FCB FINANCIAL HOLDINGS, INC.
Form 424B3
November 13, 2014
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Filed pursuant to Rule 424(b)(3)

Registration Number 333-199502

Prospectus Supplement No. 1

(To the Prospectus dated November 12, 2014)

29,457,888 Shares of

Class A Common Stock

This Prospectus Supplement No. 1 (this Prospectus Supplement) supplements the prospectus dated November 12, 2014, as previously supplemented (the Prospectus) relating to the offering of up to 29,457,888 shares of Class A common stock (including, shares of Class A common stock issuable (a) upon conversion of outstanding shares of Class B common stock, (b) upon exercise of certain outstanding warrants, and (c) pursuant to certain restricted stock unit awards) of FCB Financial Holdings, Inc. by the selling stockholders identified in the Prospectus. This Prospectus Supplement should be read in conjunction with the Prospectus which is to be delivered with this Prospectus Supplement. If there is any inconsistency between the information in the Prospectus and this Prospectus Supplement, you should rely on the information in this Prospectus Supplement.

INVESTING IN OUR COMMON STOCK INVOLVES RISK. SEE RISK FACTORS BEGINNING ON PAGE 9 OF THE PROSPECTUS.

This Prospectus Supplement is filed for the purpose of including in the Prospectus the information contained in the attached quarterly report on Form 10-Q for the period ending September 30, 2014, which was filed with the Securities and Exchange Commission on November 13, 2014.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this Prospectus Supplement (or the Prospectus, including any supplements or amendments thereto). Any representation to the contrary is a criminal offense.

The date of this Prospectus Supplement is November 13, 2013.

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2014

OR

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

For the transition period from __________ to __________

Commission file number 001-36586

FCB FINANCIAL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**001-36586**	**27-0775699**
(State or other jurisdiction of incorporation)	**(Commission file number)**	**(IRS Employer Identification Number)**

2500 Weston Road, Suite 300

Weston, Florida 33331

(Address of principal executive offices)

(954) 984-3313

(Registrant s telephone number, including area code)

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

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

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x	Smaller reporting company ¨

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

As of October 31, 2014, there were 35,395,225 shares of Class A Common Stock and 7,133,917 shares of Class B Non-voting Common Stock outstanding.

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FCB FINANCIAL HOLDINGS, INC.

FORM 10-Q

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FCB FINANCIAL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Dollars in thousands, except share and per share data)

	September 30, 2014	December 31, 2013
Assets:		
Cash and due from banks	$ 28,288	$ 28,819
Interest-earning deposits in other banks	112,342	210,398
Investment securities:		
Held to maturity securities (fair value of $0 and $364, respectively)		365
Available for sale securities, at fair value	1,771,321	1,145,771
Federal Home Loan Bank and other bank stock, at cost	71,217	36,187
Total investment securities	1,842,538	1,182,323
Loans held for sale	108	
Loans:		
New loans	2,686,043	1,770,711
Acquired loans ($286,416 and $359,255 covered by FDIC loss share, respectively)	873,761	488,073
Allowance for loan losses	(20,440)	(14,733)
Loans, net	3,539,364	2,244,051
FDIC loss share indemnification asset	69,920	87,229
Due from Federal Deposit Insurance Corporation (FDIC)	104	3,659
Premises and equipment, net	42,226	40,992
Other real estate owned ($26,312 and $27,299 of foreclosed property covered by FDIC loss share, respectively)	78,512	34,682
Goodwill and other intangible assets	89,040	39,369
Deferred tax assets, net (including valuation allowance of $9,151 and $0, respectively)	41,257	5,828
Bank-owned life insurance	138,264	75,257
Other assets	72,981	20,763
Total assets	$ 6,054,944	$ 3,973,370
Liabilities and Stockholders Equity		
Liabilities:		
Deposits:		
Transaction accounts:		

Noninterest bearing	$	525,152	$	291,658
Interest bearing		2,221,250		1,336,679
Total transaction accounts		2,746,402		1,628,337
Time deposits		1,244,958		1,165,196
Total deposits		3,991,360		2,793,533
Borrowings (including FHLB advances of $1,079,870 and $431,013, respectively)		1,164,404		435,866
Investment securities purchased not yet settled		6,283		
Other liabilities		57,170		27,857
Total liabilities		5,219,217		3,257,256
Commitments and contingencies (Note 16)				
Stockholders Equity:				
Class A common stock, par value $0.001 per share; 100 million shares authorized; 35,395,225, 28,992,314 issued and 34,467,913, 28,065,002 outstanding		36		29
Class B common stock, par value $0.001 per share; 50 million shares authorized; 7,133,917, 8,019,284 issued and 6,941,785, 7,827,152 outstanding		7		8
Additional paid-in capital		833,478		723,631
Retained earnings		22,044		12,772
Accumulated other comprehensive income (loss)		(1,087)		(1,575)
Treasury stock, at cost; 1,119,444 Class A and 192,132 Class B common shares		(18,751)		(18,751)
Total stockholders equity		835,727		716,114
Total liabilities and stockholders equity	$	6,054,944	$	3,973,370

The accompanying notes are an integral part of these consolidated financial statements

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FCB FINANCIAL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Dollars in thousands, except share and per share data)

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Interest income:				
Interest and fees on loans	$ 42,085	$ 26,232	$ 114,770	$ 78,047
Interest and dividends on investment securities	11,530	9,184	32,094	27,909
Other interest income	37	104	158	175
Total interest income	53,652	35,520	147,022	106,131
Interest expense:				
Interest on deposits	6,124	4,886	17,266	13,842
Interest on borrowings	1,633	1,051	4,363	3,147
Total interest expense	7,757	5,937	21,629	16,989
Net interest income	45,895	29,583	125,393	89,142
Provision for loan losses	2,805	(631)	7,131	938
Net interest income after provision for loan losses	43,090	30,214	118,262	88,204
Noninterest income:				
Service charges and fees	738	610	2,183	1,681
Loan and other fees	1,238	1,356	4,523	3,498
Bank-owned life insurance income	1,151		3,007	
FDIC loss share indemnification loss	(5,862)	(5,010)	(16,101)	(13,528)
Income from resolution of acquired assets	1,109	1,268	3,838	7,183
Gain (loss) on sales of other real estate owned	(128)	73	(56)	1,073
Gain on investment securities	2,785	2,106	9,728	5,202
Other noninterest income	1,319	600	4,466	2,238
Total noninterest income	2,350	1,003	11,588	7,347
Noninterest expense:				
Salaries and employee benefits	28,525	10,625	58,356	33,982
Occupancy and equipment expenses	3,606	2,412	10,816	7,424

Other real estate and acquired assets resolution related expenses	3,203	4,524	10,302	16,309
Professional services	1,203	1,278	4,387	4,782
Data processing and network	2,538	1,944	8,105	5,383
Regulatory assessments and insurance	2,466	1,403	6,160	3,969
Amortization of intangibles	426	367	1,285	1,159
Other operating expenses	6,992	1,707	14,758	5,234
Total noninterest expense	48,959	24,260	114,169	78,242
Income (loss) before income tax provision expense (benefit)	(3,519)	6,957	15,681	17,309
Income tax provision (benefit)	(97)	2,486	6,409	6,063
Net income (loss)	$ (3,422)	$ 4,471	$ 9,272	$ 11,246
Earnings (loss) per share:				
Basic	$ (0.09)	$ 0.12	$ 0.25	$ 0.30
Diluted	$ (0.09)	$ 0.12	$ 0.25	$ 0.30
Weighted average shares outstanding:				
Basic	38,952,127	37,011,598	36,923,354	37,011,598
Diluted	38,952,127	37,019,163	37,094,590	37,018,494

The accompanying notes are an integral part of these consolidated financial statements

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FCB FINANCIAL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
Net income (loss)	$ (3,422)	$ 4,471	$ 9,272	$ 11,246
Other comprehensive income (loss):				
Unrealized net holding gains (losses) on investment securities available for sale, net of taxes of $5,001, $2,863, $245 and $5,972, respectively	(7,961)	(4,556)	(391)	(9,508)
Reclassification adjustment for (gains) losses on investment securities available for sale included in net income, net of taxes of $818, $726, $(552) and $1,749, respectively	(1,303)	(1,157)	879	(2,785)
Total other comprehensive income (loss)	(9,264)	(5,713)	488	(12,293)
Total comprehensive income (loss)	$ (12,686)	$ (1,242)	$ 9,760	$ (1,047)

The accompanying notes are an integral part of these consolidated financial statements

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FCB FINANCIAL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(Unaudited)

Nine Months Ended September 30, 2014 and 2013

(Dollars in thousands, except for share data)

	Common Stock Shares Outstanding		Common Stock Issued		Additional Paid in	Retained Earnings	Treasury	Accumulated Other Comprehensive Income	Total Stockholders
	Class A	Class B	Class A	Class B	Capital	(Deficit)	Stock	(Loss)	Equity
Balance as of January 1, 2013	28,992,314	8,019,284	$ 29	$ 8	$ 720,996	$ (4,399)	$	$ 11,540	$ 728,174
Net income						11,246			11,246
Stock-based compensation, RSU and warrant expense					2,126				2,126
Other comprehensive income (loss)								(12,293)	(12,293)
Balance as of September 30, 2013	28,992,314	8,019,284	$ 29	$ 8	$ 723,122	$ 6,847	$	$ (753)	$ 729,253
Balance as of January 1, 2014	28,065,002	7,827,152	$ 29	$ 8	$ 723,631	$ 12,772	$ (18,751)	$ (1,575)	$ 716,114
Net income						9,272			9,272
Shares issued in offering, net	5,274,045		6		104,469				104,475
Settlement of RSU shares	243,499				(5,688)				(5,688)
Deferred placement fee					(10,000)				(10,000)
Minority interest					495				495
Exchange of B shares to A shares	885,367	(885,367)	1	(1)					
Stock-based compensation, RSU and					20,571				20,571

warrant expense									
Other comprehensive income (loss)								488	488
Balance as of September 30, 2014	34,467,913	6,941,785	$ 36	$ 7	$ 833,478	$ 22,044	$ (18,751)	$ (1,087)	$ 835,727

The accompanying notes are an integral part of these consolidated financial statements

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FCB FINANCIAL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in thousands)

	Nine Months Ended September 30,	
	2014	2013
Cash Flows From Operating Activities:		
Net income	$ 9,272	$ 11,246
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	7,131	938
Amortization of intangible assets	1,285	1,159
Depreciation of premises and equipment	2,917	2,118
Accretion of discount on loans	(25,659)	(23,959)
Net amortization (accretion) of premium (discount) on investment securities	1,777	1,917
Net amortization (accretion) of premium (discount) on time deposits	(1,358)	(206)
Net amortization (accretion) on FHLB advances and other borrowings	(870)	1,000
Impairment of other real estate owned	1,690	3,351
FDIC Loss share indemnification loss	16,101	13,528
Gain on investment securities	(9,728)	(5,202)
Gain on sale of loans	(611)	(404)
Gain (loss) on sale of other real estate owned	56	(1,073)
Loss on sale of premises and equipment	21	30
Stock-based compensation expense	20,571	2,126
Increase in cash surrender value of BOLI	(3,007)	
Net change in operating assets and liabilities:		
Net change in loans held for sale	(50)	51
Net change in other assets	(45,592)	(33,297)
Net change in other liabilities	28,244	10,306
Net cash provided by (used in) operating activities	2,190	(16,371)
Cash Flows From Investing Activities:		
Purchase of investment securities available for sale	(1,172,833)	(865,156)
Sales of investment securities available for sale	673,229	530,764
Paydown and maturities of investment securities held to maturity	372	200
Paydown and maturities of investment securities available for sale	160,434	405,277
Purchase of FHLB and other bank stock	(59,175)	(4,786)
Sales of FHLB and other bank stock	24,144	5,060
Net cash paid in acquisition	(14,073)	
Collection from FDIC on loss share indemnification asset	6,566	28,418
Net change in loans	(534,675)	(498,198)

Purchase of loans	(234,473)	(29,628)
Proceeds from sale of loans	23,329	30,490
Purchase of bank-owned life insurance	(60,000)	
Proceeds from sale of other real estate owned	27,225	32,179
Purchase of premises and equipment	(1,603)	(956)
Proceeds from the sale of premises and equipment	22	88
Net cash provided by (used in) investing activities	(1,161,511)	(366,248)
Cash Flows From Financing Activities:		
Net change in deposits	335,209	362,372
Net change in FHLB advances and other borrowings	637,811	18,152
Net change in repurchase agreements	(1,073)	1,139
Proceeds from capital raise	104,475	
Deferred placement fee	(10,000)	
Settlement of RSU shares	(5,688)	
Net cash provided by (used in) financing activities	1,060,734	381,663
Net Change in Cash and Cash Equivalents	(98,587)	(956)
Cash and Cash Equivalents at Beginning of Period	239,217	96,220
Cash and Cash Equivalents at End of Period	$ 140,630	$ 95,264
Supplemental Disclosures of Cash Flow Information:		
Interest paid	$ 21,030	$ 15,994
Income taxes paid	9,932	5,204
Supplemental disclosure of noncash investing and financing activities:		
Transfer of loans to other real estate owned	$ 17,716	$ 23,288
Fair value of assets acquired	957,324	
Goodwill recorded	47,355	
Liabilities assumed	962,194	

The accompanying notes are an integral part of these consolidated financial statements

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NOTE 1. BASIS OF PRESENTATION

General

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission (the SEC). Accordingly, they do not include all information and notes to the consolidated financial statements necessary for a complete presentation of financial position, results of operations, comprehensive income and cash flows in conformity with U.S. generally accepted accounting principles (U.S. GAAP) and should be read in conjunction with the Company s consolidated financial statements and the notes thereto appearing in FCB Financial Holdings, Inc. s (the Company or FCB) prospectus filed pursuant to Rule 424(b) under the Securities Act (File No. 333-196935) on August 4, 2014 forming part of the Registrant s Registration Statement on Form S-1, as amended (File No. 333-196935), originally filed on June 20, 2014 (the Prospectus). In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year or for any other interim period.

Nature of Operations

FCB, formerly known as Bond Street Holdings, Inc., is a national bank holding company with one wholly-owned national bank subsidiary, Florida Community Bank, National Association (Florida Community Bank or the Bank), headquartered in Weston, Florida, and provides a full range of banking and related services to individual and corporate customers through 54 banking centers located in Florida at September 30, 2014.

On June 13, 2014, Bond Street Holdings, Inc. changed its legal name to FCB Financial Holdings, Inc.

On July 31, 2014, the Securities and Exchange Commission declared effective the Company s registration statement on Form S-1 registering the shares of the Company s Class A common stock. The Class A common stock was authorized for trading on the New York Stock Exchange (NYSE) under the symbol FCB. On August 6, 2014, the Company completed the initial public offering of 7,520,000 shares of Class A common stock for $22.00 per share. Of the 7,520,000 shares sold, 4,554,045 shares were sold by the Company and 2,965,955 shares were sold by certain selling shareholders. In addition, on September 3, 2014, the Company sold an additional 720,000 shares of Class A common stock to cover the exercise of the underwriters over-allotment option. The Company received net proceeds of approximately $104.5 million from the offering, after deducting the underwriting discounts and commissions of $8.1 million and estimated offering expenses of $3.4 million. The Company did not receive any proceeds from the sale of shares by the selling shareholders.

On November 7, 2014, FCB Financial Holdings, Inc. filed a registration statement on Form S-1/A registering the resale by the selling stockholders named therein of (i) up to 20,667,727 issued and outstanding shares of the registrant s Class A Common Stock, par value $0.001 per share (the Class A Common Stock), (ii) up to 5,236,234 issued and outstanding shares of the registrant s Class A Common Stock issuable upon conversion or exchange of currently issued and outstanding shares of the issuer s Class B Common Stock, par value $0.001 per share (the Class B Common Stock), (iii) up to 3,310,428 shares of Class A Common Stock issuable upon the exercise of certain currently outstanding warrants, and (iv) up to an aggregate of 243,499 shares of the registrant s Class A Common Stock issued pursuant to certain restricted stock unit awards. Pursuant to Rule 416 under the Securities Act of 1933, as amended, this registration statement shall also cover any additional shares of the registrant s common stock that shall become issuable by reason of any stock dividend, stock split, recapitalization or other similar transaction effected without the receipt of consideration that results in an increase in the number of the outstanding shares of the registrant s common

stock. FCB Financial Holdings, Inc. is not selling any shares of common stock and will not receive any proceeds from the sale of the shares by the selling stockholders.

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Reclassifications

In certain instances, amounts reported in prior periods consolidated financial statements have been reclassified to conform to the current period presentation. Such reclassifications had no effect on previously reported cash flows, stockholders equity or net income.

Use of Estimates

The preparation of financial statements in conformity with U.S GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Material estimates that are susceptible to significant change in the near term are the allowance for credit losses, valuation of and accounting for loans covered by loss sharing arrangements with the FDIC and the related loss share receivable, valuation of and accounting for acquired loans, determination of fair value of financial instruments, valuation of goodwill, intangible assets and other purchase accounting adjustments.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recent Accounting Pronouncements

In January 2014, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) No. 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. This update defines in substance repossession or foreclosure because the diversity in practice regarding when entities were reclassifying loans receivable to other real estate owned. A creditor is considered to have received physical possession (resulting from an in substance repossession or foreclosure) of residential real estate property collateralizing a consumer mortgage loan only upon the occurrence of either of the following:

- The creditor obtains legal title to the residential real estate property upon completion of a foreclosure. A creditor may obtain legal title to the residential real estate property even if the borrower has redemption rights that provide the borrower with a legal right for a period of time after a foreclosure to reclaim the real estate property by paying certain amounts specified by law.

- The borrower conveys all interest in the residential real estate property to the creditor to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. The deed in lieu of foreclosure or similar legal agreement is completed when agreed-upon terms and conditions have been satisfied by both the borrower and the creditor.

The Company is required to adopt this update for annual periods beginning after December 15, 2014, and interim and annual periods thereafter. The update may result in revised disclosures in the Company s consolidated financial statements but will not have an impact on the Company s consolidated financial position, results of operations or cash flows.

In April 2014, the FASB issued ASU No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity . The amendments in this update change the definition of a discontinued operation and, thus, limit the circumstances under which a disposal may be reported as a discontinued operation. Under the amendments, a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations

if the disposal represents a strategic shift that has, or will have, a major effect on an entity s operations and financial results. This ASU is effective for all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The adoption of this ASU is not expected to have a material impact on the Company s consolidated financial position, results of operations or cash flows.

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In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) , which will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific revenue recognition guidance throughout the Accounting Standards Codification. The amendments in this update affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets unless those contracts, including leases and insurance contracts, are within the scope of other standards. The amendments establish a core principle requiring the recognition of revenue to depict the transfer of promised goods or services to customers in an amount reflecting the consideration to which the entity expects to be entitled in exchange for such goods or services. The amendments also require expanded disclosures concerning the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. For public entities, the amendments in this update are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, and can be applied retrospectively. Early application is not permitted. The Company is currently evaluating this guidance to determine the impact on its consolidated financial position, results of operations or cash flows.

In June 2014, the FASB issued ASU No. 2014-11, Transfers and Servicing (topic 860) Repurchase-to- Maturity Transactions, Repurchase Financing, and Disclosures . This update changes the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements. The amendments also require two new disclosures. The first disclosure requires an entity to disclose information on transfers accounted for as sales in transactions that are economically similar to repurchase agreements. The second disclosure provides increased transparency about the types of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. The disclosure for certain transactions accounted for as a sale is required to be presented for interim and annual periods beginning after December 15, 2014, and the disclosure for repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions accounted for as secured borrowings is required to be presented for annual periods beginning after December 15, 2014, and interim periods beginning after December 15, 2015. The adoption of this ASU is not expected to have a material impact on the Company s consolidated financial position, results of operations or cash flows.

In June 2014, the FASB issued ASU No. 2014-12, Compensation- Stock Compensation (Topic 718) Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period . This update provides specific guidance on whether to treat a performance target that could be achieved after the requisite service period as a performance condition that affects vesting or as a nonvesting condition that affects the grant-date fair value of an award. This ASU is effective for fiscal years and interim periods beginning after December 15, 2015. The adoption of this ASU is not expected to have a material impact on the Company s consolidated financial position, results of operations or cash flows.

In August 2014, the FASB issued ASU No. 2014-14, Receivables Troubled Debt Restructurings by Creditors (Subtopic 310-40) . This update requires that government guaranteed mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if certain conditions are met. This ASU is effective for interim and annual reporting periods beginning after December 15, 2014. The Company is currently evaluating this guidance to determine the impact on its consolidated financial position, results of operations or cash flows.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements Going Concern (Subtopic 205-40) . This update requires management to evaluate whether there are conditions and events that raise substantial doubt about an entity s ability to continue as a going concern. The guidance is intended to incorporate into GAAP a requirement that management perform a going concern evaluation similar to the auditor s evaluation required by standards issued by the Public Company Accounting Oversight Board (PCAOB) and American Institute of Certified Public Accountants (AICPA). The guidance is effective for all entities for annual periods ending after December 15,

2016 and for annual and interim periods thereafter. Early application is permitted. The Company believes that this ASU will not have a material impact upon adoption.

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Updates to Significant Accounting Policies

Loans Held for Sale

Certain residential fixed rate and adjustable rate mortgage loans originated by the Company with the intent to sell in the secondary market are carried at the lower of cost or fair value, as determined by outstanding commitments from investors. These loans are generally sold on a non-recourse basis with servicing released. Gains and losses on the sale of loans recognized in earnings are measured based on the difference between proceeds received and the carrying amount of the loans, inclusive of deferred origination fees and costs, if any.

NOTE 3. BUSINESS ACQUISITIONS

On January 31, 2014, the Bank acquired all the outstanding common stock in Great Florida Bank (GFB or Great Florida). GFB had total assets of $957.3 million and total liabilities of $962.2 million at fair value as of January 31, 2014. Holders of GFB common stock received $3.24 per share in cash for each common share owned resulting in total cash purchase price of $42.5 million. At the time of acquisition, GFB had 25 banking locations within Southeast Florida and the Miami metropolitan area. The Company contributed capital of $125 million to the Bank at the time of the GFB acquisition.

The Company determined that the acquisition of Great Florida Bank constitutes a business combination as defined by the FASB ASC topic 805, Business Combinations . Accordingly, the assets acquired and liabilities assumed were recorded at their fair values on the date of acquisition. Fair values were determined in accordance with the guidance provided in FASB ASC Topic 820, Fair Value Measurements . In many cases the determination of the fair values required management to make estimates about discount rates, future expected cash flows, market conditions and other future events that are highly subjective in nature and subject to change. The Company utilized the assistance of third-party advisors in the determination of fair values for loans, other real estate owned and deferred tax assets acquired.

The following table presents a summary of the assets acquired and liabilities assumed in the Great Florida Bank acquisition recorded at fair value.

	(Dollars in thousands)	
Consideration paid:		
Cash	$	42,485
Fair value of assets acquired:		
Cash and cash equivalents		28,412
Investment securities		277,639
Loans		548,129
Other real estate owned		55,085
Core deposit intangible		3,601
Fixed assets		2,576
Deferred tax asset		35,736
Other assets		6,146
Total identifiable assets acquired		957,324
Fair value of liabilities assumed:		

Deposits		863,976
FHLB advances and other borrowings		92,669
Other liabilities		5,549
Total liabilities assumed		962,194
Fair value of net assets acquired		(4,870)
Goodwill resulting from acquisition	$	47,355

The following is a description of the methods used to determine the fair values of significant assets and liabilities presented above:

Cash and Cash Equivalents:

These assets are carried at amounts that approximate fair value due to their short-term nature and generally negligible credit risk.

Investment Securities:

Fair value measurement is based upon quoted market prices for similar securities in active or inactive markets (Level 2). Federal Home Loan Bank of Atlanta (FHLB) and other bank stock are carried at par, which has historically represented the redemption price and is therefore considered to approximate fair value.

Loans:

Acquired loans are recorded at their fair value at the date of acquisition. Fair value for acquired loans is based on a discounted cash flow methodology that considers factors including the type of loan and related collateral type, delinquency and credit classification status, fixed or variable interest rate, term of loan, whether or not the loan was amortizing, and current discount rates. Additional assumptions used include default rates, loss severity, loss curves and prepayment speeds. Discounts due to credit quality are included in the determination of fair value; therefore an allowance for loan losses is not recorded at the acquisition date. The discount rates used for the cash flow methodology are based on market rates for new originations of comparable loans at the time of acquisition and include adjustments for liquidity concerns. The fair value is determined from the discounted cash flows for each individual loan, and for ASC 310-30 loans are then aggregated at the unit of account, or pool level.

The following is a summary of the acquired loans accounted for under ASC 310-30 as well as those excluded from ASC 310-30, or Non-ASC 310-30 acquired loans, in connection with the acquisition of Great Florida Bank:

	(Dollars in thousands)	
Acquired loans accounted for under ASC 310-30:		
Contractual cash flows	$	426,116
Contractual cash flows not expected to be collected (non-accretable difference)		102,581
Expected cash flows		323,535
Excess of the expected undiscounted cash flows over the carrying value (accretable discount)		40,444
Fair value at acquisition	$	283,091
Acquired loans not accounted for under ASC 310-30 (Non-ASC 310-30 loans):		
Unpaid principal balance	$	275,772
Fair value discount		(10,734)
Fair value at acquisition		265,038
Total fair value at acquisition	$	548,129

The Company acquired loans with a fair value of $265.0 million that are classified as Non-ASC 310-30 loans as these specific loans did not exhibit deteriorated credit quality since origination or were loans to borrowers that had revolving privileges at acquisition date. The acquired Non-ASC 310-30 loans with revolving privileges had a total unpaid principal balance of $71.5 million and a fair value of $60.6 million at acquisition. The acquired Non-ASC 310-30 loans without revolving privileges had a total unpaid principal balance of $204.3 million and a fair value of $204.4 million at acquisition.

Other Real Estate Owned (OREO):

The fair value of acquired OREO is based on the fair value of the property, less estimated cost to sell. Fair value of OREO is typically based on third party real estate appraisals which utilize market and income valuation techniques.

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Deferred Tax Asset:

Deferred tax assets represent acquired loss and credit carryforwards and the net tax-affected differences between the book basis and tax basis of certain assets and liabilities, including investment securities, loans, OREO, fixed assets, core deposit intangible assets, time deposits, FHLB advances and other borrowings. The deferred tax assets are evaluated for certain carryover limitations at the acquisition date, such as Section 382 limitations, and whether it is more likely than not that the benefit from certain net operating loss carryforwards can be realized.

As part of the acquisition of Great Florida Bank, the Bank recorded $35.7 million in deferred tax assets, net of $9.2 million in valuation allowance, at acquisition. Upon acquisition, Great Florida Bank incurred a Section 382 ownership change. As such, the Company s ability to benefit from the use of Great Florida Bank s pre-ownership change net operating loss and tax credit carry forwards, as well as the potential deductibility of certain of its built-in losses, will be limited to approximately $1.5 million per year, putting at risk the utilization of associated deferred tax assets before they expire. The Company estimates that it is more likely than not that the benefit from certain net operating loss carryforwards will not be realized. In recognition of this risk, a valuation allowance of $9.2 million was established against the deferred tax assets associated with Great Florida Bank s pre-ownership change net operating loss carryforwards.

Deposits:

The fair value of demand deposits, savings accounts and money market deposits is the amount payable on demand at the acquisition date. The fair value of fixed-maturity certificates of deposit is estimated using discounted cash flow analysis and using the rates currently offered for deposits of similar remaining maturities.

Advances from the FHLB and Other Borrowings:

The fair value of advances from the FHLB and other borrowings are estimated by discounting the future cash flows using the current rate at which similar borrowings with similar remaining maturities could be obtained.

The Great Florida Bank acquisition resulted in goodwill of $47.4 million as the estimated fair value of liabilities assumed and consideration paid exceeded the estimated fair value of assets acquired. The goodwill is included within Goodwill and other intangible assets in the consolidated balance sheets. None of the goodwill resulting from the Great Florida Bank acquisition is deductible for tax purposes.

The acquisition of Great Florida Bank is expected to benefit the Company through revenue and expense synergies in addition to the further expansion into the Miami metropolitan area. Management believes the Great Florida Bank acquisition will create opportunities through commercial lending and access to core deposits through a larger branch network.

The core deposit intangible is being amortized on straight line basis over the estimated life, currently expected to be 10 years.

For the nine months ended September 30, 2014, the Company incurred $5.0 million of bank acquisition, legal fees, accounting advisory, data conversion, retention payments and severance expenses related to the acquisition of Great Florida Bank which is recorded in noninterest expenses in the consolidated statement of income.

The provisional amounts recorded for the Great Florida Bank acquisition may be updated if better information is obtained about the initial assumptions used to determine fair value amounts or if new information is obtained

regarding the facts and circumstances that existed at the date of acquisition. The provisional amounts may be adjusted through the completion of the measurement period, which does not exceed one year from the date of acquisition.

NOTE 4. INVESTMENT SECURITIES

The amortized cost, gross unrealized gains and losses and approximate fair values of securities available for sale and held to maturity are as follows:

September 30, 2014	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(Dollars in thousands)			
Held to maturity:				
Foreign bonds	$	$	$	$
Available for sale:				
U.S. Government agencies and sponsored enterprises obligations	$ 52,628	$ 60	$ 352	$ 52,336
U.S. Government agencies and sponsored enterprises mortgage-backed securities	510,322	2,372	2,006	$ 510,688
State and municipal obligations	2,040	190		$ 2,230
Asset-backed securities	545,773	2,347	4,360	$ 543,760
Corporate bonds and other debt securities	552,887	3,704	1,411	$ 555,180
Preferred stock and other equity securities	109,441	12	2,326	$ 107,127
Total available for sale	$ 1,773,091	$ 8,685	$ 10,455	$ 1,771,321

December 31, 2013	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(Dollars in thousands)			
Held to maturity:				
Foreign bonds	$ 365	$	$ 1	$ 364
Available for sale:				
U.S. Government agencies and sponsored enterprises obligations	$ 51,553	$ 58	$ 456	$ 51,155
U.S. Government agencies and sponsored enterprises mortgage-backed securities	243,062	1,071	2,495	241,638
State and municipal obligations	2,039	85		2,124
Asset-backed securities	385,979	3,267	1,281	387,965
Corporate bonds and other debt securities	375,373	4,453	601	379,225
Preferred stock and other equity securities	90,330	205	6,871	83,664
Total available for sale	$ 1,148,336	$ 9,139	$ 11,704	$ 1,145,771

As part of the Company s liquidity management strategy, the Company pledges loans and securities to secure borrowings from the FHLB. The Company also pledges securities to collateralize public deposits. The carrying value of all pledged securities totaled $870.3 million and $437.4 million at September 30, 2014 and December 31, 2013,

respectively.

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The amortized cost and estimated fair value of securities available for sale and held to maturity, by contractual maturity, are as follows:

	September 30, 2014		December 31, 2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
Held to maturity:				
Due in one year or less	$	$	$ 365	$ 364
Total held to maturity	$	$	$ 365	$ 364
Available for sale:				
Due in one year or less	$ 23,796	$ 23,966	$ 10,085	$ 10,212
Due after one year through five years	358,602	360,261	305,317	309,064
Due after five years through ten years	119,990	119,962	10,735	10,665
Due after ten years	105,167	105,557	51,913	52,044
U.S. Government agencies and sponsored enterprises mortgage-backed securities and asset-backed securities	1,056,095	1,054,448	679,956	680,122
Preferred stock and other equity securities	109,441	107,127	90,330	83,664
Total available for sale	$ 1,773,091	$ 1,771,321	$ 1,148,336	$ 1,145,771

For purposes of the maturity table, mortgage-backed securities and asset-backed securities, the principal of which are repaid periodically, are presented as a single amount. The expected lives of these securities will differ from contractual maturities because borrowers may have the right to prepay the underlying loans with or without prepayment penalties.

The following tables present the estimated fair values and gross unrealized losses on investment securities available for sale, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position for the periods presented:

September 30, 2014	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(Dollars in thousands)					
Available for sale:						
U.S. Government agencies and sponsored enterprises obligations	$ 26,853	$ 124	$ 17,983	$ 228	$ 44,836	$ 352
U.S. Government agencies and sponsored enterprises mortgage-backed securities	170,423	651	53,442	1,355	223,865	2,006
State and municipal obligations						

Asset-backed securities	369,793	3,719	27,109	641	396,902	4,360
Corporate bonds and other debt securities	152,990	1,411			152,990	1,411
Preferred stock and other equity securities	76,174	1,336	25,714	990	101,888	2,326
Total available for sale	$ 796,233	$ 7,241	$ 124,248	$ 3,214	$ 920,481	$ 10,455

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December 31, 2013	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
			(Dollars in thousands)			
Available for sale:						
U.S. Government agencies and sponsored enterprises obligations	$ 41,276	$ 456	$	$	$ 41,276	$ 456
U.S. Government agencies and sponsored enterprises mortgage-backed securities	141,304	2,494	636	1	141,940	2,495
State and municipal obligations						
Asset-backed securities	161,879	1,233	11,949	48	173,828	1,281
Corporate bonds and other debt securities	58,596	601			58,596	601
Preferred stock and other equity securities	65,061	6,871			65,061	6,871
Total available for sale	$ 468,116	$ 11,655	$ 12,585	$ 49	$ 480,701	$ 11,704

At September 30, 2014, the Company s security portfolio consisted of 322 securities, of which 150 securities were in an unrealized loss position. A total of 121 were in an unrealized loss position for less than 12 months. The unrealized losses for these securities resulted primarily from changes in interest rates. All securities available for sale at September 30, 2014 and December 31, 2013 are investment grade based on ratings from recognized rating agencies.

The Company monitors its investment securities for other than temporary impairment (OTTI). Impairment is evaluated on an individual security basis considering numerous factors, and its relative significance varies depending on the situation. The Company has evaluated the nature of unrealized losses in the investment securities portfolio to determine if OTTI exists. The unrealized losses relate to changes in market interest rates and specific market conditions that do not represent credit-related impairments. Furthermore, the Company does not intend to sell nor is it more likely than not that it will be required to sell these investments before the recovery of their amortized cost basis. Management has completed an assessment of each security in an unrealized loss position for credit impairment, including securities with existing characteristics that are covered under the Volcker Rule, and has determined that no individual security was other than temporarily impaired at September 30, 2014 or December 31, 2013. The following describes the basis under which the Company has evaluated OTTI:

U.S. Government Agencies and Sponsored Enterprises Obligations and Mortgage-Backed Securities (MBS):

The unrealized losses associated with U.S. Government agencies and sponsored enterprises obligations and MBS are primarily driven by changes in interest rates. These securities have either an explicit or implicit U.S. government guarantee.

Corporate Bonds and Asset Backed Securities:

Securities were generally underwritten in accordance with the Company s own investment standards prior to the decision to purchase, without relying on a bond issuer s guarantee in making the investment decision. These investments are investment grade and will continue to be monitored as part of the Company s ongoing impairment analysis, but are expected to perform in accordance with their terms.

Preferred Stock and Other Equity Securities:

The unrealized losses associated with preferred stock and other equity investments in large U.S. financial institutions are primarily driven by changes in interest rates. These securities were generally underwritten in accordance with the Company s own investment standards prior to the decision to purchase. These investments are investment grade and will continue to be monitored as part of the Company s ongoing impairment analysis, but are expected to perform in accordance with their terms.

Gross realized gains and losses on the sale of securities available for sale are shown below. The cost of securities sold is based on the specific identification method.

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
	(Dollars in thousands)			
Proceeds from sales	$ 204,211	$ 226,494	$ 697,373	$ 535,824
Gross realized gains	$ 3,057	$ 2,023	$ 10,954	$ 4,589
Gross realized losses	(272)	$ (189)	(1,284)	$ (281)
Net realized gains (losses)	$ 2,785	$ 1,834	$ 9,670	$ 4,308

NOTE 5. LOANS, NET

The Company s loan portfolio consists of new and acquired loans. The Company classifies originated loans and purchased loans not acquired through business combinations as new loans (New loans). The Company classifies loans acquired through business combinations as acquired loans (Acquired loans). The acquired loan portfolio is segmented into Covered Loans , loans subject to loss sharing with the FDIC, and Non-Covered Loans , acquired loans without loss share reimbursement. Additionally, the new loan portfolio is classified as Non-Covered Loans . A portion of the acquired loan portfolio, both Covered and Non-Covered Loans, exhibited evidence of deterioration in credit quality since origination, and are accounted for under ASC 310-30. The remaining portfolio of acquired loans consists of loans that were not considered ASC 310-30 loans at acquisition and are classified as Non-ASC 310-30 loans. Approximately 8.0% and 15.9% of total portfolio loans are covered by loss sharing agreements with the FDIC as of September 30, 2014 and December 31, 2013, respectively.

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The following tables summarize the Company s loans by portfolio segment as of the periods presented, net of deferred fees:

	Covered Loans		Non-Covered Loans			
September 30, 2014	ASC 310-30 Loans	Non-ASC 310-30 Loans	ASC 310-30 Loans	Non-ASC 310-30 Loans	New Loans (1)	Total
			(Dollars in thousands)			
Real estate loans:						
Commercial real estate (2)	$ 162,547	$ 8,979	$ 202,206	$ 76,495	$ 983,475	$ 1,433,702
1-4 single family residential	35,498	7,040	55,254	98,521	734,608	930,921
Construction, land and development	20,641		50,412	9,744	160,899	241,696
Home equity loans and lines of credit		11,056		45,114	12,774	68,944
Total real estate loans	$ 218,686	$ 27,075	$ 307,872	$ 229,874	$ 1,891,756	$ 2,675,263
Other loans:						
Commercial and industrial	$ 36,218	$ 3,790	$ 36,730	$ 9,771	$ 791,843	$ 878,352
Consumer	559	88	2,377	721	2,444	6,189
Total other loans	36,777	3,878	39,107	10,492	794,287	884,541
Total loans held in portfolio	$ 255,463	$ 30,953	$ 346,979	$ 240,366	$ 2,686,043	$ 3,559,804
Allowance for loan losses						(20,440)
Loans held in portfolio, net						$ 3,539,364

	Covered Loans		Non-Covered Loans			
December 31, 2013	ASC 310-30 Loans	Non-ASC 310-30 Loans	ASC 310-30 Loans	Non-ASC 310-30 Loans	New Loans (1)	Total
			(Dollars in thousands)			
Real estate loans:						
Commercial real estate (2)	$ 195,672	$ 10,175	$ 78,475	$ 2,530	$ 669,711	$ 956,563
1-4 single family residential	46,461	8,029	10,284	2,145	359,818	426,737
Construction, land and development	36,727		19,209		75,666	131,602
Home equity loans and lines of credit		10,773		1,225	19,303	31,301
Total real estate loans	$ 278,860	$ 28,977	$ 107,968	$ 5,900	$ 1,124,498	$ 1,546,203
Other loans:						
Commercial and industrial	$ 46,184	$ 4,286	$ 10,863	$ 754	$ 645,037	$ 707,124

Consumer	902	46	3,090	243	1,176	5,457
Total other loans	47,086	4,332	13,953	997	646,213	712,581
Total loans held in portfolio	$ 325,946	$ 33,309	$ 121,921	$ 6,897	$ 1,770,711	$ 2,258,784
Allowance for loan losses						(14,733)
Loans held in portfolio, net						$ 2,244,051

(1) Balance includes $6.0 million and $6.4 million of net deferred fees and unamortized premium as of September 30, 2014 and December 31, 2013, respectively.
(2) Balance new loans includes $261.5 million and $155.0 million of owner occupied commercial real estate loans as of September 30, 2014 and December 31, 2013, respectively.

At September 30, 2014 and December 31, 2013, the unpaid principal balance (UPB) of ASC 310-30 loans were $797.8 million and $628.5 million, respectively. At September 30, 2014 and December 31, 2013, the Company had pledged loans as collateral for FHLB advances with a carrying amount of $1.35 billion and $741.9 million, respectively. The recorded investments of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process as of September 30, 2014 totaled $11.1 million. The Company held $478.8 million and $481.0 million of syndicated national loans as of September 30, 2014 and December 31, 2013, respectively.

During the three and nine months ended September 30, 2014, the Company purchased approximately $156.6 and $227.8 million, respectively, in residential mortgage loans from third parties. During the three and nine months ended September 30, 2013, the Company purchased approximately $29.0 million in residential mortgage loans from a third party.

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During the three months ended September 30, 2014, the Company did not have any residential mortgage loans sold to third parties. During the nine months ended September 30, 2014, the Company sold approximately $23.0 million in residential mortgage loans to a third party. There were no residential mortgage loan sales during the three or nine months ended September 30, 2013.

The accretable discount on ASC 310-30 loans represents the amount by which the undiscounted expected cash flows on such loans exceed their carrying value. The increase in expected cash flow for certain ASC 310-30 loan pools resulted in the reclassification of $19.5 million and $33.7 million in non-accretable difference to accretable discount during the nine months ended September 30, 2014 and 2013, respectively. Changes in accretable discount for ASC 310-30 loans for the nine months ended September 30, 2014 and 2013 were as follows:

	Nine Months Ended September 30,	
	2014	2013
	(Dollars in thousands)	
Balance at January 1,	$ 148,501	$ 175,873
Additions to accretable discount from GFB acquisition	40,444	
Accretion	(46,956)	(47,025)
Reclassifications from non-accretable difference	19,543	33,657
Balance at September 30,	$ 161,532	$ 162,505

NOTE 6. ALLOWANCE FOR LOAN LOSSES (ALL)

The ALL reflects management s estimate of probable credit losses inherent in the loan portfolio. The computation of the ALL includes elements of judgment and high levels of subjectivity. Substantially all of the Company s loans that were acquired in failed bank acquisitions were acquired at a substantial discount to their original book value and are covered by loss sharing agreements with the FDIC.

The Company s accounting method for loans and the corresponding ALL differs depending on whether the loans are new or acquired. The Company therefore assesses and monitors credit risk and portfolio performance using distinct methodologies for acquired loans, both ASC 310-30 Loans and Non-ASC 310-30 Loans, and New loans. Within each class the Company further disaggregates the portfolios into the following segments: Commercial real estate, 1-4 single family residential, Construction, land and development, Home equity loans and lines of credit, Commercial and industrial and Consumer.

Changes in the ALL by loan class and portfolio segment for the three and nine months ended September 30, 2014 and 2013 are as follows:

	Commercial Real Estate	1- 4 Single Family Residential	Construction, Land and Development	Home Equity Loans and Lines of Credit	Commercial and Industrial	Consumer	Total
	(Dollars in thousands)						
Balance at July 1, 2014	$ 7,160	$ 2,426	$ 1,935	$ 113	$ 5,924	$ 326	$ 17,884
Provision (credit) for ASC 310-30 loans	785		(1)		(290)	(9)	485
Provision (credit) for non-ASC 310-30 loans	125	144	29	264	15	1	578
Provision (credit) for New loans	311	1,015	137	7	273	(1)	1,742
Total provision	1,221	1,159	165	271	(2)	(9)	2,805
Charge-offs for ASC 310-30 loans			1		(93)	(10)	(102)
Charge-offs for non-ASC 310-30 loans				(173)			(173)
Charge-offs for New loans							
Total charge-offs			1	(173)	(93)	(10)	(275)
Recoveries for ASC 310-30 loans	24					1	25
Recoveries for non-ASC 310-30 loans							
Recoveries for New loans					1		1
Total recoveries	24				1	1	26
Ending ALL balance							
ASC 310-30 loans	3,692	207	660		976	280	5,815
Non-ASC 310-30 loans	140	151	29	123	21	4	468
New loans	4,573	3,227	1,412	88	4,833	24	14,157
Balance at September 30, 2014	$ 8,405	$ 3,585	$ 2,101	$ 211	$ 5,830	$ 308	$ 20,440

	Commercial Real Estate	1- 4 Single Family Residential	Construction, Land and Development	Home Equity Loans and Lines of Credit	Commercial and Industrial	Consumer	Total
	(Dollars in thousands)						
Balance at July 1, 2013	$ 5,591	$ 1,125	$ 3,179	$ 50	$ 5,512	$ 299	$ 15,756
Provision (credit) for ASC 310-30 loans	(841)	(445)	728		(574)	43	(1,089)
Provision (credit) for non-ASC 310-30 loans	(3)	(2)	(1)	93	2		89
Provision (credit) for New loans	83	267	(236)	69	189	(3)	369
Total provision	(761)	(180)	491	162	(383)	40	(631)
Charge-offs for ASC 310-30 loans	(335)	(140)	(1,506)		(122)	(89)	(2,192)
Charge-offs for non-ASC 310-30 loans				(99)	(3)		(102)
Charge-offs for New loans			(51)				(51)
Total charge-offs	(335)	(140)	(1,557)	(99)	(125)	(89)	(2,345)
Recoveries for ASC 310-30 loans	159	15	126				300
Recoveries for non-ASC 310-30 loans							
Recoveries for New loans							
Total recoveries	159	15	126				300
Ending ALL balance							
ASC 310-30 loans	3,146	25	1,515		2,370	233	7,289
Non-ASC 310-30 loans	11	9		32	7	4	63
New loans	1,497	786	724	81	2,627	13	5,728
Balance at September 30, 2013	$ 4,654	$ 820	$ 2,239	$ 113	$ 5,004	$ 250	$ 13,080

	Commercial Real Estate	1- 4 Single Family Residential	Construction, Land and Development	Home Equity Loans and Lines of Credit	Commercial and Industrial	Consumer	Total
				(Dollars in thousands)			
Balance at January 1, 2014	$ 4,834	$ 1,443	$ 1,819	$ 132	$ 6,331	$ 174	$ 14,733
Provision (credit) for ASC 310-30 loans	976	152	132		(1,161)	223	322
Provision (credit) for non-ASC 310-30 loans	130	99	29	393	(94)	33	590
Provision (credit) for New loans	2,424	1,921	578	(38)	1,327	7	6,219
Total provision	3,530	2,172	739	355	72	263	7,131
Charge-offs for ASC 310-30 loans	(74)	(30)	(1,244)		(203)	(101)	(1,652)
Charge-offs for non-ASC 310-30 loans				(276)	(24)	(29)	(329)
Charge-offs for New loans					(348)		(348)
Total charge-offs	(74)	(30)	(1,244)	(276)	(575)	(130)	(2,329)
Recoveries for ASC 310-30 loans	115		787		1	1	904
Recoveries for non-ASC 310-30 loans							
Recoveries for New loans					1		1
Total recoveries	115		787		2	1	905
Ending ALL balance							
ASC 310-30 loans	3,692	207	660		976	280	5,815
Non-ASC 310-30 loans	140	151	29	123	21	4	468
New loans	4,573	3,227	1,412	88	4,833	24	14,157
Balance at September 30, 2014	$ 8,405	$ 3,585	$ 2,101	$ 211	$ 5,830	$ 308	$ 20,440

	Commercial Real Estate	1- 4 Single Family Residential	Construction, Land and Development	Home Equity Loans and Lines	Commercial and Industrial	Consumer	Total

				of Credit			
				(Dollars in thousands)			
Balance at January 1, 2013	$ 4,107	$ 3,049	$ 5,239	$ 67	$ 6,054	$ 433	$ 18,949
Provision (credit) for ASC 310-30 loans	1,793	(1,598)	1,191		(1,544)	529	371
Provision (credit) for non-ASC 310-30 loans	(9)	(33)	(3)	69	(108)		(84)
Provision (credit) for New loans	(101)	164	(336)	77	892	(45)	651
Total provision	1,683	(1,467)	852	146	(760)	484	938
Charge-offs for ASC 310-30 loans	(1,321)	(829)	(3,886)		(128)	(668)	(6,832)
Charge-offs for non-ASC 310-30 loans				(100)	(162)		(262)
Charge-offs for New loans			(108)				(108)
Total charge-offs	(1,321)	(829)	(3,994)	(100)	(290)	(668)	(7,202)
Recoveries for ASC 310-30 loans	185	67	142			1	395
Recoveries for non-ASC 310-30 loans							
Recoveries for New loans							
Total recoveries	185	67	142			1	395
Ending ALL balance							
ASC 310-30 loans	3,146	25	1,515		2,370	233	7,289
Non-ASC 310-30 loans	11	9		32	7	4	63
New loans	1,497	786	724	81	2,627	13	5,728
Balance at September 30, 2013	$ 4,654	$ 820	$ 2,239	$ 113	$ 5,004	$ 250	$ 13,080

Credit Quality Indicators

In evaluating credit risk, the Company looks at multiple factors including delinquencies. Management considers delinquency status to be the most meaningful indicator of the credit quality of 1-4 single family residential, home equity loans and lines of credit and consumer loans. Delinquency statistics are updated at least monthly.

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The following tables present an aging analysis of the recorded investment for delinquent loans by class and portfolio segment (excluding loans accounted for under ASC 310-30):

	Accruing				
September 30, 2014	**30 to 59 Days Past Due**	**60 to 89 Days Past Due**	**90 Days or More Past Due**	**Non-Accrual**	**Total**
	(Dollars in thousands)				
New Loans:					
Real estate loans:					
Commercial real estate	$ 115	$	$	$	$ 115
1-4 single family residential					
Construction, land and development					
Home equity lines of credit					
Total real estate loans	115				115
Other loans:					
Commercial and industrial					
Consumer					
Total other loans					
Total new loans	$ 115	$	$	$	$ 115
Acquired Loans:					
Real estate loans:					
Commercial real estate	$ 807	$ 354	$	$ 4,855	$ 6,016
1-4 single family residential	465	78		910	1,453
Construction, land and development					
Home equity lines of credit	143	163	156	4,407	4,869
Total real estate loans	1,415	595	156	10,172	12,338
Other loans:					
Commercial and industrial	63			1,555	1,618
Consumer	62				62
Total other loans	125			1,555	1,680
Total acquired loans	$ 1,540	$ 595	$ 156	$ 11,727	$ 14,018

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December 31, 2013	Accruing 30 to 59 Days Past Due	Accruing 60 to 89 Days Past Due	Accruing 90 Days or More Past Due	Non-Accrual	Total
	(Dollars in thousands)				
New Loans:					
Real estate loans:					
Commercial real estate	$	$	$	$	$
1-4 single family residential	4,688	2,164		1,052	7,904
Construction, land and development					
Home equity lines of credit	198				198
Total real estate loans	4,886	2,164		1,052	8,102
Other loans:					
Commercial and industrial				24	24
Consumer					
Total other loans				24	24
Total new loans	$ 4,886	$ 2,164	$	$ 1,076	$ 8,126
Acquired Loans:					
Real estate loans:					
Commercial real estate	$ 145	$	$	$ 5,962	$ 6,107
1-4 single family residential	923			144	1,067
Construction, land and development					
Home equity lines of credit	96	218		1,996	2,310
Total real estate loans	1,164	218		8,102	9,484
Other loans:					
Commercial and industrial	39			275	314
Consumer				29	29
Total other loans	39			304	343
Total acquired loans	$ 1,203	$ 218	$	$ 8,406	$ 9,827

Internal risk ratings are considered the most meaningful indicator of credit quality for Non-ASC 310-30 and new commercial, construction, land and development and commercial real estate loans. Internal risk ratings are updated on a continuous basis. Loans exhibiting potential credit weaknesses that deserve management s close attention and that if left uncorrected may result in deterioration of the repayment capacity of the borrower are categorized as special mention. Loans with well-defined credit weaknesses including payment defaults, declining collateral values, frequent overdrafts, operating losses, increasing balance sheet leverage, inadequate cash flow, project cost overruns, unreasonable construction delays, past due real estate taxes or exhausted interest reserves are assigned an internal risk rating of substandard. A loan with a weakness so severe that collection in full is highly questionable or improbable

will be assigned an internal risk rating of doubtful.

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The following table summarizes the Company s Non-ASC 310-30 and New loans by key indicators of credit quality. Loans accounted for under ASC 310-30 are excluded from the following analysis because their related allowance is determined by loan pool performance:

September 30, 2014	Pass	Special Mention	Substandard	Doubtful
	(Dollars in thousands)			
New loans:				
Commercial real estate	$ 983,444	$	$ 31	$
Construction, land and development	160,899			
Commercial and industrial	791,843			
Total new loans	$ 1,936,186	$	$ 31	$
Acquired loans:				
Commercial real estate	$ 79,030	$ 782	$ 5,662	$
Construction, land and development	9,744			
Commercial and industrial	9,085	1,905	2,571	
Total aquired loans	$ 97,859	$ 2,687	$ 8,233	$

December 31, 2013	Pass	Special Mention	Substandard	Doubtful
	(Dollars in thousands)			
New loans:				
Commercial real estate	$ 669,546	$ 14	$ 151	$
Construction, land and development	75,666			
Commercial and industrial	645,013		24	
Total new loans	$ 1,390,225	$ 14	$ 175	$
Acquired loans:				
Commercial real estate	$ 5,523	$ 895	$ 6,287	$
Construction, land and development				
Commercial and industrial	3,119	19	1,902	
Total aquired loans	$ 8,642	$ 914	$ 8,189	$

Internal risk ratings are a key factor in identifying loans that are individually evaluated for impairment and impact management s estimates of loss factors used in determining the amount of the ALL.

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The following table shows the Company s investment in impaired loans disaggregated based on the method of evaluating impairment:

	Loans - Recorded Investment			Allowance for Credit Loss		
September 30, 2014	**Individually Evaluated for Impairment**	**Collectively Evaluated for Impairment**	**ASC 310-30 Loans**	**Individually Evaluated for Impairment**	**Collectively Evaluated for Impairment**	**ASC 310-30 Loans**
			(Dollars in thousands)			
New Loans:						
Real estate loans:						
Commercial real estate	$	$ 983,475	$	$	$ 4,573	$
1-4 single family residential		734,608			3,227	
Construction, land and development		160,899			1,412	
Home equity loans and lines of credit		12,774			88	
Total real estate loans	$	$ 1,891,756	$	$	$ 9,300	$
Other loans						
Commercial and industrial	$	$ 791,843	$	$	$ 4,833	$
Consumer		2,444			24	
Total other loans	$	$ 794,287	$	$	$ 4,857	$
Acquired Loans:						
Real estate loans:						
Commercial real estate	$ 4,527	$ 80,947	$ 364,753	$ 4	$ 136	$ 3,692
1-4 single family residential		105,561	90,752		151	207
Construction, land and development		9,744	71,053		29	660
Home equity loans and lines of credit	184	55,986			123	
Total real estate loans	$ 4,711	$ 252,238	$ 526,558	$ 4	$ 439	$ 4,559
Other loans						
Commercial and industrial	$	$ 13,561	$ 72,948	$	$ 21	$ 976
Consumer		809	2,936		4	280
Total other loans	$	$ 14,370	$ 75,884	$	$ 25	$ 1,256

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December 31, 2013	Loans - Recorded Investment: Individually Evaluated for Impairment	Loans - Recorded Investment: Collectively Evaluated for Impairment	Loans - Recorded Investment: ASC 310-30 Loans	Allowance for Credit Loss: Individually Evaluated for Impairment	Allowance for Credit Loss: Collectively Evaluated for Impairment	Allowance for Credit Loss: ASC 310-30 Loans
	(Dollars in thousands)					
New Loans:						
Real estate loans:						
Commercial real estate	$	$ 669,711	$	$	$ 2,149	$
1-4 single family residential		359,818			1,306	
Construction, land and development		75,666			834	
Home equity loans and lines of credit		19,303			126	
Total real estate loans	$	$ 1,124,498	$	$	$ 4,415	$
Other loans						
Commercial and industrial	$	$ 645,037	$	$	$ 3,853	$
Consumer		1,176			17	
Total other loans	$	$ 646,213	$	$	$ 3,870	$
Acquired Loans:						
Real estate loans:						
Commercial real estate	$ 5,134	$ 7,571	$ 274,147	$	$ 10	$ 2,675
1-4 single family residential	189	9,985	56,745	44	8	85
Construction, land and development			55,936			985
Home equity loans and lines of credit	386	11,612		105	34	
Total real estate loans	$ 5,709	$ 29,168	$ 386,828	$ 149	$ 52	$ 3,745
Other loans						
Commercial and industrial	$	$ 5,040	$ 57,047	$	$ 6	$ 2,339
Consumer		289	3,992			157
Total other loans	$	$ 5,329	$ 61,039	$	$ 6	$ 2,496

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The following tables set forth certain information regarding the Company s impaired loans (excluding loans accounted for under ASC 310-30) that were evaluated for specific reserves:

	Impaired Loans - With Allowance			Impaired Loans - With no Allowance	
September 30, 2014	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Recorded Investment**	**Unpaid Principal Balance**
	(Dollars in thousands)				
New Loans:					
Real estate loans:					
Commercial real estate	$	$	$	$	$
1-4 single family residential					
Construction, land and development					
Home equity loans and lines of credit					
Total real estate loans	$	$	$	$	$
Other loans					
Commercial and industrial	$	$	$	$	$
Consumer					
Total other loans	$	$	$	$	$
Acquired Loans:					
Real estate loans:					
Commercial real estate	$ 4,527	$ 4,695	$ 4	$	$
1-4 single family residential					
Construction, land and development					
Home equity loans and lines of credit				184	253
Total real estate loans	$ 4,527	$ 4,695	$ 4	$ 184	$ 253
Other loans					
Commercial and industrial	$	$	$	$	$
Consumer					
Total other loans	$	$	$	$	$

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December 31, 2013	Impaired Loans - With Allowance			Impaired Loans - With no Allowance	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance
	(Dollars in thousands)				
New Loans:					
Real estate loans:					
Commercial real estate	$	$	$	$	$
1-4 single family residential					
Construction, land and development					
Home equity loans and lines of credit					
Total real estate loans	$	$	$	$	$
Other loans					
Commercial and industrial	$	$	$	$	$
Consumer					
Total other loans	$	$	$	$	$
Acquired Loans:					
Real estate loans:					
Commercial real estate	$	$	$	$ 5,134	$ 5,218
1-4 single family residential	189	277	44		
Construction, land and development					
Home equity loans and lines of credit	386	500	105		
Total real estate loans	$ 575	$ 777	$ 149	$ 5,134	$ 5,218
Other loans					
Commercial and industrial	$	$	$	$	$
Consumer					
Total other loans	$	$	$	$	$

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	Three Months Ended September 30,			
	2014		2013	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(Dollars in thousands)			
Impaired loans with no related allowance:				
Real estate loans:				
Commercial real estate	$	$	$ 5,134	$
1-4 single family residential				
Construction, land and development				
Home equity loans and lines of credit	184			
Total real estate loans	$ 184	$	$ 5,134	$
Other loans:				
Commercial and industrial	$	$	$ 247	$
Consumer				
Total other loans	$	$	$ 247	$
Impaired loans with an allowance:				
Real estate loans:				
Commercial real estate	$ 4,624	$	$	$
1-4 single family residential				
Construction, land and development				
Home equity loans and lines of credit				
Total real estate loans	$ 4,624	$	$	$
Other loans:				
Commercial and industrial	$	$	$	$
Consumer				
Total other loans	$	$	$	$

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	Nine Months Ended September 30,			
	2014		2013	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(Dollars in thousands)			
Impaired loans with no related allowance:				
Real estate loans:				
Commercial real estate	$	$	$ 5,213	$
1-4 single family residential				
Construction, land and development				
Home equity loans and lines of credit	184			
Total real estate loans	$ 184	$	$ 5,213	$
Other loans:				
Commercial and industrial	$	$	$ 262	$
Consumer				
Total other loans	$	$	$ 262	$
Impaired loans with an allowance:				
Real estate loans:				
Commercial real estate	$ 4,687	$	$	$
1-4 single family residential				
Construction, land and development				
Home equity loans and lines of credit				
Total real estate loans	$ 4,687	$	$	$
Other loans:				
Commercial and industrial	$	$	$	$
Consumer				
Total other loans	$	$	$	$

NOTE 7. COVERED ASSETS AND LOSS SHARING AGREEMENTS

In each of the 2010 and 2011 Acquisitions (except Sunshine State Community Bank and First Peoples Bank), the Bank and the FDIC entered into loss sharing agreements.

The following table summarizes the carrying value of assets covered by the loss sharing agreements:

	September 30, 2014	December 31, 2013
	(Dollars in thousands)	
Loans, excluding allowance for loan losses	$ 286,416	$ 359,255

OREO	26,312	27,299
Total Covered Assets	$ 312,728	$ 386,554

When a provision for loan loss is required for a loan subsequent to acquisition that is covered under a loss sharing agreement, the Company records an increase in the loss share indemnification asset and an increase to noninterest income in the consolidated statement of income based on the applicable loss sharing ratio. Increases in the loss share indemnification asset of $1.4 million and $4.6 million were included in noninterest income for the nine months ended September 30, 2014 and 2013, respectively, related to the provision for loan losses on Covered Loans, including both ASC 310-30 and Non-ASC 310-30 loans.

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Changes in the loss share indemnification for the periods presented were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Dollars in thousands)			
Balance at beginning of period	$ 74,853	$ 104,180	$ 87,229	$ 125,949
Reimbursable expenses	648	2,200	3,801	8,121
Amortization	(6,272)	(6,137)	(17,677)	(18,596)
Income resulting from impairment and charge-off of covered assets, net	1,474	1,098	2,680	7,078
Expense resulting from recoupment and disposition of covered assets, net	(678)	(2,501)	(3,101)	(9,557)
FDIC claims submissions	(105)	(2,160)	(3,012)	(16,315)
Balance at end of period	$ 69,920	$ 96,680	$ 69,920	$ 96,680

As of September 30, 2014 and December 31, 2013, the carrying value of loss share indemnification assets exceeded the total cash flow expected to be collected by $37.8 million and $29.8 million, respectively, and is being amortized using the effective interest method over the shorter of (1) the remaining expected term of the respective loans or (2) the remaining term of the loss sharing agreement.

The following table summarizes the changes in the clawback liability, included in Other Liabilities, for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Dollars in thousands)			
Balance at beginning of period	$ 12,525	$ 12,870	$ 11,753	$ 11,966
Amortization impact	190	192	547	560
Remeasurement impact	842	(523)	1,257	13
Balance at end of period	$ 13,557	$ 12,539	$ 13,557	$ 12,539

NOTE 8. GOODWILL AND INTANGIBLES

Goodwill and other intangible assets, which consist of core deposit intangibles are summarized as follows:

	September 30, 2014	December 31, 2013

	(Dollars in thousands)	
Goodwill	$ 81,104	$ 33,749
Core deposit intangible	14,370	10,768
Total	95,474	44,517
Less: Accumulated amortization	(6,434)	(5,148)
Total, net	$ 89,040	$ 39,369

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The amount of amortization expense for core deposit intangible assets to be recognized over the next five fiscal years at September 30, 2014 is as follows:

Type of intangibles	Remainder of 2014	2015	2016	2017	2018	Total
	(Dollars in thousands)					
Core deposit intangible	$ 425	$ 1,630	$ 1,189	$ 1,023	$ 1,023	$ 5,290

During the three months ended September 30, 2014 and 2013, the Company recognized $426 thousand and $367 thousand, respectively, of amortization expense related to intangible assets. During the nine months ended September 30, 2014 and 2013, the Company recognized $1.3 million and $1.2 million, respectively, of amortization expense related to intangible assets.

NOTE 9. BANK-OWNED LIFE INSURANCE (BOLI)

Bank-owned life insurance policies are held in order to insure the key officers and employees of the Bank. Per ASC 325-30, Investments in Insurance Contracts, this policy is recorded at the cash surrender value adjusted for other charges or other amounts due that are probable at settlement, if applicable. As of September 30, 2014, the BOLI cash surrender value was $138.3 million resulting in other income for the three and nine months ended September 30, 2014 of $1.2 million and $3.0 million and an annualized pre-tax yield of 3.52% and 3.54%, respectively. The total death benefit of the BOLI policies at September 30, 2014 totaled $442.2 million. The Bank did not hold BOLI policies during the three or nine months ended September 30, 2013.

The following table summarizes the changes in the cash surrender value of BOLI for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Dollars in thousands)			
Balance at beginning of period	$ 117,113	$	$ 75,257	$
Additions from premium payments	20,000		60,000	
Net gain in cash surrender value	1,151		3,007	
Balance at end of period	$ 138,264	$	$ 138,264	$

NOTE 10. DERIVATIVES

The Company is a party to interest rate derivatives that are not designated as hedging instruments. These derivatives relate to interest rate swaps that the Company enters into with customers to allow customers to convert variable rate loans to a fixed rate. The Company pays interest to the customer at a floating rate on the notional amount and receives interest from the customer at a fixed rate for the same notional amount. At the same time the interest rate swap is entered into with the customer, an offsetting interest rate swap is entered into with another financial institution. The Company pays the other financial institution interest at the same fixed rate on the same notional amount as the swap entered into with the customer, and receives interest from the financial institution for the same floating rate on the

same notional amount. The changes in the fair value of the swaps offset each other, except for any credit risk of the counterparties, which is determined by taking into consideration the risk rating, probability of default and loss of given default for all counterparties. Any fees received were recognized in earnings at the time of the transaction. The Company recorded $813 thousand and $898 thousand of customer swap fees in noninterest income in the accompanying consolidated statement of income for the three months ended September 30, 2014 and 2013, respectively and $3.0 million and $2.1 million for the nine months ended September 30, 2014 and 2013, respectively.

All derivative positions held by the Company as of September 30, 2014 were not designated as hedging instruments under ASC 815-10. As of September 30, 2014, the Company has not recorded any credit adjustments related to the credit risk of the counterparties. There was no change in the fair value of derivative assets and derivative liabilities attributable to credit risk included in Noninterest Expense on the statements of income for the three or nine months ended September 30, 2014.

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The following tables summarize the Company s derivatives outstanding included in Other Assets and Other Liabilities in the accompanying consolidated balance sheet:

September 30, 2014	**Derivative Assets**		**Derivative Liabilities**	
	Notional	**Fair Value**	**Notional**	**Fair Value**
	(Dollars in thousands)			
Derivative not designated as hedging instruments under ASC 815-10				
Interest rate contracts - pay floating, receive fixed	$ 339,963	$ 8,159	$ 33,044	$ 361
Interest rate contracts - pay fixed, receive floating			373,007	7,798
Total derivatives	$ 339,963	$ 8,159	$ 406,051	$ 8,159

December 31, 2013	**Derivative Assets**		**Derivative Liabilities**	
	Notional	**Fair Value**	**Notional**	**Fair Value**
	(Dollars in thousands)			
Derivative not designated as hedging instruments under ASC 815-10				
Interest rate contracts - pay floating, receive fixed	$ 126,011	$ 2,660	$ 43,539	$ 1,488
Interest rate contracts - pay fixed, receive floating			169,551	1,172
Total derivatives	$ 126,011	$ 2,660	$ 213,090	$ 2,660

The Company has entered into transactions subject to an enforceable master netting arrangement with a financial institution. The following table summarizes the gross and net fair values of the Company s derivatives outstanding with this counterparty included in Other Liabilities in the accompanying consolidated balance:

September 30, 2014	**Gross amounts of recognized liabilities**	**Gross amounts offset in the consolidated balance sheets**	**Net amounts in the consolidated balance sheets**
	(Dollars in thousands)		
Offsetting derivative liabilities			
Counterparty A - Interest rate contracts	$ 8,159	$ (361)	$ 7,798
Total	$ 8,159	$ (361)	$ 7,798

December 31, 2013

	Gross amounts of recognized liabilities	Gross amounts offset in the consolidated balance sheets	Net amounts in the consolidated balance sheets
		(Dollars in thousands)	
Offsetting derivative liabilities			
Counterparty A - Interest rate contracts	$ 2,660	$ (1,488)	$ 1,172
Total	$ 2,660	$ (1,488)	$ 1,172

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At September 30, 2014, the Company has pledged investment securities available for sale with a carrying amount of $10.0 million as collateral for these interest rate swaps in a liability position. The amount of collateral required to be posted by the Company varies based on the settlement value of outstanding swaps.

As of September 30, 2014 and December 31, 2013, substantially all of the floating rate terms within the interest rate contracts held by the Company were indexed to 1-month LIBOR.

The fair value of the derivative assets and liabilities are included in a table in Note 17 Fair Value Measurements, in the line items Derivative assets and Derivative liabilities.

NOTE 11. DEPOSITS

The following table sets forth the Company s deposits by category:

	September 30, 2014	December 31, 2013
	(Dollars in thousands)	
Noninterest bearing demand deposits	$ 525,152	$ 291,658
Interest-bearing NOW accounts	526,013	84,837
Savings and money market accounts	1,695,237	1,251,842
Time deposits	1,244,958	1,165,196
Total deposits	$ 3,991,360	$ 2,793,533
Time deposits $100,000 and greater	$ 787,935	$ 674,172
Time deposits $250,000 and greater	252,301	216,309

The aggregate amount of overdraft demand deposits that have been reclassified to loans was $405 thousand at September 30, 2014. The aggregate amount of maturities for time deposits for each of the five years following the latest balance sheet date totaled $680.6 million, $180.0 million, $182.2 million, $164.0 million and $36.8 million, respectively.

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NOTE 12. ACCUMULATED OTHER COMPREHENSIVE INCOME (AOCI)

Changes in AOCI for the periods indicated are summarized as follows:

	Three Months Ended September 30,					
	2014			2013		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
	(Dollars in thousands)					
Balance at beginning of period	$ 13,313	$ (5,136)	$ 8,177	$ 8,076	$ (3,116)	$ 4,960
Unrealized gain (loss) on investment securities available for sale:						
Net unrealized holdings gain (loss) arising during the period	(12,962)	5,001	(7,961)	(7,419)	2,863	(4,556)
Amounts reclassified to (gain) loss on investment securities	(2,121)	818	(1,303)	(1,883)	726	(1,157)
Balance at end of period	$ (1,770)	$ 683	$ (1,087)	$ (1,226)	$ 473	$ (753)

	Nine Months Ended September 30,					
	2014			2013		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
	(Dollars in thousands)					
Balance at beginning of period	$ (2,565)	$ 990	$ (1,575)	$ 18,788	$ (7,248)	$ 11,540
Unrealized gain (loss) on investment securities available for sale:						
Net unrealized holdings gain (loss) arising during the period	(636)	245	(391)	(15,480)	5,972	(9,508)
Amounts reclassified to (gain) loss on investment securities	1,431	(552)	879	(4,534)	1,749	(2,785)
Balance at end of period	$ (1,770)	$ 683	$ (1,087)	$ (1,226)	$ 473	$ (753)

NOTE 13. BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic earnings per common share is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share reflect the effect of common stock equivalents, including stock options and unvested shares, calculated using the treasury stock method. Common stock equivalents are excluded from the computation of diluted earnings per common share in periods in which the effect is anti-dilutive.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Dollars in thousands, except share and per share data)			
Net income (loss) available to common stockholders	$ (3,422)	$ 4,471	$ 9,272	$ 11,246
Weighted average number of common shares - basic	38,952,127	37,011,598	36,923,354	37,011,598
Effect of dilutive securities:				
Employee stock based compensation awards		7,565	171,236	6,896
Weighted average number of common shares - diluted	38,952,127	37,019,163	37,094,590	37,018,494
Basic earnings (loss) per share	$ (0.09)	$ 0.12	$ 0.25	$ 0.30
Diluted earnings (loss) per share	$ (0.09)	$ 0.12	$ 0.25	$ 0.30
Anti-dilutive warrants, stock options and RSUs	9,534,756	8,815,463	8,378,217	8,802,047

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NOTE 14. INCOME TAXES

The effective income tax rate for the three months ended September 30, 2014 was a tax benefit of 2.8%, a decrease of 107.8% compared to the tax expense rate of 35.7% for the three months ended September 30, 2013. This decrease primarily reflects the impact of warrants expense and certain stock-based compensation awards related to the completion of the Company s initial public offering on August 6, 2014. These warrant and stock-based compensation expenses included $7.0 million of non-deductible expenses that resulted in a change to the Company s estimated annual tax rate for the year ending December 31, 2014.

The effective income tax rate for the nine months ended September 30, 2014 was 40.9%, an increase of 16.9% compared to the rate of 35.0% for the nine months ended September 30, 2013. This increase primarily reflects the impact of warrants expense and certain stock-based compensation awards related to the completion of the Company s initial public offering on August 6, 2014. These warrant and stock-based compensation expenses included $7.0 million of non-deductible expenses that offset the tax-exempt dividend income from preferred stocks and the net gain in cash surrender value of BOLI policies held during the nine months ended September 30, 2014.

Income tax returns for the tax years ended December 31, 2012, 2011 and 2010 remain subject to examination by the U.S. Federal and various state tax jurisdictions. The Company had no uncertain tax positions at September 30, 2014 or December 31, 2013.

NOTE 15. STOCK-BASED COMPENSATION AND OTHER BENEFIT PLANS

2009 Equity Incentive Plan

During the three months ended September 30, 2013, no awards were granted by the Company from the 2009 Option Plan.

During the nine months ended September 30, 2013, the Company granted 70,000 stock options from the 2009 Option Plan to directors without vesting requirements and 123,500 stock options to employees with a three year vesting period. The options have a weighted average exercise price of $19.34, based on the estimated fair value of the Company s stock on the date of grant and an aggregate fair value of $1.0 million. The options granted to directors and employees expire 10 years from grant date.

On February 5, 2014, the Company granted 90,000 stock options from the 2009 Option Plan to directors that vest at a rate of 25% per calendar quarter in 2014. The options have an exercise price of $19.75, the estimated fair value of the Company s stock on the date of grant and an aggregate fair value of $0.5 million. The options granted to directors expire 10 years from grant date.

On April 29, 2014, the Company granted 150,000 stock options with a three year vesting period from the 2009 Option Plan to employees with a weighted average exercise price of $19.75, the estimated fair value of the Company s stock on the date of grant, and an aggregate fair value of $0.9 million. The options granted to employees expire 10 years from grant date.

On September 30, 2014, the Company granted 391,500 stock options with a three year vesting period from the 2009 Option Plan to employees with an exercise price of $22.69, the fair value of the Company s stock on the date of grant, and an aggregate fair value of $3.1 million. The options granted to employees expire 10 years from grant date.

During the three months ended September 30, 2014, none of the option grants had been exercised while 5,166 had been forfeited. During the nine months ended September 30, 2014, none of the option grants had been exercised while 228,334 had expired and 19,332 had been forfeited.

At September 30, 2014, based on 4,072,334 of stock options outstanding, there were 68,635 shares available for award from the 2009 Option Plan and total vested and exercisable shares of 3,075,521.

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The total unrecognized compensation cost of $5.2 million for 2009 Option Plan share awards outstanding at September 30, 2014 will be recognized over a weighted average remaining period of 2.65 years.

2013 Stock Incentive Plan

For the three and nine months ended September 30, 2014 and 2013, no awards were granted by the Company from the 2013 Stock Incentive Plan (2013 Plan).

On August 6, 2014, the Company completed the initial public offering of 7,520,000 shares of Class A common stock for $22.00 per share. This public offering constituted a Qualified IPO with respect to the Company s outstanding 2013 Stock Incentive Plan Restricted Stock Units (2013 RSUs) and Option awards (2013 Plan Options).

During the three and nine months ended September 30, 2014, the Company recognized $9.9 million in expense resulting from the 2013 RSUs. The 2013 RSU shares were delivered to the recipients on September 5, 2014 and may not be transferred or sold by the recipients until February 6, 2015. The recipients received 243,499 RSU shares at settlement, which 256,501 shares were withheld to satisfy required income tax withholdings.

During the three and nine months ended September 30, 2014, the Company recognized $5.2 in expense resulting from the 2013 Plan Options as a Qualified IPO transaction was completed. At September 30, 2014, there were 1,500,000 outstanding vested 2013 Plan Options and 670,500 outstanding 2013 Plan Options with a three year vesting period. The outstanding 2013 Plan Options have an expiration date of December 23, 2023. The vested 2013 Plan Options will become exercisable with respect to one-third each on February 6, 2015, February 6, 2016 and February 6, 2017.

The total unrecognized compensation cost of $2.2 million for 2013 Option Plan share awards outstanding at September 30, 2014 will be recognized over a weighted average remaining period of 2.23 years.

NOTE 16. COMMITMENTS AND CONTINGENCIES

The Company issues off-balance sheet financial instruments in connection with its lending activities and to meet the financing needs of its customers. These financial instruments include commitments to fund loans, lines of credit and commercial and standby letters of credit. These commitments expose the Company to varying degrees of credit and market risk which are essentially the same as those involved in extending loans to customers and are subject to the Company s credit policies. The Company follows the same credit policies in making commitments as it does for instruments recorded on the Company s consolidated balance sheet. Collateral is obtained based on management s assessment of the customer s credit risk. The Company s exposure to credit loss is represented by the contractual amount of these commitments. Fees collected on off-balance sheet financial instruments represent the fair value of those commitments and are deferred and amortized over their term, which is typically one year or less. Amounts funded under non-cancelable commitments in effect at the date of acquisition are Covered Assets under the loss-sharing agreements, if applicable, if certain conditions are met.

Financial Instruments Commitments

Unfunded credit extension commitments are as follows:

	September 30, 2014	December 31, 2013
	(Dollars in thousands)	
Commitments to fund loans	$ 267,369	$ 96,359
Unused lines of credit	189,215	168,408
Commercial and standby letters of credit	7,562	4,838
Total	$ 464,146	$ 269,605

Commitments to fund loans:

Commitments to fund loans are agreements to lend funds to customers as long as there is no violation of any condition established in the contract. To accommodate the financial needs of customers, the Company makes commitments under various terms to lend funds to consumers and businesses. Commitments to fund loans generally have fixed expiration dates or other termination clauses and may require payment of a fee. Many of these commitments are expected to expire without being funded and, therefore, the total commitment amounts do not necessarily represent future liquidity requirements.

The Company evaluates each customer s creditworthiness on a case-by-case basis. The amount of collateral required in connection with an extension of credit is based on management s credit evaluation of the counterparty.

Unused lines of credit:

Unfunded commitments under lines of credit include commercial, commercial real estate, home equity and consumer lines of credit to existing customers. Some of these commitments may mature without being fully funded.

Commercial and standby letters of credit:

Letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support trade transactions or guarantee arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting those commitments if deemed necessary.

Other Commitments and Contingencies

Legal Proceedings

The Company, from time to time, is involved as plaintiff or defendant in various legal actions arising in the normal course of business. While the ultimate outcome of any such proceedings cannot be predicted with certainty, it is the opinion of management, based upon advice of legal counsel, that no proceedings exist, either individually or in the aggregate, which, if determined adversely to the Company, would have a material effect on the Company s consolidated balance sheet, results of operations or cash flows.

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NOTE 17. FAIR VALUE MEASUREMENTS

When determining the fair value measurements for assets and liabilities and the related fair value hierarchy, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability (observable inputs). When possible, the Company looks to active and observable markets to price identical assets or liabilities and when identical assets and liabilities are not traded in active markets, the Company looks to market observable data for similar assets and liabilities. It is the Company s policy to maximize the use of observable inputs and minimize the use of unobservable inputs. Unobservable inputs are only used to measure fair value to the extent that observable inputs are not available. The need to use unobservable inputs generally results from the lack of market liquidity, resulting in diminished observability of both actual trades and assumptions that would otherwise be available to value these instruments, or the value of the underlying collateral is not market observable. Although third party price indications may be available for a security, limited trading activity would make it difficult to support the observability of these quotations.

Financial Instruments Carried at Fair Value on a Recurring Basis

The following is a description of the valuation methodologies used for financial instruments measured at fair value on a recurring basis, as well as the general classification of each instrument under the valuation hierarchy.

Investment securities available for sale are carried at fair value on a recurring basis. When available, fair value is based on quoted prices for the identical security in an active market and as such, would be classified as Level 1. If quoted market prices are not available, fair values are estimated using quoted prices of securities with similar characteristics, discounted cash flows or matrix pricing models. Investment securities available for sale for which Level 1 valuations are not available are classified as Level 2, and include U.S. Government agencies and sponsored enterprises debt obligations and mortgage-backed securities, state and municipal obligations, asset- backed securities and corporate debt and other securities. Pricing of these securities is generally spread driven. Observable inputs that may impact the valuation of these securities include benchmark yield curves, credit spreads, reported trades, dealer quotes, bids, issuer spreads, current rating, historical constant prepayment rates, historical voluntary prepayment rates, structural and waterfall features of individual securities, published collateral data, and for certain securities, historical constant default rates and default severities.

Interest rate derivatives are reported at estimated fair value utilizing Level 2 inputs and are included in other assets and other liabilities and consist of interest rate swaps where there is no significant deterioration in the counterparties (loan customers) credit risk since origination of the interest rate swap. The Company values its interest rate swap positions using market prices provided by a third party. Interest rate derivatives are further described in Note 10 Derivatives.

For purposes of potential valuation adjustments to our derivative positions, the Company evaluates the credit risk of its counterparties as well as our own credit risk. Accordingly, the Company has considered factors such as the likelihood of default, expected loss given default, net exposures and remaining contractual life, among other things, in determining if any estimated fair value adjustments related to credit risk are required. The Company reviews counterparty exposure quarterly, and when necessary, appropriate adjustments are made to reflect the exposure.

For the nine months ended September 30, 2014 and 2013, the Company has not realized any losses due to counterparty s inability to pay any net uncollateralized position. As of September 30, 2014, there were no interest rate derivatives classified as Level 3.

Contingent consideration issued to the FDIC In conjunction with the 2010 and 2011 acquisitions, the Bank issued contingent consideration to the FDIC in the form of value appreciation instruments (VAI) and equity appreciation agreements (EAA). The estimated fair value of VAIs and EAAs are derived from an estimation of the future fair value of the Company s stock and a range of potential payment liabilities is determined in accordance with the terms of each agreement. Management assigns a probability to each potential payment liability based on its judgment about the likelihood of the event occurring. This expected value is the basis for estimating the fair value of the contingent consideration. As of September 30, 2014, the Company had no remaining VAIs or EAAs, as the VAIs reached final settlement with the FDIC within the year ended December 31, 2013, and the EAAs reached final settlement with the FDIC on September 29, 2014.

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Clawback liability The fair value of the clawback liability is estimated using a discounted cash flow technique based on projected cash flows related to the resolution of Covered Assets and a discount rate using a risk free rate, plus a premium that takes into account the Company s credit risk, resulting in Level 3 classification.

The following table presents the assets and liabilities measured at fair value on a recurring basis:

	September 30, 2014			
	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)			
Assets:				
U.S. Government agencies and sponsored enterprises obligations	$	$ 52,336	$	$ 52,336
U.S. Government agencies and sponsored enterprises mortgage-backed securities		510,688		510,688
State and municipal obligations		2,230		2,230
Asset-backed securities		543,760		543,760
Corporate bonds and other debt securities		555,180		555,180
Preferred stocks and other equity securities	32,634	74,493		107,127
Derivative assets - Interest rate contracts		8,159		8,159
Total	$ 32,634	$ 1,746,846	$	$ 1,779,480
Liabilities:				
Derivative liabilities - Interest rate contracts	$	$ 8,159	$	$ 8,159
Clawback liability			13,557	13,557
EAAs				
Total	$	$ 8,159	$ 13,557	$ 21,716

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	December 31, 2013			
	Level 1	Level 2	Level 3	Total
	(Dollars in thousands			
Assets:				
U.S. Government agencies and sponsored enterprises obligations	$	$ 51,155	$	$ 51,155
U.S. Government agencies and sponsored enterprises mortgage-backed securities		241,638		241,638
State and municipal obligations		2,124		2,124
Asset-backed securities		387,965		387,965
Corporate bonds and other debt securities		379,225		379,225
Preferred stocks and other equity securities	47,113	36,551		83,664
Derivative assets - Interest rate contracts		2,660		2,660
Total	$ 47,113	$ 1,101,318	$	$ 1,148,431
Liabilities:				
Derivative liabilities - Interest rate contracts	$	$ 2,660	$	$ 2,660
Clawback liability			11,753	11,753
EAAs			1,114	1,114
Total	$	$ 2,660	$ 12,867	$ 15,527

There were no transfers of financial assets between levels of the fair value hierarchy during the nine months ended September 30, 2014 or 2013.

The following tables reconcile changes in the fair value of liabilities measured at fair value on a recurring basis and classified in level 3 of the fair value hierarchy for the periods presented:

	Three Months Ended September 30,			
	2014		2013	
	Clawback Liability	EAAs	Clawback Liability	VAIs and EAAs
	(Dollars in thousands)			
Balance at beginnning of period	$ 12,525	$ 1,814	$ 12,870	$ 1,218
Losses (gains) included in other noninterest expenses	1,032	766	(331)	137
Final VAI settlement on SSCB				
Final VAI settlement on FNBCF				
Final VAI settlement on FPB				(270)
Final EAA settlement on FCB		(1,458)		
Final EAA settlement on PAB		(1,122)		
Balance at end of period	$ 13,557	$	$ 12,539	$ 1,085

	Nine Months Ended September 30,			
	2014		2013	
	Clawback Liability	EAAs	Clawback Liability	VAIs and EAAs
	(Dollars in thousands)			
Balance at beginnning of period	$ 11,753	$ 1,114	$ 11,966	$ 1,235
Losses (gains) included in other noninterest expenses	1,804	1,466	573	453
Final VAI settlement on SSCB				(52)
Final VAI settlement on FNBCF				(281)
Final VAI settlement on FPB				(270)
Final EAA settlement on FCB		(1,458)		
Final EAA settlement on PAB		(1,122)		
Balance at end of period	$ 13,557	$	$ 12,539	$ 1,085

Financial Instruments Measured at Fair Value on a Non-Recurring Basis

Following is a description of the methodologies used to estimate the fair values of assets and liabilities measured at fair value on a non-recurring basis, and the level within the fair value hierarchy in which those measurements are typically classified.

Impaired loans and OREO:

The carrying amount of collateral dependent impaired loans is typically based on the fair value of the underlying collateral, which may be real estate or other business assets, less estimated costs to sell. The carrying value of OREO is initially measured based on the fair value, less estimated cost to sell, of the real estate acquired in foreclosure and subsequently adjusted to the lower of cost or estimated fair value, less estimated cost to sell. Fair values of real estate collateral are typically based on real estate appraisals which utilize market and income valuation techniques incorporating both observable and unobservable inputs. When current appraisals are not available, the Company may use brokers price opinions, home price indices, or other available information about changes in real estate market conditions to adjust the latest appraised value available. These adjustments to appraised values may be subjective and involve significant management judgment. The fair value of collateral consisting of other business assets is generally based on appraisals that use market approaches to valuation, incorporating primarily unobservable inputs. Fair value measurements related to collateral dependent impaired loans and OREO are classified within level 3 of the fair value hierarchy.

The following tables provide information about certain assets measured at fair value on a non-recurring basis:

	September 30, 2014	December 31, 2013
	(Dollars in thousands)	
Assets that are still held (Level 3):		
Impaired loans	$ 4,711	$ 5,709
Foreclosed real estate	78,512	34,682

Three Months Ended September 30, Nine Months Ended September 30,

	2014	2013	2014	2013
	(Dollars in thousands)			
Negative valuation adjustments:				
Impaired loans	$ 4	$	$ 4	$ 271
Foreclosed real estate	958	444	1,690	3,351

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Impairment charges resulting from the non-recurring changes in fair value of underlying collateral of impaired loans are included in the provision for loan losses in the accompanying statement of income. Impairment charges resulting from the non-recurring changes in fair value of OREO are included in other real estate and acquired assets resolution expenses in the accompanying statement of income.

The carrying amounts and estimated fair values, as well as the level within the fair value hierarchy, of the Company s financial instruments are as follows:

September 30, 2014	Carrying Value	Fair Value	Level 1	Level 2	Level 3
	(Dollars in thousands)				
Financial Assets:					
Cash and cash equivalents	$ 140,630	$ 140,630	$ 140,630	$	$
Held to maturity securities					
Available for sale securities	1,771,321	1,771,321	32,634	1,738,687	
FHLB and other bank stock	71,217	71,217		71,217	
Loans, net	3,539,364	3,587,531			3,587,531
Loans held for sale	108	108		108	
Loss share indemnification asset	69,920	32,162			32,162
Due from FDIC	104	104		104	
Bank-owned life insurance	138,264	138,264		138,264	
Derivative assets - Interest rate contracts	8,159	8,159		8,159	
Financial Liabilities:					
Deposits	$ 3,991,360	$ 3,989,840	$	$ 3,989,840	$
Advances from the FHLB and other borrowings	1,164,404	1,162,892		1,162,892	
Derivative liabilities - Interest rate contracts	8,159	8,159		8,159	
Clawback liability	13,557	13,557			13,557
EAAs					

December 31, 2013	Carrying Value	Fair Value	Level 1	Level 2	Level 3
	(Dollars in thousands)				
Financial Assets:					
Cash and cash equivalents	$ 239,217	$ 239,217	$ 239,217	$	$
Held to maturity securities	365	365		365	
Available for sale securities	1,145,771	1,145,771	47,113	1,098,658	
FHLB and other bank stock	36,187	36,187		36,187	
Loans, net	2,244,051	2,290,564			2,290,564
Loss share indemnification asset	87,229	53,157			53,157
Due from FDIC	3,659	3,659		3,659	
Bank-owned life insurance	75,257	75,257		75,257	
Derivative assets - Interest rate contracts	2,660	2,660		2,660	
Financial Liabilities:					

Deposits	$ 2,793,533	$ 2,797,081	$	$ 2,797,081	$
Advances from the FHLB and other borrowings	435,866	438,493		438,493	
Derivative liabilities - Interest rate contracts	2,660	2,660		2,660	
Clawback liability	11,753	11,753			11,753
EAAs	1,114	1,114			1,114

The following methods and assumptions were used to estimate the fair value of each class of financial instruments.

Certain financial instruments are carried at amounts that approximate fair value due to their short-term nature and generally negligible credit risk. Financial instruments for which fair value approximates the carrying amount at September 30, 2014 and December 31, 2013, include cash and cash equivalents and due from FDIC.

FHLB and other bank stock:

FHLB and other bank stock can be liquidated only by redemption by the issuer, as there is no market for these securities. These securities are carried at par, which has historically represented the redemption price and is therefore considered to approximate fair value.

Loans:

Fair values for loans are based on a discounted cash flow methodology that considered various factors, including the type of loan and related collateral, classification status, fixed or variable interest rate, term of loan and whether or not the loan was amortizing and current discount rates. Loans were grouped together according to similar characteristics and were treated in the aggregate when applying various valuation techniques. The discount rates used for loans are based on current market rates for new originations of comparable credit risk and include adjustments for liquidity concerns. The ALL is considered a reasonable estimate of the required adjustment to fair value to reflect the impact of credit risk. This estimate may not represent an exit value as defined in ASC 820.

Loans Held for Sale:

Fair values of mortgage loans held for sale are based on commitments on hand from investors or prevailing market prices.

Loss Share Indemnification Asset:

The fair values of the loss share indemnification asset is estimated using a discounted cash flow technique based on projected cash flows related to the resolution of Covered Assets and a discount rate using a risk free rate, plus a premium to take into account the Company s credit risk, that incorporates the uncertainty related to the amounts and timing of the cash flows and other liquidity concerns as well as the counterparties credit risk.

Due from FDIC:

The due from FDIC represents claims submitted to the Federal Deposit Insurance Corporation for reimbursement for which the Company expects to receive payment within 90 days. Due to their short term nature, the carrying amount of these instruments approximates the estimated fair value.

Bank-owned life insurance:

The Company holds life insurance policies on certain officers. The carrying value of these policies approximates fair value as it is based on the cash surrender value adjusted for other charges or amounts due that are probable at settlement.

Deposits:

The fair value of demand deposits, savings accounts and money market deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using discounted cash flow analysis and using the rates currently offered for deposits of similar remaining maturities.

Advances from the FHLB and Other Borrowings:

The fair value of advances from the FHLB and other borrowings are estimated by discounting the future cash flows using the current rate at which similar borrowings with similar remaining maturities could be obtained.

VAIs and EAAs:

The estimated fair value of EAAs are derived from an estimation of the future fair value of the Company s stock and a range of potential payment liability is determined in accordance with the terms of each agreement. As of September 30, 2014, the Company had no remaining VAIs or EAAs, as the VAIs reached final settlement with the FDIC within the year ended December 31, 2013, and the EAAs reached final settlement with the FDIC on September 29, 2014.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is intended to assist readers in understanding the financial condition and results of operations of the Company during the three and nine month periods ended September 30, 2014 and should be read in conjunction with the consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q and the Company s Prospectus on Form S-1 filed with the Securities and Exchange Commission.

Throughout this Quarterly Report on Form 10-Q, unless the context suggests otherwise, references to FCB Financial Holdings, the Company, we, us, and our mean the business of FCB Financial Holdings, Inc. (formerly known as Street Holdings, Inc.) and its wholly-owned subsidiary, Florida Community Bank, National Association and its consolidated subsidiaries; and references to the Bank refer to Florida Community Bank, National Association, and its consolidated subsidiaries. References to the Old Failed Banks include Premier American Bank, or Old Premier, Florida Community Bank, or Old FCB, Peninsula Bank, or Old Peninsula, Sunshine State Community Bank, or Old Sunshine, First National Bank of Central Florida, or Old FNBCF, Cortez Community Bank, or Old Cortez, Coastal Bank, or Old Coastal, First Peoples Bank, or Old FPB, in each case, before the acquisition of certain assets and assumption of certain liabilities of each of the Old Failed Banks by the Bank. References to Great Florida Bank refer to such bank before its merger with the Bank; Great Florida Bank and the Old Failed Banks are collectively referred to as the Old Banks.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, regarding the financial condition, results of operations, business plans and future performance of the Company. We generally identify forward looking statements by terminology such as outlook, believes, expects, potential, continues, may, will, could, should, seeks, approximately, predicts, estimates, anticipates or the negative version of those words or other comparable words. Any forward-looking statements contained in this quarterly report are based on our historical performance, the historical performance of the Old Banks or on our current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business prospects, growth strategy and liquidity. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from those indicated in these statements. These factors should not be construed as exhaustive and should be read in conjunction with any other cautionary statements that are included elsewhere in this quarterly report. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements, including but not limited to the following:

- Current and future economic and market conditions in the United States generally or in the communities we serve, may be less favorable than expected, resulting in an increase in unemployment rates, decline in property values and deterioration in credit quality and/or a reduced demand for credit;

- Risks related to liquidity, including the adequacy of our cash flow from operations and borrowings to meet our short-term liquidity needs;

Disruption in the credit and financial markets in the United States and globally, including the effects of any downgrade in the United States government s sovereign debt rating or outlook;

Possible changes in trade, monetary and fiscal policies of, and other activities undertaken by, governments, agencies, central banks and similar organizations;

Changes in the interest rate environment and cash flow reassessments may reduce NIM and/or the volumes and values of loans made or held as well as the value of other financial assets held;

Any impairment of our goodwill or other intangibles, or any adjustment of valuation allowances on our deferred tax assets due to adverse changes in the economic environment

Changes in the speed of loan prepayments, loan originations and sale volumes, charge-offs, loan loss provisions or actual loan losses;

Costs or difficulties related to the integration of the businesses of merger partners may be greater than expected;

Expected cost savings or revenue growth associated with completed mergers and acquisitions may not be fully realized or realized within the expected time frames;

Deposit attrition, customer loss and/or revenue loss following completed mergers and acquisitions may be greater than expected;

Our ability to effectively compete with other financial services companies, some of whom possess greater financial resources than we do;

Loss of customer checking and savings account deposits as customers pursue other, higher-yield investments;

Changes in laws and regulations affecting our businesses, including changes in the enforcement and interpretation of such laws and regulations by applicable governmental and self-regulatory agencies;

The costs and other effects (including reputational harm) of any adverse judicial, administrative, or arbitral rulings or proceedings, regulatory enforcement actions, or other legal actions to which we are a party;

Our ability to manage fluctuations in the value of assets and liabilities and off-balance sheet exposure so as to maintain sufficient capital and liquidity to support our business;

Possible changes in consumer and business spending and saving habits and the related effect on our ability to increase assets and to attract deposits;

Inability of our framework to manage risks associated with our business, including operational risk and credit risk;

The inability of our internal disclosure controls and procedures to prevent, detect or mitigate any material errors or fraudulent acts;

The effects of geopolitical instability, including wars, conflicts and terrorist attacks;

The effects of man-made and natural disasters, including fires, floods, droughts, tornadoes, hurricanes and environmental damage;

Our ability to identify and address cyber-security risks such as data security breaches, denial of service attacks, hacking and identity theft;

Possible downgrades in our credit ratings or outlook;

The effects of problems encountered by other financial institutions that adversely affect us or the banking industry generally;

The effects of the failure of any component of our business infrastructure which is provided by a third party;

Changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other regulatory agencies;

The effects of any damage to our reputation resulting from developments related to any of the items identified above;

Although we believe that the expectations reflected in such forward-looking statements are reasonable at the time the statements are made, if one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from those indicated in these statements. The inclusion of forward-looking information should not be regarded as a guarantee of future performance. We do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) and conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. The more critical accounting and reporting policies include accounting for the ALL, determining fair value of financial instruments, valuation of goodwill and intangible assets, and valuation of assets acquired and liabilities assumed in business combinations. Accordingly, the Company s critical accounting policies are discussed in detail in Management s Discussion and Analysis of Financial Condition and Results of Operations in the Company s Prospectus. The Company s significant accounting policies and changes in accounting principles and effects of new accounting pronouncements are discussed in detail in Note 2 Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements in the Company s annual financial statements for the years ended December 31, 2013 and 2012 included in the Company s Prospectus. Additional disclosures regarding the effects of new accounting pronouncements and updates to significant accounting policies are included in Note 2 Summary of Significant Accounting Policies included herein.

Corporate Profile

We are a bank holding company headquartered in Weston, Florida with one wholly-owned national bank subsidiary, Florida Community Bank, National Association (which prior to July 25, 2011 operated under the name Premier American Bank, National Association), which we refer to as the Bank. The Bank currently operates 54 retail bank branches in Florida, servicing 50,000 households in a market footprint which covers over $335 billion in deposits. The Bank offers a comprehensive range of traditional banking products and services to individuals, small and medium-sized businesses, some large businesses, and other local organizations and entities in our market areas. We also selectively participate in syndicated loans to select national credits. The Bank targets commercial customers engaged in a wide variety of industries including healthcare and professional services, retail and wholesale trade, tourism, agricultural services, manufacturing, distribution and distribution- related industries, technology, automotive, aviation, food products, building materials, residential housing and commercial real estate.

We were formed in April 2009 with the goal of becoming a leading independent commercially-oriented community bank in Florida. Since that time, we have acquired certain assets and assumed certain liabilities of eight failed banks, which are collectively referred to as the Old Failed Banks, in Florida from the Federal Deposit Insurance Corporation (FDIC), as receiver, which acquisitions are collectively referred to as the Failed Bank Acquisitions. In addition, in January 2014, the Bank acquired by merger the business of Great Florida Bank which, as of December 31, 2013, had 25 branches located within Southeast Florida and the Miami metropolitan

area, total assets of $993.0 million and stockholders equity of $15.3 million. The acquisition of Great Florida Bank together with the Failed Bank Acquisitions, are collectively referred to as the Acquisitions. Through our capital raising efforts and the integration of the operations and systems of the various Acquisitions onto one single branded, statewide platform in Florida, we have transformed the Company from a number of small community banks across Florida into a large, integrated commercial bank with a significant presence in the Florida market.

We have built a preeminent Florida-based, Florida-focused banking franchise centered on commercial business relationships and providing customers with a high level of service. The Bank s principal growth strategy over the next few years is focused on the continuing development and expansion, organically and through acquisition, of our commercial banking platform, as well as continued growth of our retail business, including our residential mortgage products.

Since our first acquisition, we have continued to build out our franchise by investing in our human capital, control environment, infrastructure and technology to create an efficient, scalable platform to support future growth, support our risk management activities, and to enhance lending and fee income opportunities through a full suite of traditional banking products and services. We believe that our branch network, operating structure and scalable technology platform has and will continue to enable us to grow as expansion opportunities, including acquisition opportunities, arise. Our focus over the next several years is to continue to leverage our robust commercial lending platform to continue our peer-leading organic growth and to continue to grow through acquisitions in our principal Florida markets. In addition, we may acquire assets, deposits and branches which we believe offer attractive risk-adjusted returns or provide a strategic benefit to our growth strategy.

Executive Summary

Net loss to common stockholders totaled $3.4 million for the quarter ended September 30, 2014, or $(0.09) per average diluted common share, a decrease of 176.5% compared to net income of $4.5 million, or $0.12 per average diluted common share, for the quarter ended September 30, 2013. The Company s results of operations for the third quarter of 2014 produced an annualized return on average assets of (0.24%) and an annualized return on average common stockholders equity of (1.70%) compared to prior year ratios of 0.49% and 2.43%, respectively. The results for the quarter ended September 30, 2014 included one-time charges of $20.1 million incurred in conjunction with the Company s initial public offering (IPO).

Total revenue (net interest income and noninterest income) was $48.2 million for the third quarter of 2014, an increase of $17.7 million compared to the third quarter of 2013. The increase in total revenues included a $16.3 million increase in net interest income and a $1.3 million increase in noninterest income.

The increase in net interest income was the result of an increase in average earning assets and continued growth in lower cost core deposit funding, partially offset by a decrease in net interest margin. Net interest margin was 3.49% for the third quarter of 2014, a decrease of 5 basis points compared to the third quarter of 2013.

Noninterest income totaled $2.4 million for the third quarter of 2014, an increase of $1.3 million compared to the third quarter of 2013. The increase in noninterest income included a $1.2 million increase in bank-owned life insurance income, $679 thousand increase in gain on investment securities and a $719 thousand increase in other noninterest income which were partially offset by an increase in FDIC loss share indemnification loss of $852 thousand.

Noninterest expense totaled $49.0 million for the third quarter of 2014, an increase of $24.7 million compared to the third quarter of 2013. This increase included non-core expenses of $15.2 million in stock option expense, $4.1 million of warrant expense and $766 million of FDIC equity appreciation agreements (EAA) expense in conjunction with the

IPO.

During the three months ended September 30, 2014, our efficiency ratio increased to 101.48% from 79.31% for the same period in 2013.

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Total loans were $3.56 billion at September 30, 2014, an increase of $1.30 billion, or 57.6%, from December 31, 2013, driven by increases in new loans of $915.3 million and loans acquired from the Great Florida Bank acquisition totaling $472.7 million at September 30, 2014.

At September 30, 2014, the ALL was $20.4 million, an increase of $5.7 million compared to December 31, 2013. The increase is due to an increase in the ALL for New loans of $5.9 million partially offset by a decrease in the ALL for acquired loans of $165 thousand. The increase in the ALL for New loans was due to recording a $6.2 million provision for loan loss partially offset by charge-offs of $348 thousand associated with the $915.3 million increase in the balance of new loans at September 30, 2014.

Deposits totaled $3.99 billion at September 30, 2014, an increase of $1.20 billion compared to December 31, 2013, reflecting growth across all deposit categories while continuing our ongoing transformation of our deposit base and reducing high priced time deposits.

Total stockholders equity increased $119.6 million compared to December 31, 2013. This increase was primarily driven by $109.8 million increase in additional paid-in capital primarily driven by proceeds from the Company s IPO, net income of $9.3 million and other comprehensive income of $488 thousand.

Tangible book value per share decreased to $18.03 as of September 30, 2014.

The Company s capital ratios exceeded all regulatory well capitalized guidelines, with a Tier 1 leverage ratio of 13.1%, Tier 1 risk-based capital ratio of 17.2% and a Total risk-based ratio of 17.7% at September 30, 2014.

Analysis of Results of Operations

Net loss to common stockholders totaled $3.4 million, which generated diluted EPS of $(0.09) in the third quarter of 2014. Net income available to common stockholders for the same period of 2013 totaled $4.5 million, which generated diluted EPS of $0.12. The decrease in earnings was primarily driven by an increase in noninterest expense which included non-core expenses of $15.2 million in stock option expense, $4.1 million of warrant expense and $766 thousand of EAA expense in conjunction with the IPO. The Company s results of operations for the third quarter of 2014 produced an annualized return on average assets of (0.24%) and an annualized return on average common stockholders equity of (1.70%) compared to prior year ratios of 0.49% and 2.43%, respectively.

Net income available to common stockholders totaled $9.3 million for the nine months ended September 30, 2014, or $0.25 per average diluted common share, a decrease of 17.6% compared to $11.2 million, or $0.30 per average diluted common share, for the corresponding period of the prior year. The decrease in earnings was primarily driven by an increase in noninterest expense which included non-core expenses $15.2 million in stock option expense, $4.1 million of warrant expense and $766 thousand of EAA expense in conjunction with the IPO. The Company s results of operations for nine months ended September 30, 2014 produced an annualized return on average assets of 0.23% and an annualized return on average common stockholders equity of 1.65% compared to prior year ratios of 0.44% and 2.05%, respectively.

Net Interest Income and Net Interest Margin

The following tables present, for the periods indicated, information about (i) average balances, the total dollar amount of interest income from interest-earning assets and the resultant average yields; (ii) average balances, the total dollar amount of interest expense on interest-bearing liabilities and the resultant average rates; (iii) net interest income; (iv) the interest rate spread; and (v) the net interest margin. Yields have been calculated on a pre-tax basis:

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	Three Months Ended September 30,					
	2014			2013		
	Average Balance (1)	Interest/ Expense (2)	Annualized Yield/Rate(3)	Average Balance (1)	Interest/ Expense (2)	Annualized Yield/Rate(3)
	(Dollars in thousands)					
Interest-earning assets:						
Cash and cash equivalents	$ 76,682	$ 37	0.19%	$ 150,747	$ 104	0.27%
New loans	$ 2,440,992	$ 21,866	3.51%	1,178,618	11,106	3.69%
Acquired loans (4)	$ 903,941	$ 20,219	8.95%	530,253	15,126	11.41%
Investment securities and other	$ 1,800,988	$ 11,530	2.51%	1,458,462	9,184	2.46%
Total interest-earning assets	5,222,603	53,652	4.05%	3,318,080	35,520	4.23%
Non-earning assets:						
FDIC loss share indemnification asset (5)	75,191			101,629		
Noninterest-earning assets	440,293			170,679		
Total assets	$ 5,738,087			$ 3,590,388		
Interest-bearing liabilities:						
Interest-bearing NOW accounts	$ 396,361	$ 347	0.35%	$ 70,288	$ 18	0.10%
Savings and money market accounts	1,721,444	2,790	0.64%	1,036,066	1,216	0.47%
Time deposits (6)	1,358,610	2,987	0.87%	1,170,038	3,652	1.24%
FHLB advances and other borrowings (6)	945,519	1,633	0.68%	271,195	1,051	1.52%
Total interest-bearing liabilities	$ 4,421,934	$ 7,757	0.69%	$ 2,547,587	$ 5,937	0.92%
Noninterest-bearing liabilities and shareholders equity:						
Noninterest-bearing demand deposits	$ 459,189			$ 272,350		
Other liabilities	57,797			41,758		
Stockholders equity	799,167			728,693		
Total liabilities and stockholders equity	$ 5,738,087			$ 3,590,388		
Net interest income		$ 45,895			$ 29,583	
Net interest spread			3.36%			3.31%
Net interest margin			3.49%			3.54%

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	Nine Months Ended September 30,					
	2014			2013		
	Average Balance (1)	Interest/ Expense (2)	Annualized Yield/Rate(3)	Average Balance (1)	Interest/ Expense (2)	Annualized Yield/Rate(3)
	(Dollars in thousands)					
Interest-earning assets:						
Cash and cash equivalents	$ 99,923	$ 158	0.21%	$ 101,051	$ 175	0.23%
New loans	2,116,530	56,722	3.53%	984,915	28,953	3.88%
Acquired loans (4)	902,262	58,048	8.58%	566,592	49,094	11.55%
Investment securities and other	1,677,454	32,094	2.52%	1,482,724	27,909	2.48%
Total interest-earning assets	4,796,169	147,022	4.06%	3,135,282	106,131	4.49%
Non-earning assets:						
FDIC loss share indemnification asset (5)	79,996			111,415		
Noninterest-earning assets	400,034			161,619		
Total assets	$ 5,276,199			$ 3,408,316		
Interest-bearing liabilities:						
Interest-bearing NOW accounts	$ 203,949	$ 426	0.28%	$ 68,870	$ 50	0.10%
Savings and money market accounts	1,687,648	7,237	0.57%	927,650	3,275	0.47%
Time deposits (6)	1,411,376	9,603	0.91%	1,107,605	10,517	1.27%
FHLB advances and other borrowings (6)	761,555	4,363	0.76%	275,562	3,147	1.51%
Total interest-bearing liabilities	$ 4,064,528	$ 21,629	0.71%	$ 2,379,687	$ 16,989	0.95%
Noninterest-bearing liabilities and shareholders equity:						
Noninterest-bearing demand deposits	$ 411,180			$ 255,553		
Other liabilities	48,955			41,202		
Stockholders equity	751,536			731,874		
Total liabilities and stockholders equity	$ 5,276,199			$ 3,408,316		
Net interest income		$ 125,393			$ 89,142	
Net interest spread			3.35%			3.54%
Net interest margin			3.50%			3.80%

(1) Average balances presented are derived from daily average balances.
(2) Interest income is presented on an actual basis and does not include taxable equivalent adjustments.
(3) Average rates are presented on an annual basis.
(4) Includes loans on non-accrual status.
(5) Amortization expense of FDIC loss share indemnification asset is not included in net interest income presentation.
(6) Interest expense includes the impact from premium amortization.

Increases and decreases in interest income and interest expense result from changes in average balances (volume) of interest-earning assets and liabilities, as well as changes in average interest rates. The following table shows the effect that these factors had on the interest earned on our interest-earning assets and the interest incurred on our interest-bearing liabilities for the periods indicated. The effect of changes in volume is determined by multiplying the change in volume by the current period s average rate. Similarly, the effect of rate changes is calculated by multiplying the change in average rate by the previous period s volume. Changes applicable to both volume and rate have been allocated to volume. Yields have been calculated on a pre-tax basis. A summary of increases and decreases in interest income and interest expense resulting from changes in average balances (volume) and average interest rates are as follows:

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	Three months ended September 30, 2014 compared to 2013 Increase (Decrease) Due to		
	Volume	Rate	Total
	(Dollars in thousands)		
Interest-earning assets:			
Cash and cash equivalents	$ (51)	$ (16)	$ (67)
New Loans	11,895	(1,135)	10,760
Acquired Loans (1)	10,660	(5,567)	5,093
Investment securities and other	2,157	189	2,346
Total change in interest income	$ 24,661	$ (6,529)	$ 18,132
Interest-bearing liabilities:			
Interest-bearing transaction accounts	$ 83	$ 246	$ 329
Savings and money market	805	769	1,574
Time deposits (2)	589	(1,254)	(665)
FHLB advances and other borrowings (2)	2,615	(2,033)	582
Total change in interest expenses	4,092	(2,272)	1,820
Total change in net interest income	$ 20,569	$ (4,257)	$ 16,312

	Nine months ended September 30, 2014 compared to 2013 Increase (Decrease) Due to		
	Volume	Rate	Total
	(Dollars in thousands)		
Interest-earning assets:			
Cash and cash equivalents	$ (2)	$ (15)	$ (17)
New Loans	33,265	(5,496)	27,769
Acquired Loans (1)	29,085	(20,131)	8,954
Investment securities and other	3,665	520	4,185
Total change in interest income	$ 66,013	$ (25,122)	$ 40,891
Interest-bearing liabilities:			
Interest-bearing transaction accounts	$ 99	$ 277	$ 376
Savings and money market	2,684	1,278	3,962
Time deposits (2)	2,884	(3,798)	(914)
FHLB advances and other borrowings (2)	5,551	(4,335)	1,216
Total change in interest expenses	11,218	(6,578)	4,640
Total change in net interest income	$ 54,795	$ (18,544)	$ 36,251

(1) Includes loans on non-accrual status.
(2) Interest expense includes the impact from premium amortization.

Third Quarter 2014 compared to Third Quarter 2013

Net interest income was $45.9 million for the third quarter of 2014, an increase of 55.1% compared to $29.6 million for the same period in 2013. The increase in net interest income reflects an $18.1 million increase in interest income partially offset by a $1.8 million increase in interest expense. For the three months ended September 30, 2014, average earning assets increased by $1.90 billion, or 57.4%, compared to the same period of the prior year, while average interest-bearing liabilities increased $1.87 billion, or 73.6%, compared to the three

months ended September 30, 2013. The increase in interest income for the third quarter of 2014 was primarily due to a $10.8 million increase in interest income on new loans. The average balance of new loans increased $1.26 billion, which offset the negative impact of the reduction in the average interest rate on new loans of 18 basis points. Interest income on acquired loans increased $5.1 million for the three months ended September 30, 2014 compared to the third quarter of 2013, primarily driven by an increase in the average balance of loans of $373.7 million. The Great Florida Bank acquisition contributed approximately $6.9 million to the increase in interest income on acquired loans, partially offset by a decrease of $1.8 million in legacy acquired loan income due to runoff of the acquired loan portfolio from the Failed Bank Acquisitions.

Interest expense on deposits increased $1.2 million for the three months ended September 30, 2014 compared to the three months ended September 30, 2013 primarily due to a $1.20 billion, or 52.7%, increase in the average balance of interest-bearing deposits. The decline in the average rate paid on deposits was attributable to lower prevailing rates offered and the continued run-off of wholesale and longer-term time deposits assumed in the acquisitions. The average rate paid on time deposits, including the impact of premium amortization, was 0.87% and 1.24% for the three months ended September 30, 2014 and 2013, respectively. Interest expense on FHLB advances and other borrowings totaled $1.6 million for the three months ended September 30, 2014 as compared to $1.1 million for the three months ended September 30, 2013. The increase was primarily due to an increase of $674.3 million, or 248.7%, in the average balance of FHLB advances and other borrowings, partially offset by a decrease in average rate paid on borrowings of 84 basis points.

The net interest margin for the three months ended September 30, 2014 was 3.49%, a decline of 5 basis points compared to 3.54% for the three months ended September 30, 2013. The average yield on interest-earning assets declined by 18 basis points for the three months ended September 30, 2014 as compared to the three months ended September 30, 2013, while the average rate paid on interest-bearing liabilities decreased by 23 basis points. The decline in the average yield on interest-earning assets was due primarily to the runoff of higher yielding acquired loan balances. Although the average acquired loan portfolio balance increased 70.5% due to the Great Florida Bank acquisition during the first quarter of 2014, the lower yielding loans acquired from the Great Florida Bank acquisition resulted in a decline in the average rate for the combined acquired loan portfolio. The average rate on the acquired loan portfolio was 8.95% for the three months ended September 30, 2014, down from 11.41% for the three months ended September 30, 2013. At the date of acquisition, the weighted average accretion rate for the loans accounted for under ASC 310-30 was 4.65% and the weighted average contractual rate on acquired Non-ASC 310-30 loans was 4.55%.

Nine Months of 2014 compared to Nine Months of 2013

Net interest income was $125.4 million for the nine months ended September 30, 2014, an increase of 40.7% compared to $89.1 million for the same period in 2013. The increase in net interest income reflects a $40.9 million increase in interest income partially offset by a $4.6 million increase in interest expense. For the nine months ended September 30, 2014, average interest earning assets increased by $1.66 billion, or 53.0%, compared to the same period of the prior year, while average interest-bearing liabilities increased $1.68 billion, or 70.8%, compared to the nine months ended September 30, 2013. The increase in interest income for the nine months ended September 30, 2014 was primarily due to a $27.8 million increase in interest income on new loans. The average balance of new loans increased $1.13 billion, which offset the negative impact of the reduction in the average interest rate on new loans of 35 basis points. Interest income on acquired loans increased $9.0 million for the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, primarily driven by an increase in the average balance of loans of $335.7 million which was partially offset by a decrease of $9.3 million in legacy acquired loan income due to runoff of the acquired loan portfolio from the Failed Bank Acquisitions.

Interest expense on deposits increased $3.4 million for the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 primarily due to a $1.20 billion, or 57.0%, increase in the average balance of interest-bearing deposit accounts. The average rate paid on time deposits, including the impact of premium amortization, was 0.91% and 1.27% for the nine months ended September 30, 2014 and 2013, respectively. The decline in the average rate paid on deposits was attributable to lower prevailing rates offered and the continued run-off of wholesale and longer-term time deposits assumed in the Acquisitions. Interest

expense on FHLB advances and other borrowings totaled $4.4 million for the nine months ended September 30, 2014 as compared to $3.1 million for the nine months ended September 30, 2013. The increase was primarily due to an increase of $486.0 million, or 176.4%, in the average balance of FHLB advances and other borrowings, partially offset by a decrease in average rate paid on borrowings of 75 basis points.

The net interest margin for the nine months ended September 30, 2014 was 3.50%, a decline of 30 basis points compared to 3.80% for the nine months ended September 30, 2013. The average yield on interest-earning assets declined by 43 basis points for the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013, while the average rate paid on interest-bearing liabilities decreased by 24 basis points. The decline in the average yield on interest-earning assets was due primarily to the runoff of higher yielding acquired loan balances. Although the average acquired loan portfolio balance increased 59.2% due to the Great Florida Bank acquisition during the first quarter of 2014, the lower yielding loans acquired from the Great Florida Bank acquisition resulted in a decline in the average rate for the combined acquired loan portfolio. The average rate on the acquired loan portfolio was 8.58% for the nine months ended September 30, 2014, down from 11.55% for the nine months ended September 30, 2013. At the date of acquisition, the weighted average accretion rate for the loans accounted for under ASC 310-30 was 4.65% and the weighted average contractual rate on acquired Non-ASC 310-30 loans was 4.55%.

Provision for Loan Losses

Third Quarter 2014 compared to Third Quarter 2013

The provision for loan losses is used to maintain the ALL at a level that, in management s judgment, is appropriate to absorb probable losses inherent in the portfolio at the balance sheet date. Provision for loan losses increased by $3.4 million, or 544.5%, to $2.8 million for the three months ended September 30, 2014 as compared to the three months ended September 30, 2013. Provision for loan loss expense for the three months ended September 30, 2014 included a $1.7 million provision related to new loans and a $1.1 million provision for the acquired loan portfolio.

Net charge-offs were $249 thousand for the third quarter of 2014, a decrease of 87.8% for the same period of 2013. The decrease in net charge-offs was due to resolution of acquired loans in the 1-4 single family residential, Construction, Land & Development, and CRE loan categories. Net charge-offs were 0.03% of average loans on an annualized basis for the third quarter of 2014 compared to 0.47% of average loans for the same period of 2013.

Nine Months of 2014 compared to Nine Months of 2013

Provision for loan losses totaled $7.1 million for the nine months ended September 30, 2014 as compared to $938 thousand for the nine months ended September 30, 2013. For the nine months ended September 30, 2014, provision for loan loss expense increased by $6.2 million, or 660.2%, from the comparative period in 2013 and includes $6.2 million related to new loans and a $912 thousand provision for the acquired loan portfolio.

Net charge-offs were $1.4 million for the nine months ended September 30, 2014, a decrease of 79.1% for the same period of 2013. The decrease in net charge-offs was due to resolution of acquired loans in the Construction, land and development, and CRE loan categories. Net charge-offs were 0.06% of average loans on an annualized basis for the nine months ended September 30, 2014 compared to 0.59% of average loans for the same period of 2013.

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Noninterest Income

The following tables present a summary of noninterest income. For expanded discussion of certain significant noninterest income items, refer to the discussion of each component following the table presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Dollars in thousands)			
Noninterest income				
Service charges and fees	$ 738	$ 610	$ 2,183	$ 1,681
Loan and other fees	1,238	1,356	4,523	3,498
Bank-owned life insurance income	1,151		3,007	
FDIC loss share indemnification loss	(5,862)	(5,010)	(16,101)	(13,528)
Income from resolution of acquired assets	1,109	1,268	3,838	7,183
Gain on sales of other real estate owned	(128)	73	(56)	1,073
Gain on investment securities	2,785	2,106	9,728	5,202
Other noninterest income	1,319	600	4,466	2,238
Total noninterest income	$ 2,350	$ 1,003	$ 11,588	$ 7,347

Third Quarter 2014 compared to Third Quarter 2013

The Company reported noninterest income of $2.4 million for the three months ended September 30, 2014 an increase of $1.3 million, or 134.3%, compared to the three months ended September 30, 2013. The increase was primarily due to an increase in bank-owned life insurance income, increased gains on investment securities and higher other noninterest income which were partially offset by a decrease in gains on sale of OREO, an increase in FDIC loss share indemnification loss and a decrease in income from resolution of acquired assets.

During the three months ended September 30, 2014, the Company recognized $5.9 million in FDIC loss share indemnification loss as compared to $5.0 million for the three months ended September 30, 2013. The increase was driven primarily by an increase of $1.5 million in indemnification asset amortization and clawback liability expense and a $1.5 million decrease in reimbursable expenses partially offset by $256 thousand in recoveries, a $1.3 million increase in impairment expenses and a $465 thousand increase in OREO write-down expenses.

Recoveries recognized for the three months ended September 30, 2014 totaled $1.1 million and were recognized through earnings as received, compared to $1.3 million for the three months ended September 30, 2013

Net gain on investment securities totaled $2.8 million for the three months ended September 30, 2014, an increase of $679 thousand, or 32.2%, compared to $2.1 million for the three months ended September 30, 2013. The increase was primarily the result of selling lower yielding investment securities and moving to higher yielding loans.

Other noninterest income increased to $1.3 million for the three months ended September 30, 2014, an increase of $719 thousand, or 119.8%, compared to the $600 thousand recognized for the three months ended September 30, 2013. The primary driver of this increase was rental income of $561 thousand from properties acquired through the

GFB acquisition.

Nine Months of 2014 compared to Nine Months of 2013

The Company reported noninterest income of $11.6 million for the nine months ended September 30, 2014 an increase of $4.2 million, or 57.7%, compared to the nine months ended September 30, 2013. The increase was primarily due to an increase in bank-owned life insurance income, increased gains on investment securities and higher other noninterest income partially offset by a decrease in income from the resolution of acquired assets, an increase in FDIC loss share indemnification loss and a decrease in gains on sale of OREO.

Loan and other fees for the nine months ended September 30, 2014 totaled $4.5 million, compared to $3.5 million for the nine months ended September 30, 2013. The increase of approximately $1.0 million, or 29.3%, was primarily due to increased interest rate swap service fees of $895 thousand.

During the nine months ended September 30, 2014, the Company recognized $16.1 million in FDIC loss share indemnification loss as compared to $13.5 million for the nine months ended September 30, 2013 The increase was driven primarily by an increase of $312 thousand in indemnification asset amortization and clawback liability expense, a decrease in OREO write-down expenses of $1.2 million and a $4.3 million decrease in reimbursable expenses partially offset by $2.7 million in recoveries.

Recoveries recognized for the nine months ended September 30, 2014 totaled $3.8 million and were recognized through earnings as received, compared to $7.2 million for the nine months ended September 30, 2013.

Net gain on sales of OREO decreased by $1.1 million, or 105.2%, resulting in a loss on sale of $56 thousand for the nine months ended September 30, 2014. Of this $1.1 million decrease, $617 thousand was covered by loss sharing agreements with the FDIC.

Net gain on investment securities totaled $9.7 million for the nine months ended September 30, 2014, an increase of $4.5 million, or 87.0%, compared to $5.2 million for the nine months ended September 30, 2013. The increase was due to rebalancing of the investment portfolio subsequent to the Great Florida Bank acquisition and selling lower yielding investment securities to move to higher yielding loans.

Other noninterest income increased to $4.5 million for the nine months ended September 30, 2014, an increase of $2.2 million, or 99.6%, compared to the $2.2 million recognized for the nine months ended September 30, 2013. The primary drivers of this increase were an increase in rental income of $1.3 million from properties acquired through the Great Florida Bank acquisition and increased ATM and Debit card fee income of $212 thousand.

Noninterest Expense

The following table presents the components of noninterest expense for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Dollars in thousands)			
Noninterest expense				
Salaries and employee benefits	$ 28,525	$ 10,625	$ 58,356	$ 33,982
Occupancy and equipment expenses	3,606	2,412	10,816	7,424
Other real estate and acquired assets resolution related expenses	3,203	4,524	10,302	16,309
Professional services	1,203	1,278	4,387	4,782
Data processing and network	2,538	1,944	8,105	5,383
Regulatory assessments and insurance	2,466	1,403	6,160	3,969
Amortization of intangibles	426	367	1,285	1,159
Other operating expenses	6,992	1,707	14,758	5,234

Total noninterest expense	$ 48,959	$ 24,260	$ 114,169	$ 78,242

Third Quarter 2014 compared to Third Quarter 2013

Salaries and employee benefits, the single largest component of our noninterest expense, totaled $28.5 million for the three months ended September 30, 2014, an increase of $17.9 million, or 168.5%, compared to the three months ended September 30, 2013. The increase for the three months ended September 30, 2014 was primarily due to increased stock-based compensation expense of $15.2 million incurred in conjunction with the IPO and $1.8 million increase in bonuses.

Occupancy and equipment expenses increased $1.2 million, or 49.5%, to $3.6 million for the three months ended September 30, 2014, compared to $2.4 million for the three months ended September 30, 2013. This increase is due in part to the Company s assumption of the banking and operating locations of Great Florida Bank that were predominantly leased facilities classified as operating leases.

OREO and acquired asset resolution expenses decreased by $1.3 million, or 29.2%, for the third quarter of 2014 compared to the prior year due to less workout activity and decreased volume of the legacy acquired loan and legacy OREO portfolios.

Regulatory assessments and insurance increased $1.1 million, or 75.8%, for the three months ended September 30, 2014, compared to the three months ended September 30, 2013, primarily due to increased deposit insurance assessments of $494 thousand and an increase in general insurance expenses of $488 thousand.

Other operating expenses increased $5.3 million for the three months ended September 30, 2014, primarily due to warrant expenses of $4.1 million incurred in connection with the IPO, increased directors fees of $389 thousand and an increase in EAA expense of $629 thousand.

Nine Months of 2014 compared to Nine Months of 2013

Salaries and employee benefits totaled $58.4 million for the nine months ended September 30, 2014, an increase of $24.4 million, or 71.7%, compared to the nine months ended September 30, 2013. The increase for the nine months ended September 30, 2014 was primarily due to increased stock-based compensation expense of $14.6 million, increased salaries and benefits expense of $4.9 million and increased bonuses of $3.2 million. Stock-based compensation expense of $15.2 million was incurred in conjunction with the IPO.

Occupancy and equipment expenses increased $3.4 million, or 45.7%, to $10.8 million for the nine months ended September 30, 2014, compared to $7.4 million for the nine months ended September 30, 2013. This increase is due primarily to the Company s assumption of the banking and operating locations of GFB.

OREO and acquired asset resolution expenses decreased by $6.0 million, or 36.8%, for the nine months ended September 30, 2014 compared to the prior year due to less workout activity and decreased volume of the legacy acquired loan and OREO portfolios.

Data processing and network increased by $2.7 million, or 50.6%, to $8.1 million during the nine months ended September 30, 2014 compared to the same period in 2013, primarily driven by an increase in data processing expense of $2.0 million related to conversion costs associated with the GFB acquisition and an increase in software expense of $728 thousand.

Regulatory assessments and insurance increased $2.2 million, or 55.2%, for the nine months ended September 30, 2014, compared to the nine months ended September 30, 2013, primarily due to increased deposit insurance assessments of $1.4 million and an increase in general insurance expenses of $690 thousand.

Other operating expenses increased $9.5 million for the nine months ended September 30, 2014, primarily due to warrant expenses of $4.1 million incurred in connection with the IPO, increased directors fees of $1.8 million, increase in EAA expense totaling $1.0 million and other costs associated with the GFB acquisition totaling $1.1 million.

Provision for Income Taxes

Third Quarter 2014 compared to Third Quarter 2013

The income tax benefit for the three months ended September 30, 2014 totaled $97 thousand, a decrease of $2.6 million, or 103.9%, compared to the three months ended September 30, 2013. The decrease in income tax expense was primarily due to the decrease in taxable income that resulted in a loss before income taxes of $3.5 million for the three months ended September 30, 2014. The effective income tax rate for the three months ended September 30, 2014 was a tax benefit of 2.8%, a decrease of 107.8% compared to the tax expense rate of

35.7% for the three months ended September 30, 2013. This decrease primarily reflects the impact of warrants expense and certain stock-based compensation awards related to the completion of the Company s initial public offering on August 6, 2014. These warrant and stock-based compensation expenses included $7.0 million of non-deductible expenses that resulted in a change to the Company s estimated annual tax rate for the year ending December 31, 2014.

Nine Months of 2014 compared to Nine Months of 2013

Income tax provision for the nine months ended September 30, 2014 totaled $6.4 million, an increase of $346 thousand, or 5.7%, compared to the nine months ended September 30, 2013. The increase in the income tax expense was primarily due to the increase in the estimated annual tax rate for the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013. The effective income tax rate for the nine months ended September 30, 2014 was 40.9%, an increase of 16.9% compared to the rate of 35.0% for the nine months ended September 30, 2013. This increase primarily reflects the impact of warrants expense and certain stock-based compensation awards related to the completion of the Company s initial public offering on August 6, 2014. These warrant and stock-based compensation expenses included $7.0 million of non-deductible expenses that offset the tax-exempt dividend income from preferred stocks and the net gain in cash surrender value of BOLI policies held during the nine months ended September 30, 2014.

Analysis of Financial Condition

Total assets were $6.05 billion at September 30, 2014, an increase of $2.08 billion, or 52.4%, from December 31, 2013. The increase in total assets includes an increase of $1.30 billion in net loans, of which acquired loans increased $385.7 million over the period. The increase in acquired loans reflects the $548.1 million in net loans acquired through GFB on January 31, 2014, partially offset by the run-off of the acquired loan portfolio through receipt of payments, loan payoffs or resolution through foreclosure and transfers to other real estate owned. Total securities portfolio was $1.84 billion at September 30, 2014, an increase of $660.2 million from December 31, 2013 primarily due to investment securities acquired from Great Florida Bank. The remaining increase in total assets was mainly due to increases in goodwill and other intangible assets of $49.7 million, OREO of $43.8 million, bank-owned life insurance of $63.0 million, deferred tax assets of $35.4 million and other assets of $52.2 million which were partially offset by a decrease in the FDIC loss share indemnification asset of $17.3 million and a decrease in FDIC receivables of $3.6 million.

Investment Securities

Total investment securities increased $660.2 million, or 55.8% compared to December 31, 2013. The increase in investment securities was primarily due to $267.2 million of securities acquired as part of the Great Florida Bank acquisition and the investment of proceeds received from the IPO. The Company s investment securities portfolio as of September 30, 2014 primarily consisted of U.S. government agencies and sponsored enterprises obligations and mortgage back securities, corporate debt, asset-backed securities and preferred stocks. The average balance of the securities portfolio for the three months ended September 30, 2014 totaled $1.80 billion with a pre-tax yield of 2.51%. The average balance of the securities portfolio for the nine months ended September 30, 2014 totaled $1.68 billion with a pre-tax yield of 2.52%.

No securities were determined to be OTTI as of September 30, 2014 or December 31, 2013. All securities available for sale at September 30, 2014 and December 31, 2013 are investment grade based on ratings from recognized rating agencies.

The following table shows contractual maturities and yields on our investment securities available for sale. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Average yields are not presented on a taxable equivalent basis.

	Maturity as of September 30, 2014							
	One Year or Less		After One Year through Five Years		After Five Years through Ten Years		After Ten Years	
	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield
	(Dollars in thousands)							
Securities available for sale:								
Asset-backed securities	$		$ 1,747	2.58%	$ 276,267	2.82%	$ 267,759	2.61%
Corporate bonds and other debt securities	23,503	1.78%	358,602	1.70%	67,655	4.38%	103,127	5.37%
U.S. Government agencies and sponsored enterprises mortgage-backed securities		6.33%	25,527	1.65%	330,166	2.10%	154,629	2.30%
U.S. Government agencies and sponsored enterprises obligations	293	5.03%			52,335	1.68%		
State and municipal obligations							2,040	5.35%
Preferred stock and other equity securities (1)							109,441	5.50%
Total securities available for sale	$ 23,796	1.82%	$ 385,876	1.70%	$ 726,423	2.55%	$ 636,996	3.48%

(1) Preferred stock securities are all fixed-to-floating rate perpetual preferred stock that are callable between November 2014 and September 2024.

As a member institution of the FHLB and the Federal Reserve Bank (FRB), the Bank is required to own capital stock in the FHLB and the FRB. As of September 30, 2014, and December 31, 2013, the Bank held approximately $71.2 million and $36.2 million, respectively, in FHLB and FRB stock. No market exists for this stock, and the Bank s investment can be liquidated only through repurchase by the FHLB or FRB. Such repurchases have historically been at par value. We monitor our investment in FHLB and FRB stock for impairment through review of recent financial results, dividend payment history and information from credit agencies. As of September 30, 2014 and December 31, 2013, respectively, management did not identify any indicators of impairment of FHLB and FRB stock.

Except for securities issued by U.S. government agencies and sponsored enterprise obligations, we did not have any concentrations where the total outstanding balances issued by a single issuer exceeded 10% of our stockholders equity

as of September 30, 2014 or December 31, 2013.

Loans

Loan concentration

The current concentrations in our loan portfolio may not be indicative of concentrations in our loan portfolio in the future. We plan to maintain a relatively diversified loan portfolio to help reduce the risk inherent in concentration in certain types of collateral. The following table summarizes the allocation of New Loans, Acquired ASC 310-30 loans and Acquired Non-ASC 310-30 loans as of the dates presented:

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	September 30, 2014		December 31, 2013	
	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)			
New Loans:				
Commercial real estate	$ 983,475	27.6%	$ 669,711	29.6%
1-4 single family residential	734,608	20.6%	359,818	15.9%
Construction, land and development	160,899	4.5%	75,666	3.3%
Home equity loans and lines of credit	12,774	0.4%	19,303	0.9%
Total real estate loans	$ 1,891,756	53.1%	$ 1,124,498	49.7%
Commercial and industrial	791,843	22.2%	645,037	28.6%
Consumer	2,444	0.1%	1,176	0.1%
Total new loans	$ 2,686,043	75.4%	$ 1,770,711	78.4%
Acquired ASC 310-30 Loans:				
Commercial real estate	$ 364,753	10.2%	$ 274,147	12.1%
1-4 single family residential	90,752	2.5%	56,745	2.5%
Construction, land and development	71,053	2.0%	55,936	2.5%
Home equity loans and lines of credit		0.0%		0.0%
Total real estate loans	$ 526,558	14.7%	$ 386,828	17.1%
Commercial and industrial	72,948	2.0%	57,047	2.5%
Consumer	2,936	0.1%	3,992	0.2%
Total Acquired ASC 310-30 Loans	$ 602,442	16.8%	$ 447,867	19.8%
Acquired Non-ASC 310-30 Loans:				
Commercial real estate	$ 85,474	2.4%	$ 12,705	0.6%
1-4 single family residential	105,561	3.0%	10,174	0.5%
Construction, land and development	9,744	0.3%		0.0%
Home equity loans and lines of credit	56,170	1.6%	11,998	0.5%
Total real estate loans	$ 256,949	7.3%	$ 34,877	1.6%
Commercial and industrial	13,561	0.5%	5,040	0.2%
Consumer	809	0.0%	289	0.0%
Total Acquired Non-ASC 310-30 Loans	271,319	7.8%	40,206	1.8%
Total loans	$ 3,559,804	100.0%	$ 2,258,784	100.0%

Total loans were $3.56 billion at September 30, 2014, an increase of 57.6% compared to $2.26 billion at December 31, 2013.

Our New loan portfolio increased by 51.7% to $2.69 billion as of September 30, 2014, as compared to $1.77 billion at December 31, 2013. The increase during the nine months ended September 30, 2014 was primarily due to an increase in 1-4 single family residential loans and organic growth in commercial real estate and commercial and industrial loans.

Acquired loans were $873.8 million at September 30, 2014, an increase of 79.0% compared to $488.1 million at December 31, 2013. The increase during the nine months ended September 30, 2014 was primarily due to the acquisition of Great Florida Bank on January 31, 2014. Acquired loans that are covered under loss sharing agreements totaled $286.4 million at September 30, 2014, a decrease of $72.8 million compared to $359.3 million at December 31, 2013.

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Asset Quality

The following table sets forth the composition of our nonperforming assets, including nonaccruals loans, accruing loans 90 days or more days past due and foreclosed assets as of the dates indicated:

	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 31, 2013
	(Dollars in thousands)				
Nonperforming Assets (Excluding acquired assets)					
Nonaccrual Loans:					
Commercial real estate	$	$	$	$	$
1-4 single family residential				1,052	
Construction, land and development			10		
Home equity loans and lines of credit		198			
Commercial and industrial				24	38
Consumer					
Total nonaccrual loans		198	10	1,076	38
Accruing loans 90 days or more past due					
Total nonperforming loans		198	10	1,076	38
Other real estate owned (OREO)					
Other foreclosed property					
Total new nonperforming assets	$	$ 198	$ 10	$ 1,076	$ 38
Nonperforming Acquired Assets					
Nonaccrual Loans:					
Commercial real estate	$ 4,855	$ 13,836	$ 5,525	$ 5,962	$ 6,399
1-4 single family residential	910	618	852	144	1,104
Construction, land and development	2,422	3,464	3,535	16,753	11,762
Home equity loans and lines of credit	4,407	5,142	4,264	1,996	2,056
Commercial and industrial	8,655	11,143	11,543	7,580	8,417
Consumer	664	564	640	644	836
Total nonaccrual loans	21,913	34,767	26,359	33,079	30,574
Accruing loans 90 days or more past due	156				
Total nonperforming loans	22,069	34,767	26,359	33,079	30,574
Other real estate owned (OREO)	78,512	80,988	86,244	34,682	46,598
Other foreclosed property			71		
Total acquired nonperforming assets	$ 100,581	$ 115,755	$ 112,674	$ 67,761	$ 77,172

Total nonperforming assets	$ 100,581	$ 115,953	$ 112,684	$ 68,837	$ 77,210

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The following table sets forth our asset quality ratios for the periods presented:

	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
Asset quaility ratios - New loans					
Nonperforming new loans to total gross new loans	0.00%	0.01%	0.00%	0.06%	0.00%
New loan ALL to total gross new loans	0.53%	0.54%	0.49%	0.47%	0.43%
Asset quaility ratios - Acquired loans					
Nonperforming acquired loans to gross acquired loans	2.53%	3.63%	2.62%	6.78%	5.93%
Acquired loan ALL to total gross acquired loans	32.78%	34.11%	33.51%	73.60%	73.82%
Covered acquired loans to total gross acquired loans	0.72%	0.57%	0.60%	1.32%	1.42%
Asset quaility ratios - Total loans					
Nonperforming loans to total gross loans	0.62%	1.07%	0.90%	1.51%	1.65%
Nonperforming assets to total assets	1.66%	2.06%	2.18%	1.73%	2.12%
Covered loans to total gross loans	8.05%	10.00%	11.47%	15.90%	20.56%
ALL to nonperforming assets	20.32%	15.42%	13.76%	21.40%	16.94%
ALL to total gross loans	0.57%	0.55%	0.53%	0.65%	0.71%

Nonaccrual loans totaled $21.9 million at September 30, 2014, a decrease of 35.8% from $34.2 million at December 31, 2013. Excluding acquired loans, nonperforming loans totaled $0.0 million at September 30, 2014, a decrease of 100.0% from $1.1 million at December 31, 2013.

Nonperforming assets totaled $100.6 million at September 30, 2014, an increase of $31.7 million, or 46.1%, from December 31, 2013. Excluding acquired assets, nonperforming assets totaled $0.0 million at September 30, 2014, a decrease of 100.0% from $1.1 million at December 31, 2013.

Analysis of the Allowance for Loan Losses (ALL)

The ALL reflects management s estimate of probable credit losses inherent in the loan portfolio. The computation of the ALL includes elements of judgment and high levels of subjectivity. As a portion of the Company s loans were acquired in failed bank acquisitions and were purchased at a substantial discount to their original book value, we segregate loans into three buckets when assessing and analyzing the ALL: new loans, acquired ASC 310-30 loans, acquired Non-ASC 310-30 loans.

The following table presents the allocation of the ALL for the periods presented. This allocation is calculated on an approximate basis and is not necessarily indicative of future losses or allocations. The entire amount of the allowance is available to absorb losses occurring in any category of loans.

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	September 30, 2014		December 31, 2013	
	Amount	% Loans in each category	Amount	% Loans in each category
	(Dollars in thousands)			
New Loans:				
Commercial real estate	$ 4,573	27.6%	$ 2,153	29.6%
1-4 single family residential	3,227	20.6%	1,306	15.9%
Construction, land and development	1,412	4.5%	830	3.3%
Home equity loans and lines of credit	88	0.4%	126	0.9%
Total real estate loans	$ 9,300	53.1%	$ 4,415	49.7%
Commercial and industrial	4,833	22.2%	3,854	28.6%
Consumer	24	0.1%	15	0.1%
Total new loans	$ 14,157	75.4%	$ 8,284	78.4%
Acquired ASC 310-30 Loans:				
Commercial real estate	$ 3,692	10.2%	$ 2,675	12.1%
1-4 single family residential	207	2.5%	85	2.5%
Construction, land and development	660	2.0%	985	2.5%
Home equity loans and lines of credit		0.0%		0.0%
Total real estate loans	$ 4,558	14.7%	$ 3,745	17.1%
Commercial and industrial	976	2.0%	2,341	2.5%
Consumer	280	0.1%	157	0.2%
Total Acquired ASC 310-30 Loans	$ 5,815	16.8%	$ 6,243	19.8%
Acquired Non-ASC 310-30 Loans:				
Commercial real estate	$ 140	2.4%	$ 10	0.6%
1-4 single family residential	151	3.0%	50	0.5%
Construction, land and development	29	0.3%		0.0%
Home equity loans and lines of credit	123	1.6%	137	0.5%
Total real estate loans	$ 443	7.3%	$ 197	1.6%
Commercial and industrial	21	0.5%	6	0.2%
Consumer	4	0.0%	3	0.0%
Total Acquired Non-ASC 310-30 Loans	$ 468	7.8%	$ 206	1.8%
Total Loans	$ 20,440	100.0%	$ 14,733	100.0%

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The following tables present information related to the ALL for the periods presented:

	Commercial Real Estate	1- 4 Single Family Residential	Construction, Land and Development	Home Equity Loans and Lines of Credit	Commercial and Industrial	Consumer	Total
	(Dollars in thousands)						
Balance at July 1, 2014	$ 7,160	$ 2,426	$ 1,935	$ 113	$ 5,924	$ 326	$ 17,884
Provision (credit) for ASC 310-30 loans	785		(1)		(290)	(9)	485
Provision (credit) for non-ASC 310-30 loans	125	144	29	264	15	1	578
Provision (credit) for New loans	311	1,015	137	7	273	(1)	1,742
Total provision	1,221	1,159	165	271	(2)	(9)	2,805
Charge-offs for ASC 310-30 loans			1		(93)	(10)	(102)
Charge-offs for non-ASC 310-30 loans				(173)			(173)
Charge-offs for New loans							
Total charge-offs			1	(173)	(93)	(10)	(275)
Recoveries for ASC 310-30 loans	24					1	25
Recoveries for non-ASC 310-30 loans							
Recoveries for New loans					1		1
Total recoveries	24				1	1	26
Ending ALL balance							
ASC 310-30 loans	3,692	207	660		976	280	5,815
Non-ASC 310-30 loans	140	151	29	123	21	4	468
New loans	4,573	3,227	1,412	88	4,833	24	14,157
Balance at September 30, 2014	$ 8,405	$ 3,585	$ 2,101	$ 211	$ 5,830	$ 308	$ 20,440

	Commercial Real Estate	1- 4 Single Family Residential	Construction, Land and Development	Home Equity Loans and Lines of Credit	Commercial and Industrial	Consumer	Total
	(Dollars in thousands)						
Balance at July 1, 2013	$ 5,591	$ 1,125	$ 3,179	$ 50	$ 5,512	$ 299	$ 15,756
Provision (credit) for ASC 310-30 loans	(841)	(445)	728		(574)	43	(1,089)
Provision (credit) for non-ASC 310-30 loans	(3)	(2)	(1)	93	2		89
Provision (credit) for New loans	83	267	(236)	69	189	(3)	369
Total provision	(761)	(180)	491	162	(383)	40	(631)
Charge-offs for ASC 310-30 loans	(335)	(140)	(1,506)		(122)	(89)	(2,192)
Charge-offs for non-ASC 310-30 loans				(99)	(3)		(102)
Charge-offs for New loans			(51)				(51)
Total charge-offs	(335)	(140)	(1,557)	(99)	(125)	(89)	(2,345)
Recoveries for ASC 310-30 loans	159	15	126				300
Recoveries for non-ASC 310-30 loans							
Recoveries for New loans							
Total recoveries	159	15	126				300
Ending ALL balance							
ASC 310-30 loans	3,146	25	1,515		2,370	233	7,289
Non-ASC 310-30 loans	11	9		32	7	4	63
New loans	1,497	786	724	81	2,627	13	5,728
Balance at September 30, 2013	$ 4,654	$ 820	$ 2,239	$ 113	$ 5,004	$ 250	$ 13,080

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	Commercial Real Estate	1- 4 Single Family Residential	Construction, Land and Development	Home Equity Loans and Lines of Credit	Commercial and Industrial	Consumer	Total
	(Dollars in thousands)						
Balance at January 1, 2014	$ 4,834	$ 1,443	$ 1,819	$ 132	$ 6,331	$ 174	$ 14,733
Provision (credit) for ASC 310-30 loans	976	152	132		(1,161)	223	322
Provision (credit) for non-ASC 310-30 loans	130	99	29	393	(94)	33	590
Provision (credit) for New loans	2,424	1,921	578	(38)	1,327	7	6,219
Total provision	3,530	2,172	739	355	72	263	7,131
Charge-offs for ASC 310-30 loans	(74)	(30)	(1,244)		(203)	(101)	(1,652)
Charge-offs for non-ASC 310-30 loans				(276)	(24)	(29)	(329)
Charge-offs for New loans					(348)		(348)
Total charge-offs	(74)	(30)	(1,244)	(276)	(575)	(130)	(2,329)
Recoveries for ASC 310-30 loans	115		787		1	1	904
Recoveries for non-ASC 310-30 loans							
Recoveries for New loans					1		1
Total recoveries	115		787		2	1	905
Ending ALL balance							
ASC 310-30 loans	3,692	207	660		976	280	5,815
Non-ASC 310-30 loans	140	151	29	123	21	4	468
New loans	4,573	3,227	1,412	88	4,833	24	14,157
Balance at September 30, 2014	$ 8,405	$ 3,585	$ 2,101	$ 211	$ 5,830	$ 308	$ 20,440

	Commercial Real Estate	1- 4 Single Family Residential	Construction, Land and Development	Home Equity Loans and Lines	Commercial and Industrial	Consumer	Total

				of Credit			
				(Dollars in thousands)			
Balance at January 1, 2013	$ 4,107	$ 3,049	$ 5,239	$ 67	$ 6,054	$ 433	$ 18,949
Provision (credit) for ASC 310-30 loans	1,793	(1,598)	1,191		(1,544)	529	371
Provision (credit) for non-ASC 310-30 loans	(9)	(33)	(3)	69	(108)		(84)
Provision (credit) for New loans	(101)	164	(336)	77	892	(45)	651
Total provision	1,683	(1,467)	852	146	(760)	484	938
Charge-offs for ASC 310-30 loans	(1,321)	(829)	(3,886)		(128)	(668)	(6,832)
Charge-offs for non-ASC 310-30 loans				(100)	(162)		(262)
Charge-offs for New loans			(108)				(108)
Total charge-offs	(1,321)	(829)	(3,994)	(100)	(290)	(668)	(7,202)
Recoveries for ASC 310-30 loans	185	67	142			1	395
Recoveries for non-ASC 310-30 loans							
Recoveries for New loans							
Total recoveries	185	67	142			1	395
Ending ALL balance							
ASC 310-30 loans	3,146	25	1,515		2,370	233	7,289
Non-ASC 310-30 loans	11	9		32	7	4	63
New loans	1,497	786	724	81	2,627	13	5,728
Balance at September 30, 2013	$ 4,654	$ 820	$ 2,239	$ 113	$ 5,004	$ 250	$ 13,080

As of September 30, 2014, all of our new loans are performing and have exhibited limited delinquency and credit loss history to establish an observable loss trend. Given this lack of sufficient loss history on the new loan portfolio, general loan loss factors are established based on the following: historical loss factors derived from the Federal Financial Institutions Examination Council s quarterly Unified Performance Branch Report for Group 1 banks (assets greater than $3 billion) using an annualized weighted average eight quarter rolling basis; trends in delinquencies and nonaccruals by loan portfolio segment and asset categories within those segments; portfolio segment and asset category production trends, including average risk ratings and loan-to-value, or LTV, ratios; current industry conditions, including real estate market trends; general economic conditions; credit concentrations by portfolio and asset categories; and portfolio quality, which encompasses an assessment of the

quality and relevance of borrowers financial information and collateral valuations and average risk rating and migration trends within portfolios and asset categories. Other adjustments for qualitative factors may be made to the allowance after an assessment of internal and external influences on credit quality and loss severity that are not fully reflected in the historical loss or risk rating data. For these measurements, the Company uses assumptions and methodologies that are relevant to estimating the level of impairment and probable losses in the loan portfolio. To the extent that the data supporting such assumptions has limitations, management s judgment and experience play a role in recording the allowance estimates. Qualitative adjustments are considered for: portfolio credit quality trends, including levels of delinquency, charge-offs, nonaccrual, restructuring and other factors; policy and credit standards, including quality and experience of lending and credit management; and general economic factors, including national, regional and local conditions and trends.

The ALL increased $5.7 million to $20.4 million at September 30, 2014 from $14.7 million at December 31, 2013, primarily due to the increase in new loans of $915.3 million. The ALL as a percentage of non-performing assets and ALL as a percentage of total gross loans was 20.32% and 0.57% as of September 30, 2014, compared to 21.40% and 0.65% at December 31, 2013. The decrease in both ratios was the result of the Great Florida Bank acquisition. Acquired loans from the Great Florida Bank acquisition were recorded at their fair value at the date of acquisition. Discounts due to credit quality are included in the determination of fair value; therefore an ALL is not recorded at the acquisition date.

Net loan charge-offs for the third quarter of 2014 totaled $249 thousand, a decrease of 87.8% compared to $2.0 million for the same period of 2013. Net loan charge-offs for the nine months ended September 30, 2014 totaled $1.4 million, a decrease of 79.1% compared to $6.8 million for the same period of 2013. The ratio of ALL to net charge-offs was 20.69x and 1.61x for the three months ended September 30, 2014 and 2013, respectively, due to increases in the ALL and reduced charge-offs during the period.

FDIC Loss Share Indemnification Asset

The Company reviews and updates the cash flow expected to be collected on Covered Assets and the FDIC loss share indemnification asset on a quarterly basis as loss and recovery estimates related to Covered Assets may change. Decreases in the amount of cash flows expected to be collected on Covered Loans after acquisition result in a provision for loan losses, an increase in the ALL, and a proportional increase to the FDIC loss share indemnification asset and income for the estimated amount to be reimbursed. Increases in the amount of cash flow expected to be collected on Covered Loans after acquisition result in the reversal of any previously recorded provision for loan losses and related ALL and a decrease to the FDIC loss share indemnification asset, or prospective adjustment to the accretable discount if no provision for loan losses had been previously recorded. If no provision for loan losses had been previously recorded, improvements in the expected cash flows from the Covered Loans, which is reflected as an adjustment to yield and accreted into income over the remaining expected term of the loans, decreases the expected cash flows to be collected from the loss sharing agreement, with such decrease reducing the yield to be accreted on a prospective basis if the total expected cash flows from the loss sharing agreement exceeds its carrying amount; and, if the carrying amount of the FDIC loss share indemnification asset exceeds the total expected cash flows, the excess is amortized as a reduction of income over the shorter of (1) the remaining expected term of the respective loans or (2) the remaining term of the FDIC loss share agreement.

The loss sharing agreements between the Company and the FDIC for certain of the Old Failed Bank acquisitions include clawback provisions that obligate the Company to pay the FDIC a certain amount in the event that losses incurred by the Company do not reach a specified threshold upon termination of the loss sharing agreement. The fair value of the clawback liability is initially estimated using the same discounted cash flow model used to determine the loss share indemnification asset, using a discount rate that takes into account the Company s credit risk. The clawback

liability is re-measured quarterly based on the terms of the applicable loss sharing agreement, changes in projected losses on Covered Assets and the cumulative servicing amount, if applicable.

The clawback liability is included in other liabilities in the accompanying consolidated balance sheets and the amortization and loss on re-measurement is included in loss share indemnification income in the accompanying consolidated statements of operations.

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The following tables summarize the activity related to the FDIC loss share indemnification asset for the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Dollars in thousands)			
Balance at beginning of period	$ 74,853	$ 104,180	$ 87,229	$ 125,949
Reimbursable expenses	648	2,200	3,801	8,121
Amortization	(6,272)	(6,137)	(17,677)	(18,596)
Income resulting from impairment and charge-off of covered assets, net	1,474	1,098	2,680	7,078
Expense resulting from recoupment and disposition of covered assets, net	(678)	(2,501)	(3,101)	(9,557)
FDIC claims submissions	(105)	(2,160)	(3,012)	(16,315)
Balance at end of period	$ 69,920	$ 96,680	$ 69,920	$ 96,680

The following table summarizes the changes in the clawback liability, included in Other Liabilities, for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Dollars in thousands)			
Balance at beginning of period	$ 12,525	$ 12,870	$ 11,753	$ 11,966
Amortization impact	190	192	547	560
Remeasurement impact	842	(523)	1,257	13
Balance at end of period	$ 13,557	$ 12,539	$ 13,557	$ 12,539

Other Real Estate Owned

The following table shows the composition of other real estate owned as of the periods presented:

	September, 2014	December 31, 2013
	(Dollars in thousands)	
Commercial real estate	$ 26,315	$ 16,410
1-4 single family residential	11,144	4,887

Construction, land and development	41,053	13,385
Total	$ 78,512	$ 34,682

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The following table summarized the activity related to other real estate owned for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
	(Dollars in thousands)			
Balance at beginning of period	$ 80,988	$ 44,714	$ 34,682	$ 57,767
Additions from acquisition			55,085	
Transfers from loan portfolio	4,847	7,515	17,716	23,288
Impairments	(958)	(444)	(1,690)	(3,351)
Sales	(6,365)	(5,187)	(27,281)	(31,106)
Balance at end of period	$ 78,512	$ 46,598	$ 78,512	$ 46,598

We expect that OREO will generally continue to decrease in the future as there will be less transfers from the loan portfolio and disposition activity. However, OREO may increase in future periods as a result of future business combinations or increased foreclosure activity.

Total OREO held by the Company was $78.5 million as of September 30, 2014, an increase of $43.8 million from December 31, 2013. The increase in other real estate owned was due to $55.1 million of additions to OREO as a result of the Great Florida Bank acquisition and $17.7 million of additions to OREO through loan foreclosures partially offset by OREO sales of $27.3 million.

Deposits

We expect that deposits will be our primary funding source in the future as we continue to optimize our deposit mix and lower our cost of deposits by reducing rate sensitive time deposits. In the future, we expect commercial core deposits will drive core deposit growth.

The following table shows the deposit mix as of the periods presented:

	September 30, 2014		December 31, 2013	
	Amount	**Percent of Total**	**Amount**	**Percent of Total**
	(Dollars in thousands)			
Noninterest bearing demand deposits	$ 525,152	13.1%	$ 291,658	10.5%
Interest bearing NOW accounts	526,013	13.2%	84,837	3.0%
Savings and money market accounts	1,695,237	42.5%	1,251,842	44.8%
Time deposits	1,244,958	31.2%	1,165,196	41.7%
Total deposits	$ 3,991,360	100.0%	$ 2,793,533	100.0%

Total deposits at September 30, 2014 totaled $3.99 billion, an increase of $1.20 billion, or 42.9%, from December 31, 2013. The increase in deposits consisted of a $1.12 billion increase in core deposits and a $79.8 million increase in time deposits. Core deposits include demand deposit, NOW accounts, savings and money market accounts and represents 68.8% of total deposits at September 30, 2014, an increase from 58.3% at December 31, 2013.

The increase in total deposits was primarily due to the $763.8 million of deposits at September 30, 2014 that were acquired through the Great Florida Bank acquisition, a new public fund relationship contributing $165.0 million in deposits in addition to overall net deposit growth across all deposit categories as a result of retail marketing efforts and commercial relationship growth.

The average rate paid on deposits for the three and nine months ended September 30, 2014, was 0.62% and 0.62%, respectively. This represents a decrease of 14 and 16 basis points compared the average rate paid on deposits for the three and nine months ended September 30, 2013 of 0.76% and 0.78%, respectively. Continued

planned reductions of high cost acquired time deposits and a higher composition of noninterest-bearing deposits drove the decrease in the cost of deposits. The average rate paid on time deposits for the three and nine months ended September 30, 2014, was 0.87% and 0.91%, respectively. This represents a decrease of 37 and 36 basis points compared the average rate paid on time deposits for the three and nine months ended September 30, 2013 of 1.24% and 1.27%, respectively.

The following table shows the remaining maturity of time deposits of $100,000 and greater:

	September 30, 2014 (Dollars in thousands)
Time deposits $100,000 or greater with remaining maturity of:	
Three months or less	196,451
After three months through six months	141,519
After six months through twelve months	153,268
After twelve months	296,697
Total	$ 787,935

Borrowings

In addition to deposits, we utilize advances from the FHLB and other borrowings, such as securities sold under repurchase agreements, as a supplementary funding source to finance our operations. FHLB advances are secured by stock, qualifying first residential mortgages, commercial real estate loans, home equity loans and investment securities.

Total borrowings consisted of the following as of the periods presented:

	September 30, 2014	December 31, 2013
	(Dollars in thousands)	
FHLB Advances	$ 1,079,826	$ 432,015
Securities sold under repurchase agreements	72,500	
Retail repurchase agreements	5,288	4,853
Total contractual outstanding	1,157,614	436,868
Deferred prepayment penalty		(1,187)
Fair value adjustment	6,790	185
Total borrowings	$ 1,164,404	$ 435,866

At September 30, 2014, total borrowings were $1.16 billion, an increase of $728.5 million, or 167.1%, from $435.9 at December 31, 2013. The increase in total borrowings was primarily driven by the $648.9 million increase in FHLB advances to fund new loan growth. The Company also acquired borrowings with a current fair value of $79.2 million through the Great Florida Bank acquisition that primarily consisted of securities sold under repurchase agreements.

Short-term borrowings consist of debt with maturities of one year or less and the current portion of long-term debt. The following table is a summary of short-term borrowings for the periods presented:

	As of/For the Three Months Ended September 30,		As of/For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Short-Term FHLB advances:				
Maximum outstanding at any month-end during the period	$ 843,326	$ 250,000	$ 843,326	$ 254,000
Balance outstanding at end of period	843,326	250,000	843,326	250,000
Average outstanding during the period	641,895	250,000	593,926	253,229
Average interest rate during the period	0.55%	0.81%	0.62%	0.83%
Average interest rate at the end of the period	0.27%	0.81%	0.27%	0.81%

Capital Resources

Stockholders equity totaled $835.7 million as of September 30, 2014, an increase of $119.6 million from $716.1 million as of December 31, 2013, primarily driven by the net proceeds from the Company s IPO of approximately $104.5 million, net income of $9.3 million and other comprehensive income of $488 thousand recognized during the period. As of September 30, 2014 and December 31, 2013, we had capital levels that exceeded the regulatory guidelines for a well-capitalized institution under applicable guidelines. In addition, the OCC Agreement entered into by the Bank dated January 25, 2010 requires the Bank to maintain prescribed minimum capital ratios. The following table shows the required capital ratios of the Bank under the OCC Agreement and the Bank s actual regulatory capital ratios for the periods presented:

	Well Capitalized Minimums	September 30, 2014	December 31, 2013
Capital Ratios (Company)			
Tier 1 leverage ratio	5.0%	13.1%	18.0%
Tier 1 risk-based capital ratio	6.0%	17.2%	24.8%
Total risk-based capital ratio	10.0%	17.7%	25.3%
Capital Ratios (Bank)			
Tier 1 leverage ratio	10.0%	10.6%	12.0%
Tier 1 risk-based capital ratio	11.0%	14.0%	16.7%
Total risk-based capital ratio	12.0%	14.6%	17.3%

Stockholders Equity

The following table summarizes the changes in our stockholders equity for the periods indicated:

	Three Months Ended September 30,	Nine Months Ended September 30,

	2014	2013	2014	2013
	(Dollars in thousands)			
Balance at beginning of period	$ 739,448	$ 729,909	$ 716,114	$ 728,174
Net income (loss)	(3,422)	4,471	9,272	11,246
Shares issued in offering, net	104,475		104,475	
Settlement of RSU shares	(5,688)		(5,688)	
Deferred placement fee	(10,000)		(10,000)	
Minority interest	495	586	495	2,126
Exchange of B shares to A shares		(5,713)		(12,293)
Stock-based compensation, RSU and warrant expense	19,683		20,571	
Other comprehensive income (loss)	(9,264)		488	
Balance at end of period	$ 835,727	$ 729,253	$ 835,727	$ 729,253

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Initial Public Offering

On August 6, 2014, the Company completed the initial public offering of 7,520,000 shares of Class A common stock for $22.00 per share. Of the 7,520,000 shares sold, 4,554,045 shares were sold by the Company and 2,965,955 shares were sold by certain selling shareholders. In addition, on September 3, 2014, the Company sold an additional 720,000 shares of Class A common stock to cover the exercise of the underwriters over-allotment option. The Company received net proceeds of approximately $104.5 million from the offering, after deducting the underwriting discounts and commissions of $8.1 million and estimated offering expenses of $3.4 million. The Company did not receive any proceeds from the sale of shares by the selling shareholders.

Direct expenses associated with the offering, consisting primarily of legal, accounting and printing fees, were approximately $3.4 million. The Company recognized the direct offering expenses and underwriters commissions as a reduction of the proceeds received. The following table presents the Class A Common Shares sold and expenses associated with the offering:

	Date of Issuance	Price per Share	Class A Common Shares	Total
	(Dollars in thousands, except share and per share data)			
Offering	8/6/2014	$ 22.00	4,554,045	$ 100,189
Overallotment	9/3/2014	$ 22.00	720,000	15,840
Total			5,274,045	116,029
Direct offering expenses:				
Underwriters commissions				(8,122)
Direct expenses				(3,432)
Total direct offering expenses				(11,554)
Total proceeds, net				$ 104,475

Off Balance Sheet Arrangements

In the normal course of business, we enter into various transactions, which, in accordance with GAAP, are not included in our consolidated balance sheets. We enter into these transactions to meet the financing needs of our customers. These transactions include commitments to extend credit and standby letters of credit, which involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized on the Bank s consolidated balance sheets. We have limited off-balance sheet arrangements that have not had or are not reasonably likely to have a current or future material effect on our financial condition, revenues, and expenses, results of operations, liquidity, capital expenditures or capital resources.

We enter into contractual loan commitments to extend credit, normally with fixed expiration dates or termination clauses, at specified rates and for specific purposes. Since a portion of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Substantially all of our commitments to extend credit are contingent upon customers maintaining specific credit standards until the time of loan funding. We decrease our exposure to loss under these commitments by subjecting

them to credit approval and monitoring procedures. We assess the credit risk associated with certain commitments to extend credit and establish a liability for probable credit losses.

Standby letters of credit are written conditional commitments issued by us to guarantee the performance of a customer to a third party. In the event the customer does not perform in accordance with the terms of the agreement with the third party, we would be required to fund the commitment. The maximum potential amount of future payments we could be required to make is represented by the contractual amount of the commitment. If the commitment is funded, we would be entitled to seek recovery from the customer. Our policies generally require that standby letter of credit arrangements contain security and debt covenants similar to those contained in loan agreements.

The following table summarizes commitments as of the dates presented:

	September 30, 2014	December 31, 2013
	(Dollars in thousands)	
Commitments to fund loans	$ 267,369	$ 96,359
Unused lines of credit	189,215	168,408
Commercial and standby letters of credit	7,562	4,838
Total	$ 464,146	$ 269,605

Contractual Obligations

The loss sharing agreements between the Company and the FDIC for the Old Premier, Old FCB, Old Peninsula, Old Cortez, Old FNBCF and Old Coastal acquisitions include clawback provisions that obligate the Company to pay the FDIC a certain amount in the event that losses incurred by the Company with respect to the loss sharing agreements do not reach a threshold specified in the applicable loss sharing agreement upon termination of the loss sharing agreement.

The provisions of the loss sharing agreements for the Old Premier and Old FCB acquisitions may require the Company to pay the FDIC, within 45 days of the loss sharing agreement termination date, 50% of the excess of 20% of the stated threshold, less the sum of (a) 25% of the asset discount amount, (b) 25% of the cumulative shared loss payments and (c) the cumulative servicing amount. The provisions of the loss sharing agreements for the Old Peninsula, Old Cortez, Old FNBCF and Old Coastal acquisitions may require the Company to pay the FDIC, within 45 days of the loss sharing agreement termination date, 50% of the excess of 20% of the intrinsic loss estimate, less the sum of (a) 20% of the net loss amount, (b) 25% of the asset discount bid and (c) 3.5% of the Covered Assets on the acquisition date.

At the date of acquisition, the Company recognizes a clawback liability equal to the present value of the discounted future cash flows expected to be paid to the FDIC in connection with the clawback provisions of the loss sharing agreement. The Company amortizes the discount on the clawback liability by recognizing an expense that is recorded in Loss share indemnification income (loss) in our consolidated financial statements. The Company evaluates, on a periodic basis, whether the result of its collection efforts on assets covered under loss sharing agreements have had an impact on the expected balance, if any, to be paid to the FDIC. Changes in management s estimate of the clawback liability is, as appropriate, charged or credited to earnings in the period in which they are identified.

The fair value of the clawback liability is estimated using the same discounted cash flow model which derives the value of the FDIC loss share indemnification asset. This fair value estimate is based on the present value of the calculated clawback liability using a discount rate that takes into account the Company s then current credit risk. The calculated liability is based on the terms of the loss share agreement, the projected losses on Covered Assets and the cumulative servicing amount, if applicable.

The discount rate used for the FDIC loss share indemnification asset, which is a liability of the FDIC, is based on the risk-free rate plus a risk factor that considers the credit risk of the FDIC. The discount rate utilized to estimate the FDIC clawback liability is based on an equivalent of an AA credit rated corporate debt securities that we believe appropriately reflects the Company s credit risk profile.

Non-GAAP Financial Measures

Tangible book value per common share is a non-GAAP financial measure. Management believes this measure is relevant to understanding the capital position and performance of the Company. Disclosure of this non-GAAP financial measure also provides a meaningful base for comparability to other financial institutions. The following table reconciles the non-GAAP financial measurement of tangible book value per common share to the comparable GAAP financial measurement of book value per common share for the periods presented:

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FCB Financial Holdings, Inc.

Reconciliation of Non-GAAP Measures Tangible Book Value Per Share

(Unaudited)

(Dollars in thousands, except share and per share data)

	As of	
	September 30, 2014	**December 31, 2013**
Total assets	$ 6,054,944	$ 3,973,370
Less:		
Goodwill and other intangible assets	89,040	39,369
Tangible assets	$ 5,965,904	$ 3,934,001
Total stockholder s equity	$ 835,727	$ 716,114
Less:		
Goodwill and other intangible assets	89,040	39,369
Tangible stockholder s equity	$ 746,687	$ 676,745
Shares outstanding	41,409,698	35,892,154
Tangible book value per share	$ 18.03	$ 18.85
Average assets	$ 5,738,087	$ 3,502,311
Average equity	799,167	732,114
Average goodwill and other intangible assets	89,276	40,090
Tangible average equity to tangible average assets	12.6%	20.0%
Tangible common equity ratio	12.5%	17.2%

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

Interest Rate Risk

The principal component of our risk of loss arising from adverse changes in the fair value of financial instruments, or market risk, is interest rate risk. The primary objective of our asset/liability management activities is to maximize net interest income, while maintaining acceptable levels of interest rate risk. Our Asset Liability Committee, or ALCO, is responsible for establishing policies to limit exposure to interest rate risk, and to ensure procedures are established to monitor compliance with these policies. The guidelines established by ALCO are reviewed and approved by our Board of Directors.

Consistent with industry practices, we primarily measure interest rate risk by utilizing the concept of Economic Value of Equity (EVE). EVE is the intrinsic value of assets, less the intrinsic value of liabilities. EVE analysis provides a fair value of the balance sheet in alternative interest rate scenarios. The EVE does not take into account management intervention and assumes the new rate environment is constant and the change is instantaneous. Further, as this

framework evaluates risks to the current balance sheet only, changes to the volumes and pricing of new business opportunities that can be expected in the different interest rate outcomes are not incorporated in this analytical framework. In addition, we further evaluate and consider the impact of other business factors in a separate income simulation analysis, which is designed to capture not only the potential of all assets and liabilities to mature or reprice, but also the probability that they will do so. Assets and liabilities with similar repricing characteristics may not reprice at the same time or to the same degree. Income simulation also attends to the relative interest rate sensitivities of these items, and projects their behavior over an extended period of time. Income simulation permits us to assess the probable effects on the consolidated financial statements for changes in interest rates and corresponding management strategy.

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Management continually reviews and refines its interest rate risk management process in response to the economic and interest rate environment. Currently, our model projects a minus 100, plus 100, plus 200, plus 300, plus 400 and plus 500 basis point change as well as modified scenarios to evaluate our interest rate sensitivity and to determine whether specific action is needed to improve the current asset/liability position, either through economic hedges, matching strategies or by utilizing derivative instruments.

Our ALCO policy has established specific limits for changes to net interest income and to capital based on the aforementioned models as follows:

	September 30, 2014		December 31, 2013	
	Following 12 Months	Following 36 Months	Following 12 Months	Following 36 Months
+500 basis points	19.3%	18.9%	39.1%	33.4%
+400 basis points	17.9%	18.3%	34.5%	30.7%
+300 basis points	15.3%	16.2%	28.3%	26.1%
+200 basis points	11.4%	12.5%	20.5%	19.5%
+100 basis points	6.2%	7.1%	11.1%	10.9%
-100 basis points	-2.6%	-4.2%	-2.2%	-3.0%

The table below presents the change in our EVE assuming immediate parallel shifts in interest rates as of the dates presented:

	September 30, 2014	December 31, 2013
+500 basis points	-26.0%	-17.5%
+400 basis points	-20.7%	-13.2%
+300 basis points	-15.3%	-9.0%
+200 basis points	-10.0%	-5.0%
+100 basis points	-5.3%	-1.6%
-100 basis points	-0.4%	3.8%

In the event the model indicates an unacceptable level of risk, based on current circumstances and events, we could undertake a number of actions that would reduce this risk, including the sale of a portion of our available for sale investment portfolio or the use of risk management strategies such as interest rate swaps and caps. As of September 30, 2014, we were in compliance with all of our net interest income and EVE limits.

Many assumptions were used by the Company to calculate the impact of changes in interest rates, including the change in rates. Actual results may not be similar to those derived from our model due to several factors including the timing and frequency of rate changes, market conditions and the shape of the yield curve. Actual results may also differ due to our actions, if any, in response to the changing rates and other changes in our business.

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Liquidity Risk

Liquidity represents the Company s ability to meet financial commitments through the maturity and sale of existing assets or availability of additional funds. Liquidity risk results from the mismatching of asset and liability cash flows. The Bank s liquidity needs are primarily met by its cash and securities position, growth in deposits, cash flow from amortizing investment and loan portfolios, and borrowings from the FHLB. For additional information regarding our operating, investing, and financing cash flows, see Consolidated Financial Statements Consolidated Statements of Cash Flows.

The Bank has access to additional borrowing through secured FHLB advances, unsecured borrowing lines from correspondent banks, and a repurchase agreement (secured). In addition, the Bank has an established borrowing line at the Federal Reserve Bank. Our asset/liability policy has established several measures of liquidity, including liquid assets (defined as cash and cash equivalents, and securities available to pledge) to total assets.

The following table summarizes our liquidity ratios:

	September 30, 2014		
	Policy Limit		**Actual**
Primary liquidity ratio	10.0%	Min	17.3%
Net short-term non-core funding deposits	20.0%	Max	4.3%
Net loans to total deposits	115.0%	Max	87.8%
Pledged securities to total investments	50.0%	Max	36.8%
Net loans to total assets	80.0%	Max	59.7%
Brokered deposits to total deposits	10.0%	Max	4.0%
Fed funds purchased to total assets	10.0%	Max	0.0%
Time deposits greater than $250,000 to total assets	20.0%	Max	4.3%
Short-term FHLB borrowings and repurchase agreements to assets	30.0%	Max	14.3%

At September 30, 2014, the Company had additional capacity to borrow from the FHLB of $202.0 million. Also, at September 30, 2014, the Company has unused credit lines with financial institutions of $52.5 million.

We believe the Bank s cash and liquidity resources generated by operations and deposit growth will be sufficient to satisfy the Bank s capital requirements for at least the next twelve months.

As a holding company, we are a corporation separate and apart from our subsidiary, the Bank, and therefore we provide for our own liquidity. Our main sources of funding include equity capital raised in our offerings of equity securities and dividends paid by the Bank, when applicable, and access to capital markets. We believe these sources will be sufficient to fund our capital needs for at least the next twelve months. There are regulatory limitations that affect the ability of the Bank to pay dividends to us. See Dividend Policy and Supervision and Regulation Regulatory Limits on Dividends and Distributions. Management believes that such limitations will not impact our ability to meet our ongoing short-term cash obligations.

Operational Risk

Operational risk generally refers to the risk of loss resulting from the Company s operations, including those operations performed for the Company by third parties. This would include but is not limited to the risk of fraud by employees or

persons outside the Company, the execution of unauthorized transactions by employees or others, errors relating to transaction processing, breaches of the internal control system and compliance requirements, and unplanned interruptions in service. This risk of loss also includes the potential legal or regulatory actions that could arise as a result of an operational deficiency, or as a result of noncompliance with applicable regulatory standards.

The Company places reliance on the ability of its employees and systems to properly process a high number of transactions. In the event of a breakdown in the internal control systems, improper operation of systems or improper employee actions, the Company could suffer financial loss, face regulatory action and suffer damage to its reputation. In order to address this risk, management maintains a system of internal controls with the objective of providing proper transaction authorization and execution, safeguarding of assets from misuse or theft, and ensuring the reliability of financial and other data.

The Company maintains systems of controls that provide management with timely and accurate information about the Company s operations. The Company has also established procedures that are designed to ensure that policies relating to conduct, ethics and business practices are followed on a uniform basis. While there can be no assurance that the Company will not suffer a potential loss from operational risks, management continually monitors and works to improve its internal controls, systems and corporate-wide processes and procedure to strengthen our system of internal controls.

Compliance Risk

Compliance risk represents the risk of regulatory sanctions, reputational impact or financial loss resulting from our failure to comply with rules and regulations issued by the various banking agencies and standards of good banking practice. Activities which may expose us to compliance risk include, but are not limited to, those dealing with the prevention of money laundering, privacy and data protection, community reinvestment initiatives, fair lending challenges resulting from the expansion of our banking center network and employment and tax matters.

Strategic and/or Reputation Risk

Strategic and/or reputation risk represents the risk of loss due to impairment of reputation, failure to fully develop and execute business plans, failure to assess current and new opportunities in business, markets and products, and any other event not identified in the defined risk types mentioned previously. Mitigation of the various risk elements that represent strategic and/or reputation risk is achieved through initiatives to help us better understand and report on various risks, including those related to the development of new products and business initiatives.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company s management, including its Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company s disclosure controls and procedures were effective.

Internal Control over Financial Reporting

There was no change in the Company s internal control over financial reporting that occurred during the Company s last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company, from time to time, is involved as plaintiff or defendant in various legal actions arising in the normal course of business. While the ultimate outcome of any such proceedings cannot be predicted with certainty, it is the opinion of management, based upon advice of legal counsel, that no proceedings exist, either individually or in the aggregate, which, if determined adversely to the Company, would have a material effect on the Company s consolidated balance sheet, statements of income or cash flows. See Note 16 Commitments and Contingencies in the Notes to Consolidated Financial Statements.

Item 1A. Risk Factors

There has been no material changes in the risk factors disclosed by the Company in its Prospectus filed with the Securities and Exchange Commission.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On August 6, 2014, the Company completed the initial public offering of 7,520,000 shares of Class A common stock for $22.00 per share. Of the 7,520,000 shares sold, 4,554,045 shares were sold by the Company and 2,965,955 shares were sold by certain selling shareholders. In addition, on September 3, 2014, the Company sold an additional 720,000 shares of Class A common stock to cover the exercise of the underwriters over-allotment option. The Company received net proceeds of approximately $104.5 million from the offering, after deducting the underwriting discounts and commissions of $8.1 million and estimated offering expenses of $3.4 million which was utilized to fund organic grown and general corporate purposes. The Company did not receive any proceeds from the sale of shares by the selling shareholders.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None

Item 6. Exhibits

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document

101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FCB Financial Holdings, Inc.

(Registrant)

Date: November 13, 2014	/s/ Kent S. Ellert Kent S. Ellert President and Chief Executive Officer (Principal Executive Officer)
Date: November 13, 2014	/s/ Paul D. Burner Paul D. Burner Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

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