $217,000 and $618,000 defaulted during the nine months ended September 30, 2016 and 2015, respectively, and these defaults did not have a material impact on the Company's allowance for loan loss. The following table presents the troubled debt restructurings by class that defaulted (defined as 30 days past due) during the nine months ending September 30, 2016 and 2015:

	September 30, 2016		September 30, 2015	
Loan class:	#	**Balance** ***(in thousands)***	#	**Balance** ***(in thousands)***
Commercial, financial & agricultural	-	$ -	-	$ -
Real estate – construction & development	1	10	-	-
Real estate – commercial & farmland	1	207	-	-
Real estate – residential	-	-	2	618

Consumer installment	-	-	-	-
Total	2	$ 217	2	$ 618

The following table presents the amount of troubled debt restructurings by loan class of purchased non-covered loans, classified separately as accrual and nonaccrual at September 30, 2016, December 31, 2015 and September 30, 2015:

As of September 30, 2016	Accruing Loans		Non-Accruing Loans	
Loan class:	#	**Balance *(in thousands)***	#	**Balance *(in thousands)***
Commercial, financial & agricultural	1	$ 1	1	$ 16
Real estate – construction & development	2	529	3	33
Real estate – commercial & farmland	13	5,840	3	566
Real estate – residential	16	2,919	5	486
Consumer installment	1	4	2	1
Total	33	$ 9,293	14	$ 1,102

As of December 31, 2015	Accruing Loans		Non-Accruing Loans	
Loan class:	#	**Balance *(in thousands)***	#	**Balance *(in thousands)***
Commercial, financial & agricultural	1	$ 2	2	$ 21
Real estate – construction & development	1	363	3	42
Real estate – commercial & farmland	14	6,214	3	412
Real estate – residential	13	2,789	4	180
Consumer installment	2	5	2	3
Total	31	$ 9,373	14	$ 658

As of September 30, 2015	Accruing Loans		Non-Accruing Loans	
Loan class:	#	**Balance *(in thousands)***	#	**Balance *(in thousands)***
Commercial, financial & agricultural	-	$ -	1	$ 1
Real estate – construction & development	1	351	2	30
Real estate – commercial & farmland	6	4,071	1	36
Real estate – residential	13	2,761	3	397
Consumer installment	2	5	2	3
Total	22	$ 7,188	9	$ 467

As of September 30, 2016, December 31, 2015 and September 30, 2015, the Company had a balance of $13.9 million, $15.5 million and $20.5 million, respectively, in troubled debt restructurings included in covered loans. The Company has recorded $791,000, $1.2 million and $1.4 million in previous charge-offs on such loans at September 30, 2016, December 31, 2015 and September 30, 2015, respectively. At September 30, 2016, the Company did not have any commitments to lend additional funds to debtors whose terms have been modified in troubled restructurings.

During the nine months ending September 30, 2016 and 2015, the Company modified covered loans as troubled debt restructurings with principal balances of $603,000 and $2.5 million, respectively, and these modifications did not have a material impact on the Company's allowance for loan loss. The following table presents the covered loans by class modified as troubled debt restructurings during the nine months ending September 30, 2016 and 2015:

	September 30, 2016		September 30, 2015	
Loan class:	#	**Balance** ***(in thousands)***	#	**Balance** ***(in thousands)***
Commercial, financial & agricultural	1	$ 76	1	$ -
Real estate – construction & development	-	-	2	312
Real estate – commercial & farmland	1	473	5	1,492
Real estate – residential	2	54	12	679
Consumer installment	-	-	-	-
Total	4	$ 603	20	$ 2,483

Troubled debt restructurings of covered loans with an outstanding balance of $516,000 and $1.3 million defaulted during the nine months ended September 30, 2016 and 2015, respectively, and these defaults did not have a material impact on the Company's allowance for loan loss. The following table presents the troubled debt restructurings by class that defaulted (defined as 30 days past due) during the nine months ending September 30, 2016 and 2015:

	September 30, 2016		September 30, 2015	
Loan class:	#	**Balance** ***(in thousands)***	#	**Balance** ***(in thousands)***
Commercial, financial & agricultural	2	$ 76	-	$ -
Real estate – construction & development	-	-	-	-
Real estate – commercial & farmland	-	-	3	177
Real estate – residential	11	440	9	1,088
Consumer installment	-	-	-	-
Total	13	$ 516	12	$ 1,265

The following table presents the amount of troubled debt restructurings by loan class of covered loans, classified separately as accrual and nonaccrual at September 30, 2016, December 31, 2015 and September 30, 2015:

As of September 30, 2016	Accruing Loans		Non-Accruing Loans	
Loan class:	#	**Balance** ***(in thousands)***	#	**Balance** ***(in thousands)***
Commercial, financial & agricultural	-	$ -	3	$ 76
Real estate – construction & development	4	813	-	-
Real estate – commercial & farmland	4	1,801	2	680
Real estate – residential	88	9,203	27	1,287
Consumer installment	1	6	-	-
Total	97	$ 11,823	32	$ 2,043

As of December 31, 2015	Accruing Loans		Non-Accruing Loans	
Loan class:	#	**Balance** ***(in thousands)***	#	**Balance** ***(in thousands)***
Commercial, financial & agricultural	-	$ -	2	$ 1
Real estate – construction & development	4	779	-	-
Real estate – commercial & farmland	4	1,967	3	1,067
Real estate – residential	97	10,529	26	1,116
Consumer installment	2	8	-	-
Total	107	$ 13,283	31	$ 2,184

As of September 30, 2015	Accruing Loans		Non-Accruing Loans	
Loan class:	#	**Balance** ***(in thousands)***	#	**Balance** ***(in thousands)***
Commercial, financial & agricultural	1	$ 2	2	$ -
Real estate – construction & development	3	2,847	3	325
Real estate – commercial & farmland	9	3,101	8	2,449
Real estate – residential	96	10,625	17	1,167
Consumer installment	1	1	-	-
Total	110	$ 16,576	30	$ 3,941

Allowance for Loan Losses

The allowance for loan losses represents an allowance for probable incurred losses in the loan portfolio. The adequacy of the allowance for loan losses is evaluated periodically based on a review of all significant loans, with a particular emphasis on non-accruing, past-due and other loans that management believes might be potentially impaired or warrant additional attention. The Company segregates the loan portfolio by type of loan and utilizes this segregation in evaluating exposure to risks within the portfolio. In addition, based on internal reviews and external reviews performed by regulatory authorities, the Company further segregates the loan portfolio by loan grades based on an assessment of risk for a particular loan or group of loans. Certain reviewed loans are assigned specific allowances when a review of relevant data determines that a general allocation is not sufficient or when the review affords management the opportunity to adjust the amount of exposure in a given credit. In establishing allowances, management considers historical loan loss experience but adjusts this data with a significant emphasis on current loan quality trends, current economic conditions and other factors in the markets where the Company operates. Factors considered include, among others, current valuations of real estate in the Company's markets, unemployment rates, the effect of weather conditions on agricultural related entities and other significant local economic events.

The Company has developed a methodology for determining the adequacy of the allowance for loan losses which is monitored by the Company's Chief Credit Officer. Procedures provide for the assignment of a risk rating for every loan included in the total loan portfolio, with the exception of certain mortgage loans serviced at a third party, mortgage warehouse lines and overdraft protection loans, which are treated as pools for risk-rating purposes. The risk rating schedule provides nine ratings of which five ratings are classified as pass ratings and four ratings are classified as criticized ratings. Each risk rating is assigned a percentage factor to be applied to the loan balance to determine the adequate amount of reserve. All relationships greater than $1.0 million and a sample of relationships greater than $250,000 are reviewed annually by the Bank's independent internal loan review department. As a result of these loan reviews, certain loans may be identified as having deteriorating credit quality. Other loans that surface as problem loans may also be assigned specific reserves. Past-due loans are assigned risk ratings based on the number of days past due. The calculation of the allowance for loan losses, including underlying data and assumptions, is reviewed regularly by the Company's Chief Financial Officer and the independent internal loan review department.

Loan losses are charged against the allowance when management believes the collection of a loan's principal is unlikely. Subsequent recoveries are credited to the allowance. Consumer loans are charged-off in accordance with the Federal Financial Institutions Examination Council's ("FFIEC") Uniform Retail Credit Classification and Account Management Policy. Commercial loans are charged-off when they are deemed uncollectible, which usually involves a triggering event within the collection effort. If the loan is collateral dependent, the loss is more easily identified and is charged-off when it is identified, usually based upon receipt of an appraisal. However, when a loan has guarantor support, the Company may carry the estimated loss as a reserve against the loan while collection efforts with the guarantor are pursued. If, after collection efforts with the guarantor are complete, the deficiency is still considered uncollectible, the loss is charged-off and any further collections are treated as recoveries. In all situations, when a loan is downgraded to an Asset Quality Rating of 60 (Loss per the regulatory guidance), the uncollectible portion is

charged-off.

The following table details activity in the allowance for loan losses by portfolio segment for the nine months ended September 30, 2016, the year ended December 31, 2015 and the nine months ended September 30, 2015. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

	Commercial, financial & agricultural	Real estate – construction & development	Real estate – commercial & farmland	Real estate - residential	**Consumer installment loans and Other**	**Purchased non-covered loans, including pools**	Covered loans	Total
	(Dollars in Thousands)							
Three months ended September 30, 2016:								
Balance, June 30, 2016	$1,667	$3,599	$7,459	$4,263	$2,160	$2,056	$530	$21,734
Provision for loan losses	677	(521)	(554)	2,649	(1,595)	1,247	(1,092)	811
Loans charged off	(326)	(60)	-	(292)	(74)	(408)	(291)	(1,451)
Recoveries of loans previously charged off	119	131	13	40	78	399	1,089	1,869
Balance, September 30, 2016	$2,137	$3,149	$6,918	$6,660	$569	$3,294	$236	$22,963
Nine months ended September 30, 2016:								
Balance, January 1, 2016	$1,144	$5,009	$7,994	$4,760	$1,574	$581	$-	$21,062
Provision for loan losses	1,987	(2,010)	(559)	2,415	(932)	2,274	(794)	2,381
Loans charged off	(1,273)	(324)	(708)	(883)	(192)	(826)	(435)	(4,641))

Recoveries of loans previously charged off	279	474	191	368	119	1,265	1,465	4,161
Balance, September 30, 2016	$2,137	$3,149	$6,918	$6,660	$569	$3,294	$236	$22,963
Period-end amount allocated to:								
Loans individually evaluated for impairment [1]	$107	$529	$883	$2,629	$-	$1,286	$236	$5,670
Loans collectively evaluated for impairment	2,030	2,620	6,035	4,031	569	2,008	-	17,293
Ending balance	$2,137	$3,149	$6,918	$6,660	$569	$3,294	$236	$22,963
Loans:								
Individually evaluated for impairment [1]	$424	$1,154	$11,699	$11,571	$-	$22,173	$12,818	$59,839
Collectively evaluated for impairment	625,523	327,154	1,285,883	755,362	72,269	1,536,176	27,953	4,630,320
Acquired with deteriorated credit quality	-	-	-	-	-	133,627	21,520	155,147
Ending balance	$625,947	$328,308	$1,297,582	$766,933	$72,269	$1,691,976	$62,291	$4,845,306

(1) At September 30, 2016, loans individually evaluated for impairment includes all nonaccrual loans greater than $100,000 and all troubled debt restructurings greater than $100,000, including all troubled debt restructurings and not only those currently classified as troubled debt restructurings.

	Commercial, financial & agricultural	Real estate – construction & development	Real estate – commercial & farmland	Real estate - residential	**Consumer installment loans and Other**	**Purchased non-covered loans, including pools**	Covered loans	Total
	(Dollars in Thousands)							
Twelve months ended December 31, 2015:								
Balance, January 1, 2015	$2,004	$5,030	$8,823	$4,129	$1,171	$-	$-	$21,157
Provision for loan losses	(73)	278	1,221	2,067	676	344	751	5,264
Loans charged off	(1,438)	(622)	(2,367)	(1,587)	(410)	(950)	(1,759)	(9,133)
Recoveries of loans previously charged off	651	323	317	151	137	1,187	1,008	3,774
Balance, December 31, 2015	$1,144	$5,009	$7,994	$4,760	$1,574	$581	$-	$21,062
Period-end amount allocated to:								
Loans individually evaluated for impairment [1]	$126	$759	$1,074	$2,172	$-	$-	$-	$4,131
Loans collectively evaluated for impairment	1,018	4,250	6,920	2,588	1,574	581	-	16,931
Ending balance	$1,144	$5,009	$7,994	$4,760	$1,574	$581	$-	$21,062
Loans:								
Individually evaluated for impairment [1]	$323	$1,958	$11,877	$9,554	$-	$22,672	$22,317	$68,701
Collectively evaluated for	449,300	242,735	1,093,114	560,876	37,140	1,261,821	52,451	3,697,437

impairment								
Acquired with deteriorated credit quality	-	-	-	-	-	80,024	62,761	142,785
Ending balance	$449,623	$244,693	$1,104,991	$570,430	$37,140	$1,364,517	$137,529	$3,908,923

(1) At December 31, 2015, loans individually evaluated for impairment includes all nonaccrual loans greater than $200,000 and all troubled debt restructurings greater than $100,000, including all troubled debt restructurings and not only those currently classified as troubled debt restructurings.

	Commercial, financial & agricultural	Real estate – construction & development	Real estate – commercial & farmland	Real estate - residential	**Consumer installment loans and Other**	**Purchased non-covered loans, including pools**	Covered loans	Total
	(Dollars in Thousands)							
Three months ended September 30, 2015:								
Balance, June 30, 2015	$1,426	$ 5,365	$ 8,381	$ 4,805	$ 1,681	$ -	$-	$21,658
Provision for loan losses	110	643	43	1,238	(1,386)	531	(193)	986
Loans charged off	(135)	(105)	(184)	(234)	(61)	(302)	(246)	(1,267)
Recoveries of loans previously charged off	117	6	272	54	33	173	439	1,094
Balance, September 30, 2015	$1,518	$ 5,909	$ 8,512	$ 5,863	$ 267	$ 402	$-	$22,471
Nine months ended September 30, 2015:								
Balance, January 1, 2015	$2,004	$ 5,030	$ 8,823	$ 4,129	$ 1,171	$ -	$-	$21,157
Provision for loan losses	(66)	1,030	743	2,562	(721)	219	944	4,711
Loans charged off	(937)	(465)	(1,358)	(966)	(300)	(772)	(1,661)	(6,459)
Recoveries of loans previously charged off	517	314	304	138	117	955	717	3,062
Balance, September 30, 2015	$1,518	$ 5,909	$ 8,512	$ 5,863	$ 267	$ 402	$-	$22,471
Period-end amount allocated to:								
Loans individually evaluated for impairment (1)	$521	$ 708	$ 1,622	$ 1,848	$ -	$ -	$-	$4,699
Loans collectively evaluated for impairment	997	5,201	6,890	4,015	267			