FCB FINANCIAL HOLDINGS, INC.
Form 10-Q
November 09, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
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. ý 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). ý 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 ý Accelerated filer ¨

Non-accelerated filer ¨ 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 ý No
As of November 1, 2016, the registrant had 38,671,524 shares of Class A Common Stock and 2,289,954 shares of Class B Non-voting Common Stock outstanding.

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PART I. FINANCIAL INFORMATION
FCB FINANCIAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in thousands, except share and per share data)

	September 30, 2016	December 31, 2015
Assets:		
Cash and due from banks	$67,324	$44,696
Interest-earning deposits in other banks	20,010	57,764
Investment securities:		
Available for sale securities, at fair value	1,672,089	1,524,622
Federal Home Loan Bank and other bank stock, at cost	43,486	59,477
Total investment securities	1,715,575	1,584,099
Loans held for sale	15,748	2,514
Loans:		
New loans	5,837,759	4,610,763
Acquired loans	431,734	582,424
Allowance for loan losses	(35,785)	(29,126)
Loans, net	6,233,708	5,164,061
Premises and equipment, net	38,112	36,954
Other real estate owned	25,654	39,340
Goodwill	81,204	81,204
Core deposit intangible	4,947	5,880
Deferred tax assets, net	59,081	75,176
Bank-owned life insurance	172,105	168,246
Other assets	97,684	71,552
Total assets	$8,531,152	$7,331,486
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Transaction accounts:		
Noninterest-bearing	$830,910	$637,047
Interest-bearing	3,794,215	2,935,418
Total transaction accounts	4,625,125	3,572,465
Time deposits	2,292,438	1,858,173
Total deposits	6,917,563	5,430,638
Borrowings (including FHLB advances of $400,000 and $806,500, respectively)	568,175	983,183
Other liabilities	79,329	41,556
Total liabilities	7,565,067	6,455,377
Commitments and contingencies (Note 12)		
Stockholders' Equity:		
Class A common stock, par value $0.001 per share; 100 million shares authorized; 41,241,596; 39,103,945 issued and 38,547,107; 37,126,571 outstanding	41	39
Class B common stock, par value $0.001 per share; 50 million shares authorized; 2,557,596; 3,926,014 issued and 2,365,464; 3,733,882 outstanding	3	4
Additional paid-in capital	866,673	850,609
Retained earnings	160,555	88,535
Accumulated other comprehensive income (loss)	16,186	(9,443)

Treasury stock, at cost; 2,694,489; 1,977,374 Class A and 192,132; 192,132 Class B common shares	(77,373)	(53,635)
Total stockholders' equity	966,085	876,109
Total liabilities and stockholders' equity	$8,531,152	$7,331,486

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest income:				
Interest and fees on loans	$65,748	$ 51,670	$189,678	$139,178
Interest and dividends on investment securities	14,955	13,315	43,799	38,594
Other interest income	97	38	259	111
Total interest income	80,800	65,023	233,736	177,883
Interest expense:				
Interest on deposits	11,736	6,846	31,369	18,422
Interest on borrowings	1,786	1,408	5,717	3,634
Total interest expense	13,522	8,254	37,086	22,056
Net interest income	67,278	56,769	196,650	155,827
Provision for loan losses	1,990	675	5,406	4,494
Net interest income after provision for loan losses	65,288	56,094	191,244	151,333
Noninterest income:				
Service charges and fees	884	823	2,532	2,358
Loan and other fees	2,145	1,783	6,407	6,186
Bank-owned life insurance income	1,288	1,101	3,859	3,295
FDIC loss share indemnification loss	—	—	—	(65,529)
Income from resolution of acquired assets	1,052	2,225	2,210	8,495
Gain (loss) on sales of other real estate owned	925	228	2,917	7,398
Gain (loss) on investment securities	749	166	1,019	1,934
Other noninterest income (loss)	1,099	746	2,854	2,998
Total noninterest income (loss)	8,142	7,072	21,798	(32,865)
Noninterest expense:				
Salaries and employee benefits	18,711	16,840	56,970	51,271
Occupancy and equipment expenses	3,480	3,368	10,086	10,451
Loan and other real estate related expenses	1,834	1,939	5,889	5,440
Professional services	1,180	1,166	3,622	3,761
Data processing and network	2,882	2,433	8,541	7,952
Regulatory assessments and insurance	1,860	1,919	5,817	6,130
Amortization of intangibles	257	400	933	1,231
Other operating expenses	2,832	2,641	8,453	7,167
Total noninterest expense	33,036	30,706	100,311	93,403
Income (loss) before income tax expense (benefit)	40,394	32,460	112,731	25,065
Income tax expense (benefit)	14,330	11,320	40,711	1,423
Net income (loss)	$26,064	$ 21,140	$72,020	$23,642
Earnings (loss) per share:				
Basic	$0.64	$ 0.51	$1.77	$0.57
Diluted	$0.60	$ 0.48	$1.67	$0.55
Weighted average shares outstanding:				
Basic	40,608,706	41,381,482	40,651,201	41,410,494

Diluted	43,150,814	43,798,378	43,015,703	43,112,947

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,	
	2016	2015	2016	2015
Net income (loss)	$26,064	$21,140	$72,020	$23,642
Other comprehensive income (loss):				
Unrealized net holding gains (losses) on investment securities available for sale, net of taxes of $(7,372), $1,784, $(16,761) and $1,283, respectively	11,751	(2,841)	26,689	(2,042)
Reclassification adjustment for realized (gains) losses on investment securities available for sale included in net income, net of taxes of $240, $90, $668 and $969, respectively	(381)	(142)	(1,060)	(1,542)
Total other comprehensive income (loss)	11,370	(2,983)	25,629	(3,584)
Total comprehensive income (loss)	$37,434	$18,157	$97,649	$20,058

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)
(Dollars in thousands, except for share data)

	Common Stock Shares Outstanding		Common Stock Issued		Additional Paid in Capital	Retained Earnings (Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Class A	Class B	Class A	Class B					
Balance as of January 1, 2015	34,469,650	6,940,048	$ 36	$ 7	$ 834,538	$ 35,144	$ (18,751)	$ 679	$ 851,653
Net income (loss)	—	—	—	—	—	23,642	—	—	23,642
Exchange of B shares to A shares	2,850,968	(2,850,968)	3	(3)	—	—	—	—	—
Stock-based compensation and warrant expense	—	—	—	—	4,588	—	—	—	4,588
Treasury stock purchases	(838,903)	—	—	—	—	—	(27,312)	—	(27,312)
Exercise of stock options	413,405				6,935				6,935
Other	—	—	—	—	(44)	—	—	—	(44)
Other comprehensive income (loss)	—	—	—	—	—	—	—	(3,584)	(3,584)
Balance as of September 30, 2015	36,895,120	4,089,080	$ 39	$ 4	$ 846,017	$ 58,786	$ (46,063)	$ (2,905)	$ 855,878
Balance as of January 1, 2016	37,126,571	3,733,882	$ 39	$ 4	$ 850,609	$ 88,535	$ (53,635)	$ (9,443)	$ 876,109
Net income (loss)	—	—	—	—	—	72,020	—	—	72,020
Exchange of B shares to A shares	1,368,418	(1,368,418)	1	(1)	—	—	—	—	—
Stock-based compensation, RSA and warrant expense	—	—	—	—	3,904	—	—	—	3,904
Treasury stock purchases	(717,115)	—	—	—		—	(23,738)		(23,738)
Exercise of stock options and warrants	648,021	—	1	—	12,199	—	—	—	12,200
Restricted stock awards (RSAs)	121,212	—	—	—	—	—	—	—	—
Other	—	—	—	—	(39)	—	—	—	(39)
Other comprehensive income (loss)	—	—	—	—	—	—	—	25,629	25,629
Balance as of September 30, 2016	38,547,107	2,365,464	$ 41	$ 3	$ 866,673	$ 160,555	$ (77,373)	$ 16,186	$ 966,085

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,	
	2016	2015
Cash Flows From Operating Activities:		
Net income (loss)	$72,020	$23,642
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for loan losses	5,406	4,494
Amortization of intangible assets	933	1,231
Depreciation and amortization of premises and equipment	2,643	2,866
Amortization of discount on loans	(730)	(2,272)
Net amortization (accretion) of premium (discount) on investment securities	1,148	1,515
Net amortization (accretion) of premium (discount) on time deposits	(44)	(306)
Net amortization (accretion) on FHLB advances and other borrowings	(1,968)	(1,950)
Impairment of other real estate owned	1,111	296
FDIC Loss share indemnification loss	—	65,529
(Gain) loss on investment securities	(1,019)	(1,934)
(Gain) loss on sale of loans	(1,242)	—
(Gain) loss on sale of other real estate owned	(2,917)	(7,398)
(Gain) loss on sale of premises and equipment	43	112
Deferred tax expense	—	(29,882)
Stock-based compensation, RSU and warrant expense	3,904	4,156
Increase in cash surrender value of BOLI	(3,859)	(3,295)
Net change in operating assets and liabilities:		
Net change in loans held for sale	(11,992)	(1,866)
Settlement of FDIC loss share agreement	—	(14,815)
Net change in other assets	4,390	(1,909)
Net change in other liabilities	5,269	1,977
Net cash provided by (used in) operating activities	73,096	40,191
Cash Flows From Investing Activities:		
Purchase of investment securities available for sale	(417,944)	(584,979)
Sales of investment securities available for sale	256,939	351,620
Paydown and maturities of investment securities available for sale	57,115	121,028
Purchase of FHLB and other bank stock	(64,657)	(51,881)
Sales of FHLB and other bank stock	80,648	52,817
Net change in loans	(968,109)	(664,119)
Purchase of loans	(200,480)	(241,727)
Proceeds from sale of loans	82,934	12,770
Purchase of bank-owned life insurance	—	(25,000)
Proceeds from sale of other real estate owned	26,824	60,046
Purchase of premises and equipment	(4,078)	(1,367)
Proceeds from the sale of premises and equipment	234	—
Proceeds from life insurance	—	1,193
Net cash provided by (used in) investing activities	(1,150,574)	(969,599)
Cash Flows From Financing Activities:		

Net change in deposits	1,486,969	843,615
Net change in FHLB advances	(406,500)	2,364
Net change in repurchase agreements	(6,540)	81,525
Repurchase of stock	(23,738)	(27,312)
Exercise of stock options	12,200	6,935
Other	(39)	(45)
Net cash provided by (used in) financing activities	1,062,352	907,082
Net Change in Cash and Cash Equivalents	(15,126)	(22,326)
Cash and Cash Equivalents at Beginning of Period	102,460	107,085
Cash and Cash Equivalents at End of Period	$87,334	$84,759
Supplemental Disclosures of Cash Flow Information:		
Interest paid	$36,394	$21,906
Income taxes paid	44,568	36,304
Supplemental disclosure of noncash investing and financing activities:		
Transfer of loans to other real estate owned	$11,332	$18,822

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

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FCB FINANCIAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 ("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 audited consolidated financial statements and the notes thereto for FCB Financial Holdings, Inc. (the "Company") previously filed with the SEC in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. 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 any other interim period.

Nature of Operations

The Company is a national bank holding company with one wholly-owned national bank subsidiary, Florida Community Bank, N.A. ("Florida Community Bank" or the "Bank"), headquartered in Weston, Florida, offering a comprehensive range of traditional banking products and services to individual and corporate customers through 48 banking centers located in Florida at September 30, 2016.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary, the Bank, and the Bank's subsidiaries, which consist of a group of real estate holding companies. Intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The Company's financial reporting and accounting policies conform to U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates subject to significant change include the allowance for loan 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, the carrying value of OREO, the fair value of financial instruments, the valuation of goodwill and other intangible assets, contingent consideration liabilities, acquisition-related fair value computations, stock-based compensation and deferred taxes.

Recently Adopted Accounting Pronouncements

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 ASU 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 non-vesting condition that affects the grant-date fair value of an award. The amendments in this ASU became effective for the first quarter ended March 31, 2016. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

In November 2014, the FASB issued ASU No. 2014-16, "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or Equity – a consensus of the FASB Emerging Issues Task Force (ASC 815, Derivatives and Hedging)". This ASU requires an entity to determine the nature of an instrument by evaluating all economic characteristics and risks of the entire hybrid instrument when determining whether the host is more akin to debit or equity. The amendments in this ASU became effective for the first quarter ended March 31, 2016. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

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In January 2015, the FASB issued ASU No. 2015-01, “Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items (ASC 225-20, Extraordinary and Unusual Items)” which eliminates the concept of extraordinary items. Under the ASU, extraordinary items will no longer be segregated from the results of ordinary operations and presented separately on the consolidated financial statements. The amendments in this ASU became effective for the first quarter ended March 31, 2016. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, “Amendments to the Consolidated Analysis (ASC 810, Consolidation)” which amends the consolidation requirements of ASC 810 by reducing the number of consolidation models. The guidance places more emphasis on risk of loss when determining a controlling financial interest; reduces the frequency of the application of related-party guidance when determining a controlling financial interest and changes the consolidation requirements of limited partnerships. The amendments in this ASU became effective for the first quarter ended March 31, 2016. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16, “Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments” which requires an acquirer to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in this ASU require that the acquirer record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments in this ASU became effective for the first quarter ended March 31, 2016. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements.

Recently Issued Accounting Pronouncements

In January 2016, the FASB issued ASU No. 2016-01, “Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities” which:

- Requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income.
- Simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value.
- Eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet.
- Requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes.
- Requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.
- Requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements.
- Clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity’s other deferred tax assets.

For public business entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early application by public business entities to financial statements of fiscal years or interim periods that have not yet been issued or, by all other entities, that have not yet been made available for issuance of the following amendments in this ASU are permitted as of the beginning of the fiscal year of adoption:

1.

An entity should present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk if the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.

2. Entities that are not public business entities are not required to apply the fair value of financial instruments disclosure guidance in the General Subsection of Section 825-10-50.

Except for the early application guidance discussed above, early adoption of the amendments in this ASU is not permitted.

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An entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption of the ASU. The Company is currently evaluating this guidance to determine the impact on its consolidated financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" which created Topic 842, Leases, and supersedes the leases requirements in Topic 840, Leases. Topic 842 specifies the accounting for leases. The core principal of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and liabilities. For public entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the amendments in this ASU is permitted. The Company does not believe the adoption of this guidance will have a material impact on its consolidated financial position, results of operations or cash flows.

In March 2016, the FASB issued ASU No. 2016-06, "Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments" which clarifies the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment under the amendments in this ASU is required to assess the embedded call (put) options solely in accordance with the four-stop decision sequence. The amendments are an improvement to GAAP because they eliminate diversity in practice in assessing embedded contingent call (put) options in debt instruments. For public business entities, the amendments in this ASU are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. An entity should apply the amendments in this ASU on a modified retrospective basis to existing debt instruments as of the beginning of the fiscal year for which the amendments are effective. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company does not believe the adoption of this guidance will have a material impact on its consolidated financial position, results of operations or cash flows.

In March 2016, the FASB issued ASU No. 2016-07, "Investments-Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting" which eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. The amendments in this ASU require that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. The amendments in this ASU are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. Earlier application is permitted. The Company does not believe the adoption of this guidance will have a material impact on its consolidated financial position, results of operations or cash flows.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" which simplifies several aspects of the accounting for employee share-based payment transactions including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. This ASU eliminates equity treatment for tax benefits or deficiencies that result from differences between the compensation cost recognized for GAAP purposes and the related tax deduction at settlement or expiration with such changes recognized in income tax expense and excludes excess tax benefits and tax deficiencies from the calculation of assumed proceeds for earnings per share purposes since such amounts are recognized in the income statement, which will result in greater volatility in earnings per share. In addition, this ASU simplifies the statements of cash flows by eliminating the bifurcation of excess tax benefits from operating activities to financing activities. Upon adoption, the amendments in this ASU provide for a tiered transition approach whereby amendments related to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements and forfeitures should be applied using a modified retrospective transition method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted. Amendments related to the presentation of employee taxes paid on the statement of cash flows when

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an employer withholds shares to meet the minimum statutory withholding requirement should be applied retrospectively. Amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement should be applied prospectively. An entity may elect to apply the amendments related to the presentation of excess tax benefits on the statement of cash flows using either a prospective transition method or a retrospective transition method. This ASU is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those annual periods with early adoption permitted. The Company is currently evaluating this guidance to determine the impact on its consolidated financial position, results of operations or cash flows.

In May 2016, the FASB issued ASU No. 2016-10, “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing.” The amendments in this ASU do not change the core principle of the guidance in Topic 606. Rather, the amendments in this ASU clarify the following two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. The amendments in this ASU affect the guidance in ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)”, which is not yet effective. The effective date and transition requirements for the amendments in this ASU are the same as the effective date and transition requirements in Topic 606 (and any other Topic amended by ASU 2014-09). ASU 2015-14, “Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date”, deferred the effective date of ASU 2014-09 by one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. The Company is currently evaluating this guidance to determine the impact on its consolidated financial position, results of operations or cash flows.

In May 2016, the FASB issued ASU No. 2016-12, “Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients.” The amendments in this ASU do not change the core principle of the guidance in Topic 606. Rather, the amendments in this ASU clarify the guidance on assessing collectability, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition. The amendments in this ASU affect the guidance in ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments in this ASU are the same as the effective date and transition requirements in Topic 606 (and any other Topic amended by ASU 2014-09). ASU 2015-14, “Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date”, deferred the effective date of ASU 2014-09 by one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. The Company is currently evaluating this guidance to determine the impact on its consolidated financial position, results of operations or cash flows.

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments - Credit losses (Topic 326): Measurement of credit losses on financial instruments.” Topic 326 amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available for sale debt securities, credit losses should be measured in a manner similar to current GAAP, however Topic 326 will require that credit losses be presented as an allowance rather than as a write-down. This ASU affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. For public business entities that are SEC filers, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For all other public business entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. All entities may adopt the amendments in this ASU earlier as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. An entity will apply the amendments in this ASU through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. The effect of a prospective transition approach is to maintain the same amortized cost basis before and after the effective date of this ASU. Amounts previously recognized in accumulated other comprehensive income as of the date of adoption that relate to improvements in cash flows expected to be collected should continue to be accreted into income over the remaining life of the asset. Recoveries of amounts previously written off relating to improvements in cash flows after the date of adoption should be recorded in earnings when received. The Company is currently evaluating this guidance to determine the impact on its consolidated financial position, results of operations or cash flows.

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In August 2016, the FASB issued ASU No. 2016-15, "Statement of cash flows (Topic 230): Classification of certain cash receipts and cash payments." The objective of this guidance is to reduce the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics. This ASU addresses the following eight specific cash flow issues: Debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (COLIs) (including bank-owned life insurance policies (BOLIs)); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The amendments in this ASU should be applied using a retrospective transition method to each period presented. The Company is currently evaluating this guidance to determine the impact on its consolidated financial position, results of operations or cash flows.

NOTE 2. INVESTMENT SECURITIES

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

September 30, 2016	Amortized Cost	Unrealized Gains	Losses	Fair Value
	(Dollars in thousands)			
Available for sale:				
U.S. Government agencies and sponsored enterprises obligations	$16,542	$158	$161	$16,539
U.S. Government agencies and sponsored enterprises mortgage-backed securities	422,358	10,829	274	432,913
State and municipal obligations	10,741	225	—	10,966
Asset-backed securities	497,109	2,702	1,397	498,414
Corporate bonds and other debt securities	554,514	15,491	2,699	567,306
Preferred stock and other equity securities	144,474	1,572	95	145,951
Total available for sale	$1,645,738	$30,977	$4,626	$1,672,089

December 31, 2015	Amortized Cost	Unrealized Gains	Losses	Fair Value
	(Dollars in thousands)			
Available for sale:				
U.S. Government agencies and sponsored enterprises obligations	$20,930	$100	$142	$20,888
U.S. Government agencies and sponsored enterprises mortgage-backed securities	392,123	2,587	1,595	393,115
State and municipal obligations	2,041	174	—	2,215
Asset-backed securities	503,240	383	9,689	493,934
Corporate bonds and other debt securities	450,489	1,596	7,190	444,895
Preferred stock and other equity securities	171,170	1,153	2,748	169,575
Total available for sale	$1,539,993	$5,993	$21,364	$1,524,622

As part of the Company’s liquidity management strategy, the Company pledges loans and securities to secure borrowings from the Federal Home Loan Bank of Atlanta ("FHLB'). The Company also pledges securities to collateralize public deposits, repurchase agreements and interest rate swaps. The carrying value of all pledged securities totaled $538.0 million and $939.6 million at September 30, 2016 and December 31, 2015, respectively.

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

September 30, 2016	Amortized Cost	Fair Value
	(Dollars in thousands)	
Available for sale:		
Due in one year or less	$—	$—
Due after one year through five years	182,483	182,922
Due after five years through ten years	91,492	93,451
Due after ten years	291,280	301,899
U.S. Government agencies and sponsored enterprises obligations, mortgage-backed securities and asset-backed securities	936,009	947,866
Preferred stock and other equity securities	144,474	145,951
Total available for sale	$1,645,738	$1,672,089

For purposes of the maturity table, U.S Government agencies and sponsored enterprises obligations, agency 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 as of the periods presented:

September 30, 2016	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	$11,724	$ 161	$—	$ —	$11,724	$ 161
U.S. Government agencies and sponsored enterprises mortgage-backed securities	14,220	53	12,782	221	27,002	274
State and municipal obligations	—	—	—	—	—	—
Asset-backed securities	3,841	4	91,524	1,393	95,365	1,397
Corporate bonds and other debt securities	71,720	543	85,185	2,156	156,905	2,699
Preferred stock and other equity securities	33,783	19	5,069	76	38,852	95
Total available for sale	$135,288	$ 780	$194,560	$ 3,846	$329,848	$ 4,626

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December 31, 2015	Less than 12 Months Fair Value	Less than 12 Months Unrealized Loss	12 Months or More Fair Value	12 Months or More Unrealized Loss	Total Fair Value	Total Unrealized Loss
	(Dollars in thousands)					
Available for sale:						
U.S. Government agencies and sponsored enterprises obligations	$15,687	$ 142	$—	$ —	$15,687	$ 142
U.S. Government agencies and sponsored enterprises mortgage-backed securities	225,109	1,391	12,584	204	237,693	1,595
State and municipal obligations	—	—	—	—	—	—
Asset-backed securities	354,912	6,290	78,112	3,399	433,024	9,689
Corporate bonds and other debt securities	347,302	7,190	—	—	347,302	7,190
Preferred stock and other equity securities	96,543	1,740	19,000	1,008	115,543	2,748
Total available for sale	$1,039,553	$ 16,753	$109,696	$ 4,611	$1,149,249	$ 21,364

At September 30, 2016, the Company’s security portfolio consisted of 346 securities, of which 79 securities were in an unrealized loss position. A total of 34 were in an unrealized loss position for less than 12 months. The unrealized losses for these securities resulted primarily from changes in interest rates and spreads.

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 varying by 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 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, 2016. The following describes the basis under which the Company has evaluated OTTI:

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

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

Asset-Backed Securities and Corporate Bonds & Other Debt Securities:

Securities were underwritten in accordance with the Company’s 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 securities in large U.S. financial institutions are primarily driven by changes in interest rates and spreads. These securities were generally underwritten in accordance with the Company’s investment standards prior to the decision to purchase.

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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,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(Dollars in thousands)			
Gross realized gains	$1,074	$104	$2,283	$2,065
Gross realized losses	(386)	(106)	(1,382)	(1,019)
Net realized gains (losses)	$688	$(2)	$901	$1,046

NOTE 3. 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. The Company classifies loans acquired through business combinations as Acquired loans. All acquired loans not specifically excluded under ASC 310-30 are accounted for under ASC 310-30. The remaining portfolio of acquired loans excluded under ASC 310-30 are accounted for under ASC 310-20 and are classified as Non-ASC 310-30 loans.

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

September 30, 2016	ASC 310-30 Loans	Non-ASC 310-30 Loans	New Loans (1)	Total
	(Dollars in thousands)			
Real estate loans:				
Commercial real estate	$160,219	$39,769	$1,272,150	$1,472,138
Owner-occupied commercial real estate	—	20,042	596,131	616,173
1-4 single family residential	34,329	71,302	1,982,340	2,087,971
Construction, land and development	25,156	6,338	639,626	671,120
Home equity loans and lines of credit	—	43,096	47,508	90,604
Total real estate loans	$219,704	$180,547	$4,537,755	$4,938,006
Other loans:				
Commercial and industrial	$21,985	$7,001	$1,295,324	$1,324,310
Consumer	2,074	423	4,680	7,177
Total other loans	24,059	7,424	1,300,004	1,331,487
Total loans held in portfolio	$243,763	$187,971	$5,837,759	$6,269,493
Allowance for loan losses				(35,785)
Loans held in portfolio, net				$6,233,708

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December 31, 2015	ASC 310-30 Loans	Non-ASC 310-30 Loans	New Loans (1)	Total
	(Dollars in thousands)			
Real estate loans:				
Commercial real estate	$247,628	$55,985	$998,141	$1,301,754
Owner-occupied commercial real estate	—	21,101	524,728	545,829
1-4 single family residential	40,922	84,111	1,541,255	1,666,288
Construction, land and development	28,017	6,338	537,494	571,849
Home equity loans and lines of credit	—	49,407	30,945	80,352
Total real estate loans	$316,567	$216,942	$3,632,563	$4,166,072
Other loans:				
Commercial and industrial	$36,783	$9,312	$972,803	$1,018,898
Consumer	2,390	430	5,397	8,217
Total other loans	39,173	9,742	978,200	1,027,115
Total loans held in portfolio	$355,740	$226,684	$4,610,763	$5,193,187
Allowance for loan losses				(29,126)
Loans held in portfolio, net				$5,164,061

(1) Balance includes $5.0 million and $7.1 million of deferred fees, costs, and premium and discount as of September 30, 2016 and December 31, 2015, respectively.

At September 30, 2016 and December 31, 2015, the unpaid principal balance of ASC 310-30 loans were $280.4 million and $457.9 million, respectively. At September 30, 2016 and December 31, 2015, the Company had pledged loans as collateral for FHLB advances of $3.11 billion and $2.13 billion, 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, 2016 totaled $3.1 million. The Company held $466.9 million and $464.2 million of syndicated national loans as of September 30, 2016 and December 31, 2015

During the three and nine months ended September 30, 2016, the Company purchased approximately $9.7 and $198.9 million in loans from third parties. During the three and nine months ended September 30, 2015, the Company purchased approximately $0.0 million and $233.6 million, respectively, in loans from third parties.

During the three and nine months ended September 30, 2016, the Company sold approximately $23.3 million and $85.0 million, respectively, loans to third parties. During the three and nine months ended September 30, 2015, the Company sold approximately $26.4 million and $45.9 million, respectively, in loans to third parties.

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 change in expected cash flows for certain ASC 310-30 loan pools resulted in the reclassification of $23.2 million and $28.6 million between non-accretable and accretable discount during the nine months ended September 30, 2016 and 2015, respectively.

Changes in accretable discount for ASC 310-30 loans for the nine months ended September 30, 2016 and 2015, were as follows:

	Nine Months Ended September 30,	
	2016	2015
	(Dollars in thousands)	
Balance at January 1,	$144,152	$156,197
Accretion	(42,722)	(38,273)
Reclassifications from (to) non-accretable difference	(23,207)	28,638
Balance at September 30,	$78,223	$146,562

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NOTE 4. ALLOWANCE FOR LOAN LOSSES

The Company’s accounting method for loans and the corresponding allowance for loan losses (“ALL”) differs depending on whether the loans are New or Acquired. The Company 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 of these portfolios, the Company further disaggregates the portfolios into the following segments: Commercial real estate, Owner-occupied commercial real estate, 1-4 single family residential, Construction, land and development, Home equity loans and lines of credit, Commercial and industrial and Consumer. The ALL reflects management’s estimate of probable credit losses inherent in each of the segments.

Changes in the ALL by loan portfolio and segment for the three and nine months ended September 30, 2016 and 2015 are as follows:

	Commercial Real Estate	Owner-Occupied 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, 2016	$9,745	$ 2,252	$ 7,439	$ 3,763	$ 615	$ 9,465	$ 427	$33,706
Provision (credit) for ASC 310-30 loans	110	—	2	(81)	—	(25)	(11)	(5)
Provision (credit) for non-ASC 310-30 loans	(68)	(56)	27	7	1	64	5	(20)
Provision (credit) for New loans	111	141	(639)	998	19	1,332	53	2,015
Total provision	153	85	(610)	924	20	1,371	47	1,990
Charge-offs for ASC 310-30 loans	—	—	(31)	—	—	—	(4)	(35)
Charge-offs for non-ASC 310-30 loans	—	—	—	—	—	—	—	—
Charge-offs for New loans	—	—	—	—	—	—	—	—
Total charge-offs	—	—	(31)	—	—	—	(4)	(35)
Recoveries for ASC 310-30 loans	106	—	—	10	—	—	—	116
Recoveries for non-ASC 310-30 loans	—	—	—	—	8	—	—	8
Recoveries for New loans	—	—	—	—	—	—	—	—
Total recoveries	106	—	—	10	8	—	—	124
Ending ALL balance								
ASC 310-30 loans	2,330	—	29	277	—	341	369	3,346
Non-ASC 310-30 loans	867	284	309	44	282	119	9	1,914
New loans	6,807	2,053	6,460	4,376	361	10,376	92	30,525
Balance at September 30, 2016	$10,004	$ 2,337	$ 6,798	$ 4,697	$ 643	$ 10,836	$ 470	$35,785

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	Commercial Real Estate	Owner-Occupied 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, 2015	$9,652	$ 1,548	$ 5,744	$ 3,024	$ 563	$ 6,059	$ 456	$27,046
Provision (credit) for ASC 310-30 loans	(791)	—	(38)	(310)	—	(67)	30	(1,176)
Provision (credit) for non-ASC 310-30 loans	(110)	14	11	(20)	74	41	6	16
Provision (credit) for New loans	(390)	45	203	251	41	1,712	(27)	1,835
Total provision	(1,291)	59	176	(79)	115	1,686	9	675
Charge-offs for ASC 310-30 loans	(65)	—	(224)	—	—	(57)	—	(346)
Charge-offs for non-ASC 310-30 loans	—	—	—	—	(37)	—	(8)	(45)
Charge-offs for New loans	—	—	—	—	—	—	—	—
Total charge-offs	(65)	—	(224)	—	(37)	(57)	(8)	(391)
Recoveries for ASC 310-30 loans	—	—	18	18	—	23	—	59
Recoveries for non-ASC 310-30 loans	—	—	—	—	—	—	—	—
Recoveries for New loans	—	—	—	—	—	5	—	5
Total recoveries	—	—	18	18	—	28	—	64
Ending ALL balance								
ASC 310-30 loans	1,729	—	26	501	—	1,032	417	3,705
Non-ASC 310-30 loans	1,265	68	346	36	469	82	4	2,270
New loans	5,302	1,539	5,342	2,426	172	6,602	36	21,419
Balance at September 30, 2015	$8,296	$ 1,607	$ 5,714	$ 2,963	$ 641	$ 7,716	$ 457	$27,394

	Commercial Real Estate	Owner-Occupied 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, 2016	$8,450	$ 2,243	$ 6,425	$ 3,404	$ 483	$ 7,665	$ 456	$29,126
Provision (credit) for ASC 310-30 loans	(83)	—	3	(90)	—	(47)	(31)	(248)
Provision (credit) for non-ASC 310-30 loans	(1,021)	(178)	(23)	8	18	59	11	(1,126)
Provision (credit) for New loans	1,339	273	393	1,336	169	3,224	46	6,780
Total provision	235	95	373	1,254	187	3,236	26	5,406
Charge-offs for ASC 310-30 loans	(352)	—	(31)	(33)	—	(76)	(6)	(498)
Charge-offs for non-ASC 310-30 loans	—	(1)	—	—	(35)	—	(6)	(42)
Charge-offs for New loans	—	—	—	—	—	—	—	—

Total charge-offs	(352)	(1)	(31)	(33)	(35)	(76)	(12)	(540)
Recoveries for ASC 310-30 loans	867	—	31	72	—	11	—	981
Recoveries for non-ASC 310-30 loans	804	—	—	—	8	—	—	812
Recoveries for New loans	—	—	—	—	—	—	—	—
Total recoveries	1,671	—	31	72	8	11	—	1,793
Ending ALL balance								
ASC 310-30 loans	2,330	—	29	277	—	341	369	3,346
Non-ASC 310-30 loans	867	284	309	44	282	119	9	1,914
New loans	6,807	2,053	6,460	4,376	361	10,376	92	30,525
Balance at September 30, 2016	$10,004	$ 2,337	$ 6,798	$ 4,697	$ 643	$ 10,836	$ 470	$35,785

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	Commercial Real Estate	Owner-Occupied 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, 2015	$8,206	$ 1,020	$ 4,740	$ 2,456	$ 355	$ 5,745	$ 358	$22,880
Provision (credit) for ASC 310-30 loans	(1,656)	—	(37)	(508)	—	52	187	(1,962)
Provision (credit) for non-ASC 310-30 loans	770	10	60	(39)	221	33	6	1,061
Provision (credit) for New loans	846	577	1,341	703	102	1,852	(26)	5,395
Total provision	(40)	587	1,364	156	323	1,937	167	4,494
Charge-offs for ASC 310-30 loans	(270)	—	(431)	(56)	—	(132)	(60)	(949)
Charge-offs for non-ASC 310-30 loans	—	—	(128)	—	(37)	—	(8)	(173)
Charge-offs for New loans	—	—	—	—	—	—	—	—
Total charge-offs	(270)	—	(559)	(56)	(37)	(132)	(68)	(1,122)
Recoveries for ASC 310-30 loans	400	—	169	407	—	154	—	1,130
Recoveries for non-ASC 310-30 loans	—	—	—	—	—	—	—	—
Recoveries for New loans	—	—	—	—	—	12	—	12
Total recoveries	400	—	169	407	—	166	—	1,142
Ending ALL balance								
ASC 310-30 loans	1,729	—	26	501	—	1,032	417	3,705
Non-ASC 310-30 loans	1,265	68	346	36	469	82	4	2,270
New loans	5,302	1,539	5,342	2,426	172	6,602	36	21,419
Balance at September 30, 2015	$8,296	$ 1,607	$ 5,714	$ 2,963	$ 641	$ 7,716	$ 457	$27,394

Credit Quality Indicators

In evaluating credit risk, the Company looks at multiple factors; however, 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. 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.

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

September 30, 2016	Accruing 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	$581	$ —	$ —	$—	$581
Owner-occupied commercial real estate	—	—	—	—	—
1-4 single family residential	—	722	—	698	1,420
Construction, land and development	—	—	—	—	—
Home equity loans and lines of credit	—	—	—	63	63
Total real estate loans	581	722	—	761	2,064
Other loans:					
Commercial and industrial	—	—	—	—	—
Consumer	—	—	—	—	—
Total other loans	—	—	—	—	—
Total new loans	$581	$ 722	$ —	$761	$2,064
Acquired loans:					
Real estate loans:					
Commercial real estate	$—	$ —	$ —	$4,773	$4,773
Owner-occupied commercial real estate	528	—	—	2,158	2,686
1-4 single family residential	153	—	—	2,649	2,802
Construction, land and development	—	—	—	—	—
Home equity loans and lines of credit	58	20	—	2,430	2,508
Total real estate loans	739	20	—	12,010	12,769
Other loans:					
Commercial and industrial	177	—	—	687	864
Consumer	—	—	—	—	—
Total other loans	177	—	—	687	864
Total acquired loans	$916	$ 20	$ —	$12,697	$13,633

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December 31, 2015	Accruing 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	$—	$ —	$ —	$—	$—
Owner-occupied commercial real estate	—	113	—	—	113
1-4 single family residential	9,439	869	—	1,454	11,762
Construction, land and development	467	—	—	—	467
Home equity loans and lines of credit	64	—	—	—	64
Total real estate loans	9,970	982	—	1,454	12,406
Other loans:					
Commercial and industrial	—	—	—	—	—
Consumer	—	—	—	—	—
Total other loans	—	—	—	—	—
Total new loans	$9,970	$ 982	$ —	$1,454	$12,406
Acquired Loans:					
Real estate loans:					
Commercial real estate	$63	$ —	$ —	$5,282	$5,345
Owner-occupied commercial real estate	—	95	—	2,247	2,342
1-4 single family residential	1,393	697	—	3,016	5,106
Construction, land and development	—	—	—	—	—
Home equity loans and lines of credit	490	97	—	2,295	2,882
Total real estate loans	1,946	889	—	12,840	15,675
Other loans:					
Commercial and industrial	90	—	—	877	967
Consumer	—	—	—	23	23
Total other loans	90	—	—	900	990
Total acquired loans	$2,036	$ 889	$ —	$13,740	$16,665

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 commercial 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, 2016	Pass	Special Mention	Substandard	Doubtful
	(Dollars in thousands)			
New loans:				
Commercial real estate	$1,272,150	$ —	$ —	$ —
Owner-occupied commercial real estate	595,956	175	—	—
Construction, land and development	639,626	—	—	—
Commercial and industrial	1,295,324	—	—	—
Total new loans	$3,803,056	$ 175	$ —	$ —
Acquired loans:				
Commercial real estate	$34,632	$ —	$ 5,137	$ —
Owner-occupied commercial real estate	17,884	—	2,158	—
Construction, land and development	6,338	—	—	—
Commercial and industrial	5,955	—	1,046	—
Total acquired loans	$64,809	$ —	$ 8,341	$ —

December 31, 2015	Pass	Special Mention	Substandard	Doubtful
	(Dollars in thousands)			
New loans:				
Commercial real estate	$998,141	$ —	$ —	$ —
Owner-occupied commercial real estate	524,728	—	—	—
Construction, land and development	537,494	—	—	—
Commercial and industrial	972,803	—	—	—
Total new loans	$3,033,166	$ —	$ —	$ —
Acquired loans:				
Commercial real estate	$50,328	$ —	$ 5,657	$ —
Owner-occupied commercial real estate	18,854	—	2,247	—
Construction, land and development	6,338	—	—	—
Commercial and industrial	6,715	1,352	1,245	—
Total acquired loans	$82,235	$ 1,352	$ 9,149	$ —

Internal risk ratings are a key factor in identifying loans to be 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 loans disaggregated based on the method of evaluating impairment:

September 30, 2016	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	$—	$ 1,272,150	$—	$—	$ 6,807	$ —
Owner-occupied commercial real estate	—	596,131	—	—	2,053	—
1-4 single family residential	524	1,981,816	—	—	6,460	—
Construction, land and development	—	639,626	—	—	4,376	—
Home equity loans and lines of credit	66	47,442	—	66	361	—
Total real estate loans	$590	$ 4,537,165	$—	$66	$ 20,057	$ —
Other loans:						
Commercial and industrial	$—	$ 1,295,324	$—	$—	$ 10,376	$ —
Consumer	—	4,680	—	—	92	—
Total other loans	$—	$ 1,300,004	$—	$—	$ 10,468	$ —
Acquired loans:						
Real estate loans:						
Commercial real estate	$4,773	$ 34,996	$160,219	$688	$ 179	$ 2,330
Owner-occupied commercial real estate	2,068	17,974	—	223	61	—
1-4 single family residential	2,833	68,469	34,329	88	221	29
Construction, land and development	—	6,338	25,156	—	44	277
Home equity loans and lines of credit	1,055	42,041	—	—	282	—
Total real estate loans	$10,729	$ 169,818	$219,704	$999	$ 787	$ 2,636
Other loans:						
Commercial and industrial	$687	$ 6,314	$21,985	$68	$ 51	$ 341
Consumer	—	423	2,074	—	9	369
Total other loans	$687	$ 6,737	$24,059	$68	$ 60	$ 710

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December 31, 2015	Loans - Recorded Investment Individually Evaluated for Impairment	Collectively Evaluated for Impairment	ASC 310-30 Loans	Allowance for Credit Loss Individually Evaluated for Impairment	Collectively Evaluated for Impairment	ASC 310-30 Loans
	(Dollars in thousands)					
New loans:						
Real estate loans:						
Commercial real estate	$—	$ 998,141	$—	$—	$ 5,468	$ —
Owner-occupied commercial real estate	—	524,728	—	—	1,780	—
1-4 single family residential	—	1,541,255	—	—	6,067	—
Construction, land and development	—	537,494	—	—	3,040	—
Home equity loans and lines of credit	—	30,945	—	—	192	—
Total real estate loans	$—	$ 3,632,563	$—	$—	$ 16,547	$ —
Other loans:						
Commercial and industrial	$—	$ 972,803	$—	$—	$ 7,152	$ —
Consumer	—	5,397	—	—	46	—
Total other loans	$—	$ 978,200	$—	$—	$ 7,198	$ —
Acquired Loans:						
Real estate loans:						
Commercial real estate	$5,282	$ 50,703	$247,628	$829	$ 255	$ 1,898
Owner-occupied commercial real estate	2,244	18,857	—	399	64	—
1-4 single family residential	263	83,848	40,922	—	332	26
Construction, land and development	—	6,338	28,017	—	36	328
Home equity loans and lines of credit	916	48,491	—	—	291	—
Total real estate loans	$8,705	$ 208,237	$316,567	$1,228	$ 978	$ 2,252
Other loans:						
Commercial and industrial	$877	$ 8,435	$36,783	$—	$ 60	$ 453
Consumer	—	430	2,390	—	4	406
Total other loans	$877	$ 8,865	$39,173	$—	$ 64	$ 859

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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, 2016	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance
	(Dollars in thousands)				
New loans:					
Real estate loans:					
Commercial real estate	$—	$ —	$ —	$ —	$ —
Owner-occupied commercial real estate	—	—	—	—	—
1-4 single family residential	—	—	—	524	524
Construction, land and development	—	—	—	—	—
Home equity loans and lines of credit	66	66	66	—	—
Total real estate loans	$66	$ 66	$ 66	$ 524	$ 524
Other loans:					
Commercial and industrial	$—	$ —	$ —	$ —	$ —
Consumer	—	—	—	—	—
Total other loans	$—	$ —	$ —	$ —	$ —
Acquired loans:					
Real estate loans:					
Commercial real estate	$4,414	$ 4,921	$ 688	$ 359	$ 397
Owner-occupied commercial real estate	2,068	2,241	223	—	—
1-4 single family residential	565	512	88	1,951	2,268
Construction, land and development	—	—	—	—	—
Home equity loans and lines of credit	—	—	—	1,055	1,415
Total real estate loans	$7,047	$ 7,674	$ 999	$ 3,365	$ 4,080
Other loans:					
Commercial and industrial	$345	$ 345	$ 68	$ 342	$ 1,075
Consumer	—	—	—	—	—
Total other loans	$345	$ 345	$ 68	$ 342	$ 1,075

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December 31, 2015	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	$—	$ —	$ —	$ —	$ —
Owner-occupied 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	$4,555	$ 4,924	$ 829	$ 727	$ 750
Owner-occupied commercial real estate	2,244	2,310	399	—	—
1-4 single family residential	—	—	—	263	264
Construction, land and development	—	—	—	—	—
Home equity loans and lines of credit	—	—	—	916	1,048
Total real estate loans	$6,799	$ 7,234	$ 1,228	$ 1,906	$ 2,062
Other loans:					
Commercial and industrial	$—	$ —	$ —	$ 877	$ 1,825
Consumer	—	—	—	—	—
Total other loans	$—	$ —	$ —	$ 877	$ 1,825

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	Three Months Ended September 30,			
	2016		2015	
	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	$386	$ —	$231	$ —
Owner-occupied commercial real estate	—	—	—	—
1-4 single family residential	2,389	—	—	—
Construction, land and development	—	—	—	—
Home equity loans and lines of credit	1,151	—	523	—
Total real estate loans	$3,926	$ —	$754	$ —
Other loans:				
Commercial and industrial	$342	$ —	$547	$ —
Consumer	—	—	—	—
Total other loans	$342	$ —	$547	$ —
Impaired loans with an allowance:				
Real estate loans:				
Commercial real estate	$4,436	$ —	$4,734	$ —
Owner-occupied commercial real estate	2,097	—	—	—
1-4 single family residential	565	—	—	—
Construction, land and development	—	—	—	—
Home equity loans and lines of credit	66	—	424	—
Total real estate loans	$7,164	$ —	$5,158	$ —
Other loans:				
Commercial and industrial	$345	$ —	$—	$ —
Consumer	—	—	—	—
Total other loans	$345	$ —	$—	$ —

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	Nine Months Ended September 30,			
	2016		2015	
	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	$439	$ —	$151	$ —
Owner-occupied commercial real estate	—	—	—	—
1-4 single family residential	1,689	—	—	—
Construction, land and development	—	—	—	—
Home equity loans and lines of credit	1,346	—	527	—
Total real estate loans	$3,474	$ —	$678	$ —
Other loans:				
Commercial and industrial	$342	$ —	$542	$ —
Consumer	—	—	—	—
Total other loans	$342	$ —	$542	$ —
Impaired loans with an allowance:				
Real estate loans:				
Commercial real estate	$4,480	$ —	$4,843	$ —
Owner-occupied commercial real estate	2,156	—	—	—
1-4 single family residential	565	—	—	—
Construction, land and development	—	—	—	—
Home equity loans and lines of credit	36	—	436	—
Total real estate loans	$7,237	$ —	$5,279	$ —
Other loans:				
Commercial and industrial	$471	$ —	$ —	$ —
Consumer	—	—	—	—
Total other loans	$471	$ —	$ —	$ —

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NOTE 5. GOODWILL AND INTANGIBLES

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

	September 30, 2016	December 31, 2015
	(Dollars in thousands)	
Goodwill	$81,204	$81,204
Core deposit intangible	14,370	14,370
Less: Accumulated amortization	(9,423)	(8,490)
Net core deposit intangible	$4,947	$5,880

Amortization expense for core deposit intangibles for the nine months ended September 30, 2016 and 2015 totaled $933 thousand and $1.2 million, respectively.

The estimated amount of amortization expense for core deposit intangible assets to be recognized during the next five fiscal years is as follows:

	2016	2017	2018	2019	2020
	(Dollars in thousands)				
Core deposit intangible	$256	$1,023	$1,023	$1,023	$491

NOTE 6. DERIVATIVES

The Company is a party to interest rate derivatives that are not designated as hedging instruments. These derivatives are interest rate swaps that the Company enters into with customers to allow customers to convert variable rate loans to fixed rates. 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 changes in the fair value of the swaps offset each other, except for any differences in the credit risk of the counterparties, which is determined by considering the risk rating, probability of default and loss of given default of each counterparty. The Company recorded $993 thousand and $892 thousand of customer swap fees in noninterest income in the accompanying consolidated statement of income for the three months ended September 30, 2016 and 2015, respectively, and $3.5 million and $3.7 million for the nine months ended September 30, 2016 and 2015, respectively.

As of September 30, 2016, 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, 2016 or 2015.

The following tables summarize the Company’s derivatives outstanding included in other assets and other liabilities in the accompanying consolidated balance sheets:

September 30, 2016	Derivative Assets		Derivative Liabilities	
	Notional	Fair Value	Notional	Fair Value
	(Dollars in thousands)			
Derivatives not designated as hedging instruments under ASC 815-10				
Interest rate contracts - pay floating, receive fixed	$856,124	$ 44,057	$—	$ —
Interest rate contracts - pay fixed, receive floating	—	—	856,124	44,057
Total derivatives	$856,124	$ 44,057	$856,124	$ 44,057

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December 31, 2015	Derivative Assets		Derivative Liabilities	
	Notional	Fair Value	Notional	Fair Value
	(Dollars in thousands)			
Derivatives not designated as hedging instruments under ASC 815-10				
Interest rate contracts - pay floating, receive fixed	$690,175	$ 21,553	$8,298	$ 2
Interest rate contracts - pay fixed, receive floating	—	—	698,474	21,551
Total derivatives	$690,175	$ 21,553	$706,772	$ 21,553

The derivative transactions entered into with a financial institution are subject to an enforceable master netting arrangement.

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 sheets:

September 30, 2016	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	$44,057	$ —	$ 44,057
Total	$44,057	$ —	$ 44,057

December 31, 2015	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	$21,553	$ (2)	$ 21,551
Total	$21,553	$ (2)	$ 21,551

At September 30, 2016, the Company has pledged investment securities available for sale with a carrying amount of $50.8 million as collateral for the 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, 2016 and December 31, 2015, 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 13 “Fair Value Measurements,” in the line items “Derivative assets” and “Derivative liabilities.”

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NOTE 7. DEPOSITS

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

	September 30, 2016	December 31, 2015
	(Dollars in thousands)	
Noninterest-bearing demand deposits	$830,910	$637,047
Interest-bearing demand deposits	905,687	608,454
Interest-bearing NOW accounts	420,207	347,832
Savings and money market accounts	2,468,321	1,979,132
Time deposits	2,292,438	1,858,173
Total deposits	$6,917,563	$5,430,638
Time deposits $100,000 and greater	$1,727,598	$1,323,520
Time deposits greater than $250,000	857,102	587,590

The aggregate amount of overdraft demand deposits reclassified to loans was $391 thousand at September 30, 2016. The aggregate amount of maturities for time deposits for each of the five years as of September 30, 2016 totaled $1.56 billion, $541.2 million, $178.1 million, $6.1 million and $9.0 million, respectively. The Company holds brokered deposits through an insured deposit sweep program of $601.4 million and $425.1 million at September 30, 2016 and December 31, 2015, respectively. The Company holds brokered certificates of deposit of $3.3 million at September 30, 2016 and December 31, 2015, respectively.

NOTE 8. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	Three Months Ended September 30,					
	2016			2015		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
	(Dollars in thousands)					
Balance at beginning of period	$7,849	$(3,033)	$4,816	$127	$(49)	$78
Unrealized gain (loss) on investment securities available for sale:						
Net unrealized holdings gain (loss) arising during the period	19,123	(7,372)	11,751	(4,625)	1,784	(2,841)
Amounts reclassified to (gain) loss on investment securities	(621)	240	(381)	(232)	90	(142)
Balance at end of period	$26,351	$(10,165)	$16,186	$(4,730)	$1,825	$(2,905)

	Nine Months Ended September 30,					
	2016			2015		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
	(Dollars in thousands)					
Balance at beginning of period	$(15,371)	$5,928	$(9,443)	$1,106	$(427)	$679
Unrealized gain (loss) on investment securities available for sale:						
Net unrealized holdings gain (loss) arising during the period	43,450	(16,761)	26,689	(3,325)	1,283	(2,042)
Amounts reclassified to (gain) loss on investment securities	(1,728)	668	(1,060)	(2,511)	969	(1,542)
Balance at end of period	$26,351	$(10,165)	$16,186	$(4,730)	$1,825	$(2,905)

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NOTE 9. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS 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 EPS in periods in which the effect is anti-dilutive.

The following table presents the computation of basic and diluted EPS:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(Dollars in thousands, except share and per share data)			
Net income (loss) available to common stockholders	$ 26,064	$ 21,140	$ 72,020	$ 23,642
Weighted average number of common shares - basic	40,608,706	41,381,482	40,651,201	41,410,494
Effect of dilutive securities:				
Employee stock-based compensation awards and warrants	2,542,107	2,416,896	2,364,502	1,702,453
Weighted average number of common shares - diluted	43,150,813	43,798,378	43,015,703	43,112,947
Basic earnings (loss) per share	$ 0.64	$ 0.51	$ 1.77	$ 0.57
Diluted earnings (loss) per share	$ 0.60	$ 0.48	$ 1.67	$ 0.55
Weighted average number of anti-dilutive equity awards	485,706	120,500	173,084	531,610

NOTE 10. INCOME TAXES

The Company uses an estimated annual effective tax rate method in computing its interim tax provision. This effective tax rate is based on forecasted annual pre-tax income, permanent tax differences and statutory tax rates.

The effective tax rates for the three months ended September 30, 2016 and 2015 were 35.5% and 34.9%, respectively. The increase in the effective tax rate for the third quarter of 2016 was primarily due to higher levels of pre-tax income, which is subject to the marginal tax rate and changes in permanent tax differences. The tax rate differs from the statutory rate due to the impact of tax benefits related to bank-owned life insurance, dividends received deductions and certain stock-based compensation awards.

The effective tax rates for the nine months ended September 30, 2016 and 2015 were 36.1% and 5.7%, respectively. The increase in the effective tax rate for the nine months ended September 30, 2016 was primarily due to the prior year loss associated with the early termination of the FDIC loss share agreements and a deferred tax asset benefit associated with the revaluation of net unrealized built-in losses related to the Company's acquisition of Great Florida Bank on January 31, 2014.

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NOTE 11. STOCK-BASED COMPENSATION AND OTHER BENEFIT PLANS

2009 Stock Option Plan

Option grant activity for the period indicated is summarized as follows:

	2009 Stock Option Plan	
	Options	Weighted Average Exercise Price
Outstanding at January 1, 2016	3,707,898	$ 20.67
Granted	—	—
Exercised	(371,806)	20.64
Forfeited	(36,824)	22.22
Expired	(417)	22.97
Outstanding at September 30, 2016	3,298,851	20.65
Exercisable at September 30, 2016	3,031,954	20.59
Vested at September 30, 2016	3,031,954	20.59
Vested and expected to vest at September 30, 2016	3,298,851	20.65

The total unrecognized compensation cost of $1.0 million related to the 2009 Stock Option Plan for share awards outstanding at September 30, 2016 will be recognized over a weighted average remaining period of 1.05 years.

2013 Stock Incentive Plan

Option grant activity for the period indicated is summarized as follows:

	2013 Stock Incentive Plan Options	
	Options	Weighted Average Exercise Price
Outstanding at January 1, 2016	2,367,187	$ 20.37
Granted	80,000	29.98
Exercised	(211,010)	21.04
Forfeited	(34,169)	23.03
Expired	—	—
Outstanding at September 30, 2016	2,202,008	20.61
Exercisable at September 30, 2016	1,398,982	20.45
Vested at September 30, 2016	1,898,986	20.26
Vested and expected to vest at September 30, 2016	2,202,008	20.61

The total unrecognized compensation cost of $727 thousand related to the 2013 Stock Incentive Plan for share awards outstanding at September 30, 2016 will be recognized over a weighted average remaining period of 0.93 years.

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2016 Stock Incentive Plan

Option grant activity for the period indicated is summarized as follows:

	2016 Stock Incentive Plan Options	
	Options	Weighted Average Exercise Price
Outstanding at January 1, 2016	—	$ —
Granted	827,500	36.11
Exercised	—	—
Forfeited	—	—
Expired	—	—
Outstanding at September 30, 2016	827,500	36.11
Exercisable at September 30, 2016	—	—
Vested at September 30, 2016	—	—
Vested and expected to vest at September 30, 2016	827,500	36.11

The total unrecognized compensation cost of $6.9 million related to the 2016 Stock Incentive Plan for share awards outstanding at September 30, 2016 will be recognized over a weighted average remaining period of 4.86 years.

On March 29, 2016, the Compensation Committee granted 121,212 restricted shares (the "Award") of Class A Common Stock to certain Executives. Shareholder's approved the Plan at the 2016 Annual Meeting of Stockholders on May 16, 2016 which was determined to be the grant date of the Award. The fair value of the Awards on the grant date was $4.2 million and will be recognized as compensation expense over the requisite vesting period ending December 31, 2018. The Company recognized $836 thousand of compensation expense during the nine months ended September 30, 2016.

NOTE 12. 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 and lines of credit as well as 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. 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. As of September 30, 2016 and December 31, 2015, the Company’s reserve for unfunded commitments totaled $1.6 million and $1.5 million, respectively.

Fees collected on off-balance sheet financial instruments represent the fair value of those commitments and are deferred and amortized over their term.

Financial Instruments Commitments

Unfunded commitments are as follows:

	September 30, 2016	December 31, 2015
	(Dollars in thousands)	
Commitments to fund loans	$724,592	$578,730
Unused lines of credit	406,608	358,601
Commercial and standby letters of credit	23,451	14,410
Total	$1,154,651	$951,741

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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 a commitment to fund 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. 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.

NOTE 13. 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 the assumptions that market participants would use when pricing the asset or liability. When possible, the Company looks to active and observable markets to price identical assets or liabilities. 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, minimize the use of unobservable inputs and use unobservable inputs 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 instruments, or the value of underlying collateral is not market observable. Although third party price indications may be available for an asset or liability, 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—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 if the valuation incorporates primarily observable inputs. Level 2 securities include U.S. Government agencies and sponsored enterprises obligations and agency mortgage-backed securities; state and municipal obligations; asset-backed securities; and corporate debt and other securities. Pricing of these securities is generally spread driven.

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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—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 which uses primarily observable market inputs. Interest rate derivatives are further described in Note 6 “Derivatives.”
For purposes of potential valuation adjustments to our derivative positions, the Company evaluates the credit risk of its counterparties as well as its 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 three and nine months ended September 30, 2016 or 2015, the Company has not realized any losses due to a counterparty’s inability to pay any net uncollateralized position. As of September 30, 2016, there were no interest rate derivatives classified as Level 3.
The following table presents the assets and liabilities measured at fair value on a recurring basis:

September 30, 2016	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)			
Assets:				
U.S. Government agencies and sponsored enterprises obligations	$—	$16,539	$ —	$16,539
U.S. Government agencies and sponsored enterprises mortgage-backed securities	—	432,913	—	432,913
State and municipal obligations	—	10,966	—	10,966
Asset-backed securities	—	498,414	—	498,414
Corporate bonds and other debt securities	58,240	509,066	—	567,306
Preferred stocks and other equity securities	7,135	138,816	—	145,951
Derivative assets - Interest rate contracts	—	44,057	—	44,057
Total	$65,375	$1,650,771	$ —	$1,716,146
Liabilities:				
Derivative liabilities - Interest rate contracts	$—	$44,057	$ —	$44,057
Total	$—	$44,057	$ —	$44,057

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December 31, 2015	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)			
Assets:				
U.S. Government agencies and sponsored enterprises obligations	$—	$20,888	$ —	$20,888
U.S. Government agencies and sponsored enterprises mortgage-backed securities	—	393,115	—	393,115
State and municipal obligations	—	2,215	—	2,215
Asset-backed securities	—	493,934	—	493,934
Corporate bonds and other debt securities	—	444,895	—	444,895
Preferred stocks and other equity securities	2,052	167,523	—	169,575
Derivative assets - Interest rate contracts	—	21,553	—	21,553
Total	$2,052	$1,544,123	$ —	$1,546,175
Liabilities:				
Derivative liabilities - Interest rate contracts	$—	$21,553	$ —	$21,553
Total	$—	$21,553	$ —	$21,553

There were $58.2 million in transfers of financial assets from level 2 into level 1 of the fair value hierarchy during the nine months ended September 30, 2016. There were no transfers of financial assets between levels of the fair value hierarchy during the nine months ended September 30, 2015.

For the three or nine months ended September 30, 2016 and 2015, there was not a change in the methods or significant assumptions used to estimate fair value.

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

The 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 table shows significant unobservable inputs used in the non-recurring fair value measurement of level 3 assets and liabilities:

Level 3 Assets:	September 30, 2016	December 31, 2015	Valuation Technique	Unobservable Inputs	Range
(Dollars in thousands)					
Impaired loans	$ 12,006	$ 9,582	Third party appraisals and discounted cash flows	Collateral discounts and discount rates	3.5% - 10%
Other real estate owned	25,654	39,340	Third party appraisals	Collateral discounts and estimated cost to sell	10 %

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(Dollars in thousands)			
Negative valuation adjustments:				
Impaired loans	$156	$ —	$222	$1,011
Foreclosed real estate	225	122	1,120	242

Impairment charges resulting from the non-recurring changes in fair value of the underlying collateral of impaired loans are included in the provision for loan losses in the consolidated 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 consolidated 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, 2016	Carrying Value	Fair Value	Level 1	Level 2	Level 3
	(Dollars in thousands)				
Financial Assets:					
Cash and cash equivalents	$87,334	$87,334	$87,334	$—	$ —
Available for sale securities	1,672,089	1,672,089	65,375	1,606,714	—
FHLB and other bank stock	43,486	43,486	—	43,486	—
Loans, net	6,233,708	6,284,628	—	—	6,284,628
Loans held for sale	15,748	15,748	—	15,748	—
Bank-owned life insurance	172,105	172,105	—	172,105	—
Derivative assets - Interest rate contracts	44,057	44,057	—	44,057	—
Financial Liabilities:					
Deposits	$6,917,563	$6,921,862	$—	$6,921,862	$ —
Advances from the FHLB and other borrowings	568,175	569,739	—	569,739	—
Derivative liabilities - Interest rate contracts	44,057	44,057	—	44,057	—

December 31, 2015	Carrying Value	Fair Value	Level 1	Level 2	Level 3
	(Dollars in thousands)				
Financial Assets:					
Cash and cash equivalents	$102,460	$102,460	$102,460	$—	$ —
Available for sale securities	1,524,622	1,524,622	2,052	1,522,570	—
FHLB and other bank stock	59,477	59,477	—	59,477	—
Loans, net	5,164,061	5,207,971	—	—	5,207,971
Loans held for sale	2,514	2,514	—	2,514	—
Bank-owned life insurance	168,246	168,246	—	168,246	—
Derivative assets - Interest rate contracts	21,553	21,553	—	21,553	—
Financial Liabilities:					
Deposits	$5,430,638	$5,430,501	$—	$5,430,501	$ —
Advances from the FHLB and other borrowings	983,183	981,997	—	981,997	—
Derivative liabilities - Interest rate contracts	21,553	21,553	—	21,553	—

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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, 2016 and December 31, 2015, include cash and cash equivalents.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments. Estimates may differ from actual exit value as defined by ASC 820.

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 considers various factors, including the type of loan and related collateral, classification status, fixed or variable interest rate, term of loan, whether or not the loan was amortizing and current discount rates. Loans are grouped together according to similar characteristics and are 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.

Loans Held for Sale:

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

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.

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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, 2016 and should be read in conjunction with the consolidated financial statements and notes thereto included in this report on Form 10-Q and the Company’s Annual Report on Form 10-K filed for the year ended December 31, 2015 with the SEC.

In this report, unless the context suggests otherwise, references to “FCB Financial Holdings,” “the Company,” “we,” “us,” “anc “our” mean the business of FCB Financial 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 our Class A Common Stock refer to our Class A voting common stock, par value $0.001 per share; references to our Class B Common Stock refer to our Class B non-voting common stock, par value $0.001 per share; and references to our common stock include, collectively, our Class A Common Stock and our Class B Common Stock.

Cautionary Note Regarding Forward-Looking Information

This report may contain 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,” “intends,” “plans,” “estimates the negative version of those words or other comparable words. Any forward-looking statements contained in this 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 report. We do not undertake any obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise. 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, those factors described under “Business”, “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC.

You should read this report and the documents that we reference in this report and have filed as exhibits to various reports and registration statements that we have filed with the SEC completely and with the understanding that our actual future results, levels of activity, performance and achievements may be different from what we expect and that these differences may be material.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. 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 estimates and reporting policies include accounting for the ALL, determining fair value of financial instruments, valuation of goodwill and intangible assets, income taxes and the valuation of assets acquired and liabilities assumed in business combinations. Accordingly, the Company’s critical accounting estimates are discussed in detail in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K. The Company’s significant accounting policies and changes in accounting principles and effects of new accounting pronouncements are discussed in detail in Note 1 “Summary of Significant Accounting Policies” in the “Notes to Consolidated Financial Statements” in the Company’s

Annual Report on Form 10-K. Additional disclosures regarding the effects of new accounting pronouncements are included in Note 1 “Summary of Significant Accounting Policies” included herein.

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Corporate Profile

FCB Financial Holdings, Inc. is a bank holding company, headquartered in Weston, Florida, with one wholly-owned national bank subsidiary, Florida Community Bank, National Association. 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 through 48 branches in south and central Florida. The Bank targets retail and 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.

Primary Factors Used to Evaluate Our Business

As a financial institution, we manage and evaluate various aspects of both our results of operations and our financial condition. We evaluate the levels and trends of the line items included in our consolidated balance sheets and income statements, as well as various financial ratios that are commonly used in our industry. We analyze these ratios and financial trends against our own historical performance, our budgeted performance and the financial condition and performance of comparable financial institutions in our region and nationally.

Results of Operations

Our results of operations depend substantially on net interest income, which is the difference between interest income on interest-earning assets, consisting primarily of interest income on loans receivable, including accretion income on acquired loans, securities and other short-term investments, and interest expense on interest-bearing liabilities, consisting primarily of deposits and borrowings. Our results of operations are also dependent upon our generation of noninterest income, consisting of income from banking service fees, interest rate swap services, BOLI and recoveries on acquired assets. Other factors contributing to our results of operations include our provisions for loan losses, gains or losses on securities and income taxes, as well as the level of our noninterest expenses, such as compensation and benefits, occupancy and equipment and other miscellaneous operating expenses.

Net Interest Income

Net interest income, a significant contributor to our revenues and net income, represents interest income less interest expense. We generate interest income from interest, dividends and fees received on interest-earning assets, including loans and investment securities. We incur interest expense from interest paid on interest-bearing liabilities, including interest-bearing deposits, and borrowings. To evaluate net interest income, we measure and monitor (1) yields on our loans and other interest-earning assets, (2) the costs of our deposits and other funding sources, (3) our net interest spread, (4) our net interest margin and (5) our provision for loan losses. Net interest spread is the difference between rates earned on interest-earning assets and rates paid on interest-bearing liabilities. Net interest margin is calculated as net interest income divided by average interest-earning assets. Because noninterest-bearing sources of funds, such as noninterest-bearing deposits and stockholders’ equity, also fund interest-earning assets, net interest margin includes the benefit of these noninterest-bearing sources.

We also recognize income from the accretable discounts associated with the purchase of interest-earning assets. Our acquisitions in 2010 and 2011 and our January 31, 2014 acquisition of Great Florida Bank ("GFB"), produce a portion of our interest income from the accretable discounts on acquired loans. This accretion will continue to have an impact on our net interest income as long as loans acquired with evidence of credit deterioration at acquisition represent a meaningful portion of our interest-earning assets.

Changes in the market interest rates and interest rates we earn on interest-earning assets or pay on interest-bearing liabilities, as well as the volume and types of interest-earning assets, interest-bearing and noninterest-bearing liabilities and stockholders’ equity, are usually the largest drivers of periodic changes in net interest spread, net interest margin and net interest income. In addition, our interest income includes the accretion of the fair value discounts on our acquired loans, which will also affect our net interest spread, net interest margin and net interest income. We measure net interest income before and after the provision for loan losses required to maintain our ALL at acceptable levels.

Noninterest Income

Our noninterest income includes the following:

- Service charges and fees;
- Interest rate swap services;

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- BOLI income;
- Income from resolution of acquired assets; and
- Net gains and losses from the sale of OREO assets and investment securities

Noninterest Expense

Our noninterest expense includes the following:

- Salaries and employee benefits;
- Occupancy and equipment expenses;
- Other real estate and acquired loan resolution related expenses;
- Professional services;
- Data processing and network expense;
- Regulatory assessments and insurance; and
- Amortization of intangibles

Financial Condition

The primary factors we use to evaluate and manage our financial condition include liquidity, asset quality and capital.

Liquidity

We manage liquidity based upon factors that include the amount of core deposits as a percentage of total deposits, the level of diversification of our funding sources, the allocation and amount of our deposits among deposit types, the short-term funding sources used to fund assets, the amount of non-deposit funding used to fund assets, the availability of unused funding sources, off-balance sheet obligations, the availability of assets to be readily converted into cash without undue loss, the amount of cash and liquid securities we hold, and the re-pricing characteristics and maturities of our assets when compared to the re-pricing characteristics of our liabilities, the ability to securitize and sell certain pools of assets and other factors.

Asset Quality

We manage the diversification and quality of our assets based upon factors that include the level, distribution, severity and trend of problem, classified, delinquent, nonaccrual, nonperforming and restructured assets, the adequacy of our ALL, discounts and reserves for unfunded loan commitments, the diversification and quality of loan and investment portfolios, the extent of counterparty risks and credit risk concentrations.

Capital

We manage capital based upon factors that include the level and quality of capital and overall financial condition of the Company, the trend and volume of problem assets, the adequacy of discounts and reserves, the level and quality of earnings, the risk exposures in our balance sheet, the levels of Tier 1 (core), risk-based and tangible equity capital, the ratios of Tier 1 (core), risk-based and tangible equity capital to total assets and risk-weighted assets and other factors.

Performance Highlights

Operating and financial highlights for the three months ended September 30, 2016 include the following:

- Total net revenue of $75.4 million
- Diluted EPS of $0.60 and Core Diluted EPS of $0.59
- New loan portfolio grew sequentially at an annualized rate of 23%
- Demand deposits grew by $221.7 million, or 58% annualized during the quarter
- Total deposits grew by $449.9 million, or 28% annualized during the quarter
- ROA and Core ROA were 1.25% and 1.22%, respectively
- Tangible book value per share was $21.57

The reconciliation of certain non-GAAP financial measures, which management believes facilitates the assessment of its banking operations and peer comparability, are included in tabular form under “Non-GAAP Financial Measures”.

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Analysis of Results of Operations

The Company reported net income available to common stockholders of $26.1 million, which generated diluted EPS of $0.60 in the third quarter of 2016. Net income available to common stockholders totaled $21.1 million for the third quarter of 2015, which generated diluted EPS of $0.48. The increase in earnings was primarily driven by an increase in interest and fees on loans of $14.1 million. The Company's results of operations for third the quarter of 2016 produced an annualized return on average assets of 1.25% and an annualized return on average common stockholders' equity of 10.96% compared to prior year ratios of 1.26% and 9.73%, respectively.

Net income available to common stockholders totaled $72.0 million for the nine months ended September 30, 2016, which generated diluted EPS of $1.67. Net income available to common stockholders totaled $23.6 million for the nine months ended September 30, 2015, which generated diluted EPS of $0.55. The increase in earnings was primarily driven by the one-time, pre-tax charge of $65.5 million in conjunction with the early termination of the FDIC loss share agreements that occurred in the first quarter of 2015. The Company's results of operations for the nine months ended September 30, 2016 produced an annualized return on average assets of 1.21% and an annualized return on average common stockholders' equity of 10.56% compared to prior year ratios of 0.50% and 3.67%, respectively.

Net Interest Income and Net Interest Margin

Net interest income is the largest component of our income and is affected by the interest rate environment and the volume and composition of interest-earning assets and interest-bearing liabilities. Our interest-earning assets include loans, interest-bearing deposits in other banks and investment securities. Our interest-bearing liabilities include deposits, FHLB advances and other borrowings.

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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:

	Three Months Ended September 30,							
	2016				2015			
	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:								
Interest-earning deposits in other banks	$71,489	$ 97	0.53	%	$79,951	$ 38	0.19	%
New loans	5,595,402	49,831	3.48	%	3,950,873	33,823	3.35	%
Acquired loans (4)(5)	447,232	15,917	14.24	%	685,403	17,847	10.42	%
Investment securities	1,643,102	14,955	3.56	%	1,499,640	13,315	3.47	%
Total interest-earning assets	7,757,225	80,800	4.09	%	6,215,867	65,023	4.12	%
Non-earning assets:								
FDIC loss share indemnification asset (6)	—				—			
Noninterest-earning assets	490,465				434,393			
Total assets	$8,247,690				$6,650,260			
Interest-bearing liabilities:								
Interest-bearing demand deposits	$761,462	$ 1,053	0.55	%	$369,381	$ 431	0.46	%
Interest-bearing NOW accounts	421,050	386	0.36	%	397,831	342	0.34	%
Savings and money market accounts	2,375,041	3,932	0.66	%	1,895,582	2,569	0.54	%
Time deposits (7)	2,167,355	6,365	1.17	%	1,380,658	3,504	1.01	%
FHLB advances and other borrowings (7)	691,901	1,786	1.01	%	1,119,429	1,408	0.49	%
Total interest-bearing liabilities	6,416,809	13,522	0.83	%	5,162,881	8,254	0.63	%
Noninterest-bearing liabilities and stockholders' equity:								
Noninterest-bearing demand deposits	810,374				578,699			
Other liabilities	77,339				46,709			
Stockholders' equity	943,168				861,971			
Total liabilities and stockholders' equity	$8,247,690				$6,650,260			
Net interest income		$ 67,278				$ 56,769		
Net interest rate spread			3.26	%			3.49	%
Net interest margin			3.44	%			3.62	%

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	Nine Months Ended September 30,							
	2016				2015			
	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:								
Interest-earning deposits in other banks	$83,538	$ 259	0.41	%	$77,826	$ 111	0.19	%
New loans	5,231,893	138,617	3.49	%	3,538,684	89,665	3.34	%
Acquired loans (4)(5)	503,869	51,061	13.51	%	737,216	49,513	8.95	%
Investment securities	1,604,283	43,799	3.60	%	1,524,992	38,594	3.34	%
Total interest-earning assets	7,423,583	233,736	4.16	%	5,878,718	177,883	4.00	%
Non-earning assets:								
FDIC loss share indemnification asset (6)	—				14,520			
Noninterest-earning assets	479,290				447,102			
Total assets	$7,902,873				$6,340,340			
Interest-bearing liabilities:								
Interest-bearing demand deposits	$689,790	$ 2,680	0.52	%	$241,975	$ 789	0.44	%
Interest-bearing NOW accounts	421,765	1,191	0.38	%	401,805	1,026	0.34	%
Savings and money market accounts	2,214,231	10,193	0.62	%	1,844,735	7,357	0.53	%
Time deposits (7)	2,014,943	17,305	1.15	%	1,257,259	9,250	0.98	%
FHLB advances and other borrowings (7)	862,418	5,717	0.87	%	1,111,569	3,634	0.43	%
Total interest-bearing liabilities	6,203,147	37,086	0.80	%	4,857,343	22,056	0.61	%
Noninterest-bearing liabilities and stockholders’ equity:								
Noninterest-bearing demand deposits	725,141				575,004			
Other liabilities	66,021				49,279			
Stockholders’ equity	908,564				858,714			
Total liabilities and stockholders’ equity	$7,902,873				$6,340,340			
Net interest income		$ 196,650				$ 155,827		
Net interest rate spread			3.36	%			3.39	%
Net interest margin			3.54	%			3.54	%

(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 annualized basis.
(4) Includes loans on nonaccrual status.
(5) Net of allowance for loan losses.
(6) Amortization expense of FDIC loss share indemnification asset is not included in net interest income presentation.
(7) Interest expense includes the impact from premium amortization.

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Third Quarter 2016 compared to Third Quarter 2015

Net interest income was $67.3 million for the third quarter of 2016, an increase of $10.5 million compared to $56.8 million for the same period in 2015. The increase in net interest income reflects a $15.8 million increase in interest income partially offset by a $5.3 million increase in interest expense. For the three months ended September 30, 2016, average earning assets increased by $1.54 billion, or 24.8%, compared to the same period of the prior year, while average interest-bearing liabilities increased $1.25 billion, or 24.3%, compared to the three months ended September 30, 2015. The increase in interest income for the third quarter of 2016 was due to a $16.0 million increase in interest income on New loans due to growth in the New loan portfolio and an increase in the average interest rate on New loans. The average balance of New loans increased $1.64 billion and the average interest rate on New loans increased 13 basis points. Interest income on acquired loans decreased $1.9 million for the three months ended September 30, 2016 compared to the third quarter of 2015, primarily due to a decrease in the average balance of acquired loans of $238.2 million resulting from the continued resolution of acquired assets.

Interest expense on deposits increased $4.9 million for the three months ended September 30, 2016 compared to the three months ended September 30, 2015 primarily due to a $1.68 billion, or 41.6%, increase in the average balance of interest-bearing deposits combined with an 13 basis point increase in the cost of deposits. Interest expense on time deposits increased $2.9 million due to a $786.7 million increase in the average balance combined with an increase in rate of 16 basis points. The average rate paid on time deposits was 1.17% and 1.01% for the three months ended September 30, 2016 and 2015, respectively. Interest expense on FHLB advances and other borrowings totaled $1.8 million for the three months ended September 30, 2016 as compared to $1.4 million for the three months ended September 30, 2015. The increase was primarily due to a 52 basis point increase in average rate paid on borrowings, partially offset by a decrease in the average balance of FHLB advances and other borrowings of $427.5 million.

The net interest margin for the three months ended September 30, 2016 was 3.44%, a decrease of 18 basis points compared to 3.62% for the three months ended September 30, 2015. The average yield on interest-earning assets decreased by 3 basis points for the three months ended September 30, 2016 as compared to the three months ended September 30, 2015, combined with the increase in the average rate paid on interest-bearing liabilities of 20 basis points. The decrease in the average yield on interest-earning assets was primarily due to the decrease in the average balance of acquired loans partially offset by the increase in yield on acquired loans resulting from better than expected performance on the resolution of acquired loans.

Nine Months of 2016 compared to Nine Months of 2015

Net interest income was $196.7 million for the nine months ended September 30, 2016, an increase of $40.8 million compared to $155.8 million for the same period in 2015. The increase in net interest income reflects a $55.9 million increase in interest income partially offset by a $15.0 million increase in interest expense. For the nine months ended September 30, 2016, average earning assets increased by $1.54 billion, or 26.3%, compared to the same period of the prior year, while average interest-bearing liabilities increased $1.35 billion, or 27.7%, compared to the nine months ended September 30, 2015. The increase in interest income for the nine months ended September 30, 2016 was due to a $49.0 million increase in interest income on New loans due to growth in the New loan portfolio and an increase in the average interest rate on New loans. The average balance of New loans increased $1.69 billion and the average interest rate on New loans increased 15 basis points. Interest income on acquired loans increased $1.5 million for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015, primarily from the continued resolution of acquired assets.

Interest expense on deposits increased $12.9 million for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 primarily due to a $1.59 billion, or 42.6%, increase in the average balance of interest-bearing deposits combined with an 12 basis point increase in the cost of deposits. Interest expense on time deposits increased $8.1 million due to a $757.7 million increase in the average balance combined with an increase in rate of 17 basis points. The average rate paid on time deposits was 1.15% and 0.98% for the nine months ended September 30, 2016 and 2015, respectively. Interest expense on FHLB advances and other borrowings totaled $5.7 million for the nine months ended September 30, 2016 as compared to $3.6 million for the nine months ended September 30, 2015. The increase was primarily due to a 44 basis point increase in average rate paid on borrowings, partially offset by a decrease in the average balance of FHLB advances and other borrowings of $249.2 million.

The net interest margin for the nine months ended September 30, 2016 was 3.54%, consistent with prior year. The average yield on interest-earning assets increased by 16 basis points for the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015, offsetting the increase in the average rate paid on interest-bearing liabilities of 19 basis points. The increase in the average yield on interest-earning assets was primarily due to the increase in yield on New loans in addition to the increase in yield on acquired loans resulting from better than expected performance on the resolution of acquired loans.

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Provision for Loan Losses

Third Quarter 2016 compared to Third Quarter 2015

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. The provision for loan losses was $2.0 million for the three months ended September 30, 2016, and increase of $1.3 million compared to the $675 thousand provision recorded for the three months ended September 30, 2015. Provision for loan loss expense for the three months ended September 30, 2016 included a $2.0 million provision related to New loans and a $25 thousand release of provision for the acquired loan portfolio.

Net recoveries were $89 thousand for the third quarter of 2016 as compared to net charge-offs of $327 thousand for the same period of 2015. Net recoveries were 0.01% of average loans on an annualized basis for the third quarter of 2016 compared to net charge-offs of 0.03% of average loans for the same period of 2015. There were no new loan portfolio charge-offs in the third quarter of 2016.

Nine Months of 2016 compared to Nine Months of 2015

The provision for loan losses was $5.4 million for the nine months ended September 30, 2016, an increase of $912 thousand compared to the $4.5 million provision recorded for the nine months ended September 30, 2015. Provision for loan loss expense for the nine months ended September 30, 2016 included a $6.8 million provision related to New loans and a $1.4 million release of provision for the acquired loan portfolio.

Net recoveries were $1.3 million for the nine months ended September 30, 2016 as compared to $20 thousand for the same period of 2015. The increase in net recoveries was due to better than expected performance on the resolution of acquired loans. Net recoveries were 0.09% of average loans on an annualized basis for the nine months ended September 30, 2016 compared to 0.00% of average loans for the same period of 2015. There were no new loan portfolio charge-offs in the nine months ended September 30, 2016.

Noninterest Income

The following table presents 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,	
	2016	2015	2016	2015
	(Dollars in thousands)			
Noninterest income:				
Service charges and fees	$884	$823	$2,532	$2,358
Loan and other fees	2,145	1,783	6,407	6,186
Bank-owned life insurance income	1,288	1,101	3,859	3,295
FDIC loss share indemnification loss	—	—	—	(65,529)
Income from resolution of acquired assets	1,052	2,225	2,210	8,495
Gain (loss) on sales of other real estate owned	925	228	2,917	7,398
Gain (loss) on investment securities	749	166	1,019	1,934
Other noninterest income	1,099	746	2,854	2,998
Total noninterest income	$8,142	$7,072	$21,798	$(32,865)

Third Quarter 2016 compared to Third Quarter 2015

The Company reported noninterest income of $8.1 million for the three months ended September 30, 2016, a increase of $1.1 million compared to the three months ended September 30, 2015. The increase was primarily due to increases in gain on sale of OREO, gain on investment securities and loan and other fees partially offset by a decrease in income from resolution of acquired assets.

The Company recognized a net gain on sales of OREO of $925 thousand for the three months ended September 30, 2016 compared to $228 thousand for the same period of 2015. The increase is primarily attributable to the sale of two properties resulting in a gain of $944 thousand.

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Loan and other fees increased $362 thousand for the three months ended September 30, 2016 compared to the same period of 2015 primarily due to an increase of $262 thousand in gain on secondary marketing residential loan sales and an increase of $100 thousand in swap fee income.

Recoveries recognized through earnings for the three months ended September 30, 2016 totaled $1.1 million as compared to $2.2 million for the three months ended September 30, 2015.

Nine Months of 2016 compared to Nine Months of 2015

The Company reported noninterest income of $21.8 million for the nine months ended September 30, 2016, an increase of $54.7 million compared to the nine months ended September 30, 2015. The increase was primarily due to the early termination of the FDIC loss share agreements in the prior year, partially offset by a decrease in gain on sale of OREO, a decrease in resolution of acquired assets and a decrease in gain on investment securities.

During the nine months ended September 30, 2015, the Company recognized $65.5 million in FDIC loss share indemnification loss resulting from the termination of the FDIC loss share agreement.

The Company recognized a net gain on sales of OREO of $2.2 million for the nine months ended September 30, 2016 as compared to a net gain of $8.5 million for the same period of 2015. The decrease is primarily attributable to a decrease in sales of OREO from $52.6 million during the nine months ended September 30, 2015 compared to $23.9 million for the nine months ended September 30, 2016.

Recoveries recognized for the nine months ended September 30, 2016 totaled $2.2 million and were recognized through earnings as received, compared to $8.5 million for the nine months ended September 30, 2015.

Net gain on investment securities totaled $1.0 million for the nine months ended September 30, 2016 a decrease of $915 thousand from the same period of 2015.

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,	
	2016	2015	2016	2015
	(Dollars in thousands)			
Noninterest expense:				
Salaries and employee benefits	$18,711	$16,840	$56,970	$51,271
Occupancy and equipment expenses	3,480	3,368	10,086	10,451
Loan and other real estate related expenses	1,834	1,939	5,889	5,440
Professional services	1,180	1,166	3,622	3,761
Data processing and network	2,882	2,433	8,541	7,952
Regulatory assessments and insurance	1,860	1,919	5,817	6,130
Amortization of intangibles	257	400	933	1,231
Other operating expenses	2,832	2,641	8,453	7,167
Total noninterest expense	$33,036	$30,706	$100,311	$93,403

Third Quarter 2016 compared to Third Quarter 2015

The Company reported noninterest expense of $33.0 million for the three months ended September 30, 2016, an increase of $2.3 million, or 7.6%, compared to the three months ended September 30, 2015. The increase for the period was primarily due to increased salaries and employee benefits of $1.9 million.

Salaries and employee benefits expenses increased by $1.9 million, or 11.1%, for the third quarter of 2016 compared to the prior year due to increased accruals for incentive compensation and an increase in full-time equivalent employees.

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Nine Months of 2016 compared to Nine Months of 2015

The Company reported noninterest expense of $100.3 million for the nine months ended September 30, 2016, an increase of $6.9 million, or 7.6%, compared to the nine months ended September 30, 2015. The increase for the period was primarily due to increased salaries and employee benefits of $5.7 million and other operating expenses of $1.3 million.

Salaries and employee benefits expenses increased by $5.7 million, or 11.1%, for the nine months ended September 30, 2016 compared to the prior year due to increased accruals for incentive compensation and an increase in full-time equivalent employees.

Other operating expenses increased $1.3 million for the nine months ended September 30, 2016, primarily due to increased marketing and promotion expense.

Provision for Income Taxes

Third Quarter 2016 compared to Third Quarter 2015

The income tax expense for the three months ended September 30, 2016 totaled $14.3 million, an increase of $3.0 million compared to an income tax expense of $11.3 million for the three months ended September 30, 2015. The increase in income tax expense was primarily due to an increase in income before income taxes of $7.9 million compared to the prior year. The effective income tax rate for the three months ended September 30, 2016 was 35.5%, compared to the effective tax rate of 34.9% for the three months ended September 30, 2015.

Nine Months of 2016 compared to Nine Months of 2015

The income tax expense for the nine months ended September 30, 2016 totaled $40.7 million, an increase of $39.3 million compared to an income tax expense of $1.4 million for the nine months ended September 30, 2015. The increase in income tax expense was primarily due to an increase in income before income taxes of $87.7 million compared to the prior year. The effective income tax rate for the nine months ended September 30, 2016 was 36.1%, compared to the effective tax rate of 5.7% for the nine months ended September 30, 2015. This change primarily reflects the impact of the one-time, pre-tax charge of $65.5 million in conjunction with the early termination of all loss share agreements in the prior year.

Analysis of Financial Condition

Total assets were $8.53 billion at September 30, 2016, an increase of $1.20 billion, or 16.4%, from December 31, 2015. The increase in total assets includes an increase of $1.08 billion in net loans, of which New loans increased $1.23 billion over the period. Acquired loans decreased by $150.7 million as a result of the run-off of the acquired loan portfolio through receipt of payments, loan payoffs, note sales or resolution through foreclosure and transfers to other real estate owned. The total securities portfolio was $1.72 billion at September 30, 2016, an increase of $131.5 million from December 31, 2015. The remaining increase in total assets was mainly due to increases in other assets of $26.1 million and an increase in cash and due from banks of $22.6 million. The increase in other assets consisted primarily of increases in the fair value of interest rate swaps outstanding of $22.5 million.

Investment Securities

The Company's investment policy has been established by the Board of Directors and dictates that investment decisions will be made based on, among other things, the safety of the investment, liquidity requirements, interest rate risk, potential returns, cash flow targets and consistency with its asset/liability management policy. The Bank's Investment Committee is responsible for making investment security portfolio decisions in accordance with the established policies and in coordination with the Board's Asset/Liability Committee. The Bank's Investment Committee members, and Bank employees under the direction of such committee, have been delegated authority to purchase and sell securities within specified investment policy guidelines. Portfolio performance and activity are reviewed by the Bank's Investment Committee and full Board of Directors on a periodic basis.

The Bank's investment policy provides specific limits on investments depending on a variety of factors, including its asset class, issuer, credit rating, size, maturity, etc. The Bank's current investment strategy includes maintaining a high credit quality, liquid, diversified portfolio invested in fixed and floating rate securities with short- to intermediate-term maturities. The purpose of this approach is to create a safe and sound investment portfolio that minimizes exposure to interest rate and credit risk while providing attractive relative yields given market conditions.

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The Company’s investment securities portfolio primarily consists of U.S. government agencies and sponsored enterprises obligations and agency mortgage-backed securities, corporate debt, asset-backed securities and preferred stocks.

Total investment securities totaled $1.72 billion and $1.58 billion as of September 30, 2016 and December 31, 2015, respectively.

No securities were determined to be other-than-temporary impaired as of September 30, 2016 or December 31, 2015.

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, 2016 and December 31, 2015, the Bank held approximately $43.5 million and $59.5 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, 2016 and December 31, 2015, respectively, management did not identify any indicators of impairment of FHLB and FRB stock.

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 tax equivalent basis.

	Maturity as of September 30, 2016							
	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)							
Available for sale:								
U.S. Government agencies and sponsored enterprises obligations	$—	—	$ —	—	$ 16,542	2.39 %	$—	—
U.S. Government agencies and sponsored enterprises mortgage-backed securities	—	—	27,641	2.12 %	259,818	2.28 %	134,902	2.52 %
State and municipal obligations	—	—	—	—	197	2.09 %	10,545	2.58 %
Asset-backed securities	—	—	40,817	3.73 %	383,426	3.34 %	72,866	2.90 %
Corporate bonds and other debt securities	—	—%	182,483	4.19 %	91,295	3.46 %	280,736	5.64 %
Preferred stock and other equity securities (1)	—	—	—	—	—	—	144,472	5.26 %
Total available for sale	$—	—%	$ 250,941	3.88 %	$ 751,278	2.97 %	$643,521	4.54 %

(1) Preferred stock securities are all fixed-to-floating rate perpetual preferred stock that are callable through June 2025.

As of September 30, 2016, the effective duration of the Company’s investment portfolio is estimated to be approximately 2.84 years. This estimate is derived using a variety of inputs that are subject to change based on a variety of factors, including but not limited to, changes in interest rates and prepayment speeds.

The average balance of the securities portfolio for the quarter ended September 30, 2016 totaled $1.64 billion with an annualized pre-tax yield of 3.56%. The average balance of the securities portfolio for the nine months ended September 30, 2016 totaled $1.60 billion with an annualized pre-tax yield of 3.60%.

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, 2016 or December 31, 2015.

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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:

	September 30, 2016			December 31, 2015		
	Amount	% of Total		Amount	% of Total	
	(Dollars in thousands)					
New loans:						
Commercial real estate	$1,272,150	20.3	%	$998,141	19.2	%
Owner-occupied commercial real estate	596,131	9.5	%	524,728	10.1	%
1-4 single family residential	1,982,340	31.6	%	1,541,255	29.7	%
Construction, land and development	639,626	10.2	%	537,494	10.4	%
Home equity loans and lines of credit	47,508	0.8	%	30,945	0.6	%
Total real estate loans	$4,537,755	72.4	%	$3,632,563	70.0	%
Commercial and industrial	1,295,324	20.6	%	972,803	18.7	%
Consumer	4,680	0.1	%	5,397	0.1	%
Total new loans	$5,837,759	93.1	%	$4,610,763	88.8	%
Acquired ASC 310-30 loans:						
Commercial real estate	160,219	2.6	%	$247,628	4.8	%
1-4 single family residential	34,329	0.5	%	40,922	0.8	%
Construction, land and development	25,156	0.4	%	28,017	0.5	%
Total real estate loans	$219,704	3.5	%	$316,567	6.1	%
Commercial and industrial	21,985	0.4	%	36,783	0.7	%
Consumer	2,074	—	%	2,390	—	%
Total acquired ASC 310-30 loans	$243,763	3.9	%	$355,740	6.8	%
Acquired non-ASC 310-30 loans:						
Commercial real estate	39,769	0.6	%	$55,985	1.1	%
Owner-occupied commercial real estate	20,042	0.3	%	21,101	0.4	%
1-4 single family residential	71,302	1.2	%	84,111	1.6	%
Construction, land and development	6,338	0.1	%	6,338	0.1	%
Home equity loans and lines of credit	43,096	0.7	%	49,407	1.0	%
Total real estate loans	$180,547	2.9	%	$216,942	4.2	%
Commercial and industrial	7,001	0.1	%	9,312	0.2	%
Consumer	423	—	%	430	—	%
Total acquired non-ASC 310-30 loans	$187,971	3.0	%	$226,684	4.4	%
Total loans	$6,269,493	100.0	%	$5,193,187	100.0	%

Total loans were $6.27 billion at September 30, 2016, an increase of 20.7% compared to $5.19 billion at December 31, 2015.

Our New loan portfolio increased by 26.6% to $5.84 billion as of September 30, 2016, as compared to $4.61 billion at December 31, 2015. The increase during the nine months ended September 30, 2016 was primarily due to an increase in 1-4 single family residential loans and growth in commercial real estate and commercial and industrial loans.

Acquired loans were $431.7 million at September 30, 2016, a decrease of $150.7 million from $582.4 million at December 31, 2015. The decrease during the nine months ended September 30, 2016 was primarily due to the run-off of the acquired loan

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portfolio through note sales, receipt of payments, loan payoffs and resolutions through foreclosure and transfers to other real estate owned. During the three and nine months ended September 30, 2016, the Company sold approximately $16.5 million and $59.9 million, respectively, of acquired loans accounted for under ASC 310-30. These sales as well as other acquired asset resolutions resulted in proceeds that exceeded the carrying value of the accounting pool in which the loans resided of $7.9 million and $20.4 million for the three and nine months ended September 30, 2016, respectively, which was recognized as interest income.

Asset Quality

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

	September 30, 2016	December 31, 2015
	(Dollars in thousands)	
Nonperforming assets (excluding acquired assets)		
Nonaccrual loans:		
Commercial real estate	$—	$ —
Owner-occupied commercial real estate	—	—
1-4 single family residential	698	1,454
Construction, land and development	—	—
Home equity loans and lines of credit	63	—
Commercial and industrial	—	—
Consumer	—	—
Total nonaccrual loans	761	1,454
Accruing loans 90 days or more past due	—	—
Total nonperforming loans	761	1,454
Other real estate owned (OREO)	—	—
Other foreclosed property	—	—
Total new nonperforming assets	$761	$ 1,454
Nonperforming acquired assets		
Nonaccrual loans:		
Commercial real estate	$5,132	$ 5,282
Owner-occupied commercial real estate	2,158	2,247
1-4 single family residential	2,649	3,016
Construction, land and development	—	—
Home equity loans and lines of credit	2,430	2,295
Commercial and industrial	3,442	3,721
Consumer	303	357
Total nonaccrual loans	16,114	16,918
Accruing loans 90 days or more past due	102	—
Total nonperforming loans	16,216	16,918
Other real estate owned (OREO)	25,654	39,340
Other foreclosed property	11	—
Total acquired nonperforming assets	$41,881	$ 56,258
Total nonperforming assets	$42,642	$ 57,712

Nonaccrual loans totaled $16.9 million at September 30, 2016, an decrease of 8.1% from $18.4 million at December 31, 2015.

Nonperforming assets totaled $42.6 million at September 30, 2016, an decrease of $15.1 million, or 26.1%, from December 31, 2015. The decrease in nonperforming assets is primarily due to the decrease in OREO of $13.7 million.

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Our policies related to when loans are placed on nonaccrual status conform to guidelines prescribed by bank regulatory authorities. Loans are placed on nonaccrual status when it is probable that principal or interest is not fully collectible, or generally when principal or interest becomes 90 days past due, whichever occurs first. Certain loans past due 90 days or more may remain on accrual status if management determines that it does not have concern over the collectability of principal and interest because the loan is secured by assets with a value in excess of the amounts owed and is in the process of collection. Loans are removed from nonaccrual status when they become current as to both principal and interest and concern no longer exists as to the collectability of principal and interest.

Loans accounted for under ASC 310-30 that are delinquent and/or on nonaccrual status continue to accrue income provided the respective pool in which those assets reside maintains a discount and recognizes accretion income. The aforementioned loans are characterized as performing loans greater than 90 days past due. If the pool no longer has a discount and accretion income can no longer be recognized, any loan within that pool on nonaccrual status will be classified as nonaccrual for presentation purposes.

Loans are identified for restructuring based on their delinquency status, risk rating downgrade, or at the request of the borrower. Borrowers that are 90 days delinquent and/or have a history of being delinquent, or experience a risk rating downgrade, are contacted to discuss options to bring the loan current, cure credit risk deficiencies, or other potential restructuring options that will reduce the inherent risk and improve collectability of the loan. In some instances, a borrower will initiate a request for loan restructure. The Bank requires borrowers to provide current financial information to establish the need for financial assistance and satisfy applicable prerequisite conditions required by the Bank. The Bank may also require the borrower to enter into a forbearance agreement.

Modification of loan terms may include the following: reduction of the stated interest rate; extension of maturity date or other payment dates; reduction of the face amount or maturity amount of the loan; reduction in accrued interest; forgiveness of past-due interest; or a combination of the above.

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

	September 30, 2016		December 31, 2015	
Asset Quality Ratios				
Asset and Credit Quality Ratios - New Loans				
Nonperforming new loans to new loans receivable	0.01	%	0.03	%
New loan ALL to total gross new loans	0.52	%	0.52	%
Asset and Credit Quality Ratios - Acquired Loans				
Nonperforming acquired loans to acquired loans receivable	3.76	%	2.90	%
Acquired loan ALL to total gross acquired loans	1.22	%	0.92	%
Asset and Credit Quality Ratios - Total loans				
Nonperforming loans to loans receivable	0.27	%	0.35	%
Nonperforming assets to total assets	0.50	%	0.79	%
ALL to nonperforming assets	83.92	%	50.47	%
ALL to total gross loans	0.57	%	0.56	%

Analysis of the Allowance for Loan Losses

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 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.

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The following table presents the allocation of the ALL for the periods presented. The entire amount of the allowance is available to absorb losses occurring in any category of loans.

	September 30, 2016			December 31, 2015		
	Amount	% Loans in each category		Amount	% Loans in each category	
	(Dollars in thousands)					
New loans:						
Real estate loans:						
Commercial real estate	$6,807	20.3	%	$5,468	19.2	%
Owner-occupied commercial real estate	2,053	9.5	%	1,780	10.1	%
1-4 single family residential	6,460	31.6	%	6,067	29.7	%
Construction, land and development	4,376	10.2	%	3,040	10.4	%
Home equity loans and lines of credit	361	0.8	%	192	0.6	%
Total real estate loans	20,057	72.4	%	16,547	70.0	%
Other loans:						
Commercial and industrial	10,376	20.6	%	7,152	18.7	%
Consumer	92	0.1	%	46	0.1	%
Total other loans	10,468	20.7	%	7,198	18.8	%
Total new loans	$30,525	93.1	%	$23,745	88.8	%
Acquired ASC 310-30 loans:						
Real estate loans:						
Commercial real estate	$2,330	2.6	%	$1,898	4.8	%
1-4 single family residential	29	0.5	%	26	0.8	%
Construction, land and development	277	0.4	%	328	0.5	%
Total real estate loans	2,636	3.5	%	2,252	6.1	%
Other loans:						
Commercial and industrial	341	0.4	%	453	0.7	%
Consumer	369	—	%	406	—	%
Total other loans	710	0.4	%	859	0.7	%
Total Acquired ASC 310-30 loans	$3,346	3.9	%	$3,111	6.8	%
Acquired Non-ASC 310-30 loans:						
Real estate loans:						
Commercial real estate	$867	0.6	%	$1,084	1.1	%
Owner-occupied commercial real estate	284	0.3	%	463	0.4	%
1-4 single family residential	309	1.2	%	332	1.6	%
Construction, land and development	44	0.1	%	36	0.1	%
Home equity loans and lines of credit	282	0.7	%	291	1.0	%
Total real estate loans	1,786	2.9	%	2,206	4.2	%
Other loans:						
Commercial and industrial	119	0.1	%	60	0.2	%
Consumer	9	—	%	4	—	%
Total other loans	128	0.1	%	64	0.2	%
Total Acquired Non-ASC 310-30 loans	$1,914	3.0	%	$2,270	4.4	%
Total loans	$35,785	100.0	%	$29,126	100.0	%

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

	Commercial Real Estate	Owner-Occupied 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, 2016	$9,745	$ 2,252	$ 7,439	$ 3,763	$ 615	$ 9,465	$ 427	$33,706
Provision (credit) for ASC 310-30 loans	110	—	2	(81)	—	(25)	(11)	(5)
Provision (credit) for non-ASC 310-30 loans	(68)	(56)	27	7	1	64	5	(20)
Provision (credit) for New loans	111	141	(639)	998	19	1,332	53	2,015
Total provision	153	85	(610)	924	20	1,371	47	1,990
Charge-offs for ASC 310-30 loans	—	—	(31)	—	—	—	(4)	(35)
Charge-offs for non-ASC 310-30 loans	—	—	—	—	—	—	—	—
Charge-offs for New loans	—	—	—	—	—	—	—	—
Total charge-offs	—	—	(31)	—	—	—	(4)	(35)
Recoveries for ASC 310-30 loans	106	—	—	10	—	—	—	116
Recoveries for non-ASC 310-30 loans	—	—	—	—	8	—	—	8
Recoveries for New loans	—	—	—	—	—	—	—	—
Total recoveries	106	—	—	10	8	—	—	124
Ending ALL balance								
ASC 310-30 loans	2,330	—	29	277	—	341	369	3,346
Non-ASC 310-30 loans	867	284	309	44	282	119	9	1,914
New loans	6,807	2,053	6,460	4,376	361	10,376	92	30,525
Balance at September 30, 2016	$10,004	$ 2,337	$ 6,798	$ 4,697	$ 643	$ 10,836	$ 470	$35,785

	Commercial Real Estate	Owner-Occupied 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, 2015	$9,652	$ 1,548	$ 5,744	$ 3,024	$ 563	$ 6,059	$ 456	$27,046
Provision (credit) for ASC 310-30 loans	(791)	—	(38)	(310)	—	(67)	30	(1,176)
Provision (credit) for non-ASC 310-30 loans	(110)	14	11	(20)	74	41	6	16
Provision (credit) for New loans	(390)	45	203	251	41	1,712	(27)	1,835
Total provision	(1,291)	59	176	(79)	115	1,686	9	675
Charge-offs for ASC 310-30 loans	(65)	—	(224)	—	—	(57)	—	(346)

Charge-offs for non-ASC 310-30 loans	—	—	—	—	(37)	—	(8)	(45)
Charge-offs for New loans	—	—	—	—	—	—	—	—
Total charge-offs	(65)	—	(224)	—	(37)	(57)	(8)	(391)
Recoveries for ASC 310-30 loans	—	—	18	18	—	23	—	59
Recoveries for non-ASC 310-30 loans	—	—	—	—	—	—	—	—
Recoveries for New loans	—	—	—	—	—	5	—	5
Total recoveries	—	—	18	18	—	28	—	64
Ending ALL balance								
ASC 310-30 loans	1,729	—	26	501	—	1,032	417	3,705
Non-ASC 310-30 loans	1,265	68	346	36	469	82	4	2,270
New loans	5,302	1,539	5,342	2,426	172	6,602	36	21,419
Balance at September 30, 2015	$8,296	$ 1,607	$ 5,714	$ 2,963	$ 641	$ 7,716	$ 457	$27,394

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	Commercial Real Estate	Owner-Occupied 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, 2016	$8,450	$ 2,243	$ 6,425	$ 3,404	$ 483	$ 7,665	$ 456	$29,126
Provision (credit) for ASC 310-30 loans	(83)	—	3	(90)	—	(47)	(31)	(248)
Provision (credit) for non-ASC 310-30 loans	(1,021)	(178)	(23)	8	18	59	11	(1,126)
Provision (credit) for New loans	1,339	273	393	1,336	169	3,224	46	6,780
Total provision	235	95	373	1,254	187	3,236	26	5,406
Charge-offs for ASC 310-30 loans	(352)	—	(31)	(33)	—	(76)	(6)	(498)
Charge-offs for non-ASC 310-30 loans	—	(1)	—	—	(35)	—	(6)	(42)
Charge-offs for New loans	—	—	—	—	—	—	—	—
Total charge-offs	(352)	(1)	(31)	(33)	(35)	(76)	(12)	(540)
Recoveries for ASC 310-30 loans	867	—	31	72	—	11	—	981
Recoveries for non-ASC 310-30 loans	804	—	—	—	8	—	—	812
Recoveries for New loans	—	—	—	—	—	—	—	—
Total recoveries	1,671	—	31	72	8	11	—	1,793
Ending ALL balance								
ASC 310-30 loans	2,330	—	29	277	—	341	369	3,346
Non-ASC 310-30 loans	867	284	309	44	282	119	9	1,914
New loans	6,807	2,053	6,460	4,376	361	10,376	92	30,525
Balance at September 30, 2016	$10,004	$ 2,337	$ 6,798	$ 4,697	$ 643	$ 10,836	$ 470	$35,785

	Commercial Real Estate	Owner-Occupied 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, 2015	$8,206	$ 1,020	$ 4,740	$ 2,456	$ 355	$ 5,745	$ 358	$22,880
Provision (credit) for ASC 310-30 loans	(1,656)	—	(37)	(508)	—	52	187	(1,962)
Provision (credit) for non-ASC 310-30 loans	770	10	60	(39)	221	33	6	1,061
Provision (credit) for New loans	846	577	1,341	703	102	1,852	(26)	5,395
Total provision	(40)	587	1,364	156	323	1,937	167	4,494
Charge-offs for ASC 310-30 loans	(270)	—	(431)	(56)	—	(132)	(60)	(949)
	—	—	(128)	—	(37)	—	(8)	(173)

Charge-offs for non-ASC 310-30 loans								
Charge-offs for New loans	—	—	—	—	—	—	—	—
Total charge-offs	(270)	—	(559)	(56)	(37)	(132)	(68)	(1,122)
Recoveries for ASC 310-30 loans	400	—	169	407	—	154	—	1,130
Recoveries for non-ASC 310-30 loans	—	—	—	—	—	—	—	—
Recoveries for New loans	—	—	—	—	—	12	—	12
Total recoveries	400	—	169	407	—	166	—	1,142
Ending ALL balance								
ASC 310-30 loans	1,729	—	26	501	—	1,032	417	3,705
Non-ASC 310-30 loans	1,265	68	346	36	469	82	4	2,270
New loans	5,302	1,539	5,342	2,426	172	6,602	36	21,419
Balance at September 30, 2015	$8,296	$ 1,607	$ 5,714	$ 2,963	$ 641	$ 7,716	$ 457	$27,394

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As of September 30, 2016, our New loans have exhibited limited delinquency and credit loss history prohibiting the Company from establishing 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 a peer group of the 17 banks using an annualized weighted average twelve quarter rolling basis. Historical loss factors are adjusted for qualitative factors including trends in delinquencies and nonaccrual loans, production trends, average risk ratings and loan-to-value ratios, current industry conditions, general economic conditions, credit concentrations by portfolio and asset categories and portfolio quality. Other adjustments for qualitative factors may be made to the ALL 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. 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.

The ALL increased $6.7 million to $35.8 million at September 30, 2016 from $29.1 million at December 31, 2015, primarily due to the increase in New loans of $1.23 billion. The ALL as a percentage of nonperforming assets and the ALL as a percentage of total gross loans was 83.92% and 0.57% as of September 30, 2016, compared to 50.47% and 0.56% at December 31, 2015. The increase in the ALL as a percentage of nonperforming assets was primarily the result of a decrease in OREO. The allowance coverage ratio on New loans remained flat over the same period.

FDIC Loss Share Indemnification Asset

On March 4, 2015, the Bank entered into an agreement with the FDIC to terminate all loss sharing agreements which were entered into in 2010 and 2011 in conjunction with the Bank’s acquisition of substantially all of the assets and assumption of substantially all of the liabilities of six failed banks in FDIC-assisted acquisitions. Under the early termination, all rights and obligations of the Bank and the FDIC under the loss share agreements, including the clawback provisions, have been eliminated.

The Bank paid the FDIC $14.8 million as consideration for the early termination to settle its obligation under the FDIC Clawback Liability. The early termination was recorded in the Bank’s financial statements by removing the FDIC Indemnification Asset receivable, the FDIC Clawback liability and recording a one-time, pre-tax loss on termination of $65.5 million.

The following tables summarize the activity related to the FDIC loss share indemnification asset for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(Dollars in thousands)			
Balance at beginning of period	$—	$—	$—	$63,168
Termination of FDIC loss sharing agreements	—	—	—	(63,168)
Balance at end of period	$—	$—	$—	$—

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,	
	2016	2015	2016	2015

	(Dollars in thousands)			
Balance at beginning of period	$—	$—	$—	$13,846
Termination of FDIC loss sharing agreements	—	—	—	(13,846)
Balance at end of period	$—	$—	$—	$—

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Other Real Estate Owned

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

	September 30, 2016	December 31, 2015
	(Dollars in thousands)	
Commercial real estate	$9,972	$ 4,980
1-4 single family residential	1,367	4,875
Construction, land and development	14,315	29,485
Total	$25,654	$ 39,340

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(Dollars in thousands)			
Balance at beginning of period	$29,290	$42,654	$39,340	$74,527
Transfers from loan portfolio	710	3,987	11,332	18,822
Impairments	(225)	(123)	(1,111)	(296)
Sales	(4,121)	(6,113)	(23,907)	(52,648)
Balance at end of period	$25,654	$40,405	$25,654	$40,405

Total OREO held by the Company was $25.7 million as of September 30, 2016, a decrease of $13.7 million from December 31, 2015. The decrease in other real estate owned was due to OREO sales of $23.9 million during the nine months ended September 30, 2016 partially offset by $11.3 million in transfers from the loan portfolio.

Bank-owned Life Insurance

BOLI policies are held in order to insure the key officers and employees of the Bank. Per ASC 325-10, “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.

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,	
	2016	2015	2016	2015
	(Dollars in thousands)			
Balance at beginning of period	$170,817	$140,830	$168,246	$139,829
Additions from premium payments	—	25,000	—	25,000
Net gain in cash surrender value	1,288	1,101	3,859	3,295
Mortality proceeds receivable	—	—	—	(1,193)
Balance at end of period	$172,105	$166,931	$172,105	$166,931

As of September 30, 2016 and December 31, 2015, the BOLI cash surrender value was $172.1 million and $168.2 million respectively. The company recognized $1.3 million and $1.1 million of BOLI income for the three months ended September 30, 2016 and 2015 resulting in a pre-tax yield of 3.01% and 2.91%, respectively. The company recognized $3.9 million and $3.3 million of BOLI income for the nine months ended September 30, 2016 and 2015 resulting in a pre-tax yield of 3.02% and 3.07%, respectively. The total death benefit of the BOLI policies at September 30, 2016 and December 31, 2015 totaled $523.8 million and $521.8 million, respectively.

Deposits

We expect that deposits will be our primary funding source in the future. We expect commercial core deposits will drive core deposit growth.

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

	September 30, 2016		December 31, 2015	
	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)			
Noninterest-bearing demand deposits	$830,910	12.0 %	$637,047	11.7 %
Interest-bearing demand deposits	905,687	13.1 %	608,454	11.2 %
Interest-bearing NOW accounts	420,207	6.1 %	347,832	6.4 %
Savings and money market accounts	2,468,321	35.7 %	1,979,132	36.5 %
Time deposits	2,292,438	33.1 %	1,858,173	34.2 %
Total deposits	$6,917,563	100.0 %	$5,430,638	100.0 %

Deposits at September 30, 2016 totaled $6.92 billion, an increase of $1.49 billion, or 27.4%, from December 31, 2015. The increase in deposits consisted of a $1.05 billion increase in core deposits and a $434.3 million increase in time deposits. Core deposits include demand deposit, NOW accounts, savings and money market accounts and represents 66.9% of total deposits at September 30, 2016, an increase from 65.8% at December 31, 2015.

The increase in core deposits was primarily due to growth in demand deposits and savings and money market accounts due to retail marketing efforts and commercial relationship growth. The average rate paid on deposits for the three months ended September 30, 2016 was 0.72%. This represents an increase of 13 basis points as compared to the average rate paid on deposits of 0.59% for the three months ended September 30, 2015. The average rate paid on time deposits for the three months ended September 30, 2016 was 1.17%. This represents an increase of 16 basis points compared to the average rate paid on time deposits of 1.01% for the three months ended September 30, 2015.

The average rate paid on deposits for the nine months ended September 30, 2016 was 0.69%. This represents an increase of 12 basis points as compared to the average rate paid on deposits of 0.57% for the nine months ended September 30, 2015. The average rate paid on time deposits for the nine months ended September 30, 2016 was 1.15%. This represents an increase of 17 basis points compared to the average rate paid on time deposits of 0.98% for the nine months ended September 30, 2015.

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

	September 30, 2016
	(Dollars in thousands)
Time deposits $100,000 or greater with remaining maturity of:	
Three months or less	$ 189,665
After three months through six months	976,981
After six months through twelve months	548,291
After twelve months	12,661
Total	$ 1,727,598

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.

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

	September 30, 2016	December 31, 2015
	(Dollars in thousands)	
FHLB advances	$400,000	$806,500
Securities sold under repurchase agreements	141,214	159,754
Retail repurchase agreements	25,448	13,448
Total contractual outstanding	566,662	979,702
Fair value adjustment	1,513	3,481
Total borrowings	$568,175	$983,183

At September 30, 2016, total borrowings were $568.2 million, a decrease of $415.0 million, or 42.2%, from $983.2 million at December 31, 2015. The decrease in total borrowings was primarily driven by the $406.5 million decrease in FHLB advances and a decrease in securities sold under repurchase agreements of $18.5 million partially offset by an increase in retail repurchase agreement of $12.0 million.

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,	
	2016	2015	2016	2015
	(Dollars in thousands)			
Short-Term FHLB advances:				
Maximum outstanding at any month-end during the period	$346,250	$821,050	$ 723,250	$ 821,050
Balance outstanding at end of period	150,000	821,050	150,000	821,050
Average outstanding during the period	275,519	709,000	491,485	695,023
Average interest rate during the period	0.69 %	0.35 %	0.63 %	0.28 %
Average interest rate at the end of the period	0.69 %	0.39 %	0.69 %	0.39 %

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,	
	2016	2015	2016	2015
	(Dollars in thousands)			
Balance at beginning of period	$923,172	$857,479	$876,109	$851,653
Net income (loss)	26,064	21,140	72,020	23,642
Stock-based compensation, RSU and warrant expense	1,666	714	3,904	4,588
Treasury stock purchases	(3,474)	(26,510)	(23,738)	(27,312)
Exercise of stock options and warrants	7,311	6,062	12,200	6,935
Other	(24)	(24)	(39)	(44)
Other comprehensive income (loss)	11,370	(2,983)	25,629	(3,584)
Balance at end of period	$966,085	$855,878	$966,085	$855,878

For the three months ended September 30, 2016 the Company reported net income of $26.1 million, an increase of $4.9 million, compared to a net income of $21.1 million for the three months ended September 30, 2015. The Company’s results of operations for the period ended September 30, 2016 produced an annualized return on average assets of 1.25% and an annualized return on average common stockholders’ equity of 10.96% compared to prior year ratios of 1.26% and 9.73%, respectively.

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For the nine months ended September 30, 2016 the Company reported net income of $72.0 million, an increase of $48.4 million, compared to net income of $23.6 million for the nine months ended September 30, 2015. The Company's results of operations for the period ended September 30, 2016 produced an annualized return on average assets of 1.21% and an annualized return on average common stockholders' equity of 10.56% compared to prior year ratios of 0.50% and 3.67%, respectively.

Stockholders' equity totaled $966.1 million as of September 30, 2016, an increase of $90.0 million from $876.1 million as of December 31, 2015, primarily driven by net income of $72.0 million, other comprehensive income of $25.6 million and exercises of stock options and warrants of $12.2 million which were partially offset by treasury stock repurchases of $23.7 million.

Treasury Stock

The following table summarized the share repurchase activity for the three months ended September 30, 2016:

	Total Shares Repurchased	Average Price Paid Per Share	Total Dollar Amount Purchased Pursuant to Publicly-Announced Plan	Maximum Dollar Amount Remaining Available for Repurchase Pursuant to Publicly-Announced Plan
July 2016	84,565	34.92	58,210,760	11,789,240
August 2016	15,000	34.56	58,729,531	11,270,469
September 2016	—	—	58,729,531	11,270,469
Total	99,565			

During the three months ended September 30, 2016, the Company repurchased 99,565 shares of Class A common stock at a weighted average price of $34.87 per share for an aggregate amount of $3.5 million. During the nine months ended September 30, 2016, the Company repurchased 717,115 shares of Class A common stock at a weighted average price of $33.08 per share for an aggregate amount of $23.8 million. The Company accounted for the transactions under the cost method and holds 2,886,621 common shares with a cost of $77.4 million in Treasury Stock as of September 30, 2016. These transactions are recorded as "Treasury stock purchases" in the accompanying consolidated statements of changes in stockholders' equity.

Warrants

The following table presents the activity during the nine months ended September 30, 2016 related to the Amended 2009 Warrants:

	Amended 2009 Warrants	
	Options	Weighted Average Exercise Price
Outstanding at January 1, 2016	3,024,123	$ 26.42
Granted	—	—
Exercised	(304,596)	26.06
Forfeited	—	—
Expired	—	—
Outstanding at September 30, 2016	2,719,527	26.46
Exercisable at September 30, 2016	1,616,049	25.22
Vested at September 30, 2016	1,616,049	25.22
Vested and expected to vest at September 30, 2016	2,719,527	26.46

Capital Resources

Our Company and Bank are subject to regulatory capital adequacy requirements promulgated by federal bank regulatory agencies. Failure by our Company or Bank to meet minimum capital requirements could result in certain mandatory and discretionary actions by regulators that could have a material adverse effect on our consolidated financial statements. The Federal Reserve establishes capital requirements for our Company and the OCC has similar requirements for our Bank.

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Information presented for September 30, 2016, reflects the Basel III capital requirements that became effective January 1, 2015 for both our Company and Bank. Under these capital requirements and the regulatory framework for prompt corrective action, our Company and Bank must meet specific capital guidelines that involve quantitative measures of our Company and Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. Our Company's and Bank's capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings and other factors.
Quantitative measures established by regulation require our Company and Bank to maintain certain minimum capital amounts and ratios. Federal bank regulators require our Company and Bank to maintain minimum ratios of core capital to adjusted average assets of 4.0%, common equity tier 1 capital to risk-weighted assets of 4.5%, tier 1 capital to risk-weighted assets of 6.0% and total risk-based capital to risk-weighted assets of 8.0%. Beginning January 1, 2016, Basel III implemented a capital conservation buffer above the minimum risk-based capital requirements in order to avoid certain limitations on capital distributions, stock repurchases and discretionary bonus payments to executive officers. The capital conservation buffer is exclusively composed of common equity tier 1 capital. Beginning January 1, 2016, the capital conservation buffer is 0.625% for 2016 and increases by 0.625% for each year through 2019. The capital planning process and position is monitored by the Enterprise Risk Committee.

The Company and Bank's regulatory capital ratios, excluding the impact of the capital conservation buffer, are as follows:

	Minimum Capital Requirement		Minimum to be Well Capitalized		September 30, 2016		December 31, 2015	
Capital Ratios (Company)								
Tier 1 leverage ratio	4.0	%	5.0	%	10.3	%	10.3	%
Common equity tier 1 capital ratio	4.5	%	6.5	%	11.8	%	12.1	%
Tier 1 risk-based capital ratio	6.0	%	8.0	%	11.8	%	12.1	%
Total risk-based capital ratio	8.0	%	10.0	%	12.0	%	12.1	%
Capital Ratios (Bank)								
Tier 1 leverage ratio	4.0	%	5.0	%	9.6	%	9.9	%
Common equity tier 1 capital ratio	4.5	%	6.5	%	11.0	%	11.6	%
Tier 1 risk-based capital ratio	6.0	%	8.0	%	11.0	%	11.6	%
Total risk-based capital ratio	8.0	%	10.0	%	11.5	%	11.6	%

At September 30, 2016, our Company and Bank met all the capital adequacy requirements to which they were subject. At September 30, 2016, the Company and Bank were "well capitalized" under the regulatory framework for prompt corrective action. To be "well capitalized," our Company and Bank must maintain minimum leverage, common equity tier 1 risk-based, tier 1 risk-based and total risk-based capital ratios of at least 5.0%, 6.5%, 8.0% and 10.0%, respectively. Management believes that no conditions or events have occurred since September 30, 2016 that would materially adversely change the Company's or Bank's capital classifications. From time to time, we may need to raise additional capital to support our Company's and Bank's further growth and to maintain their "well capitalized" status.
The Bank and, with respect to certain provisions, the Company, is also subject to an Order of the FDIC, dated January 22, 2010, issued in connection with the FDIC's approval of the Bank's application for federal deposit insurance. The Order requires, among other things, the Bank to maintain capital levels sufficient to be well capitalized under regulatory standards during the remaining period of ownership of the investors (as defined in the Order) subject to the SOP. As of September 30, 2016 and December 31, 2015, we believe the Company and Bank both had capital levels that exceeded the regulatory guidelines for a "well capitalized" institution.
As of September 30, 2016, the Company had a Tier 1 leverage ratio of 10.3%, which provided $426.7 million of excess capital relative to the minimum requirements to be considered well capitalized. As of September 30, 2016, the Bank had a Tier 1 leverage ratio of 9.6%, which provided $365.0 million of excess capital relative to the minimum requirements to be considered well capitalized.
Liquidity

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

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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 borrowings through secured FHLB advances, unsecured borrowing lines from correspondent banks, and repurchase agreements (secured). In addition, the Bank has an established borrowing line at the Federal Reserve Bank. At September 30, 2016, the Company had additional capacity to borrow from the FHLB of $1.65 billion. Also, at September 30, 2016, the Company has unused credit lines with financial institutions of $70.0 million.

We believe the Bank’s cash and liquidity resources generated by operations and deposit growth will be sufficient to satisfy the Bank’s future funding requirements. The Bank’s ongoing liquidity position is monitored by the Asset Liability Committee (“ALCO”) and the Enterprise Risk Committee.

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 the foreseeable future. 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” in our Annual Report on Form 10-K for the year ended December 31, 2015 previously filed with the SEC. Management believes that such limitations will not impact our ability to meet our ongoing short-term cash obligations.

The Company approved a stock repurchase program under which the Company is authorized to acquire up to $70 million of its Class A Common Stock. Repurchases under the program may be made through open market or privately negotiated transactions at times and in such amounts as management deems appropriate, subject to market conditions, regulatory requirements and other factors. The program does not obligate the Company to repurchase any particular amount of common stock, and may be suspended or discontinued at any time without notice. Shares repurchased under the program will be made using the Company’s own cash resources and are expected to be held as treasury shares. As of September 30, 2016, the Company has repurchased $58.7 million of its Class A Common Stock under the stock repurchase program.

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.

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The following table summarizes commitments as of the dates presented:

	September 30, 2016	December 31, 2015
	(Dollars in thousands)	
Commitments to fund loans	$724,592	$578,730
Unused lines of credit	406,608	358,601
Commercial and standby letters of credit	23,451	14,410
Total	$1,154,651	$951,741

Management believes that we have adequate liquidity to meet all known contractual obligations and unfunded commitments, including loan commitments over the next twelve months.

Non-GAAP Financial Measures

The Company views certain non-recurring items, including but not limited to merger related and restructuring charges, gain/(loss) on investment securities and their corresponding tax effect, as core adjustments to net income. Core adjustments for the third quarter of 2016 include $72 thousand of severance expense and a $749 thousand gain on investment securities.

The following reconciliation provides a more detailed analysis of this non-GAAP financial measure:

FCB Financial Holdings, Inc.

Reconciliation of Non-GAAP Financial Measures - Core Net Income

(Unaudited)

	Three Months Ended				
	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
	(Dollars in thousands, except per share data)				
Net Income	$26,064	$23,504	$22,452	$29,749	$21,140
Pre-tax Adjustments					
Noninterest income					
Less: Gain (loss) on investment securities	749	324	(54)	(28)	166
FDIC loss share indemnification loss	—	—	—	—	—
Noninterest expenses					
Salaries and employee benefits	72	1,018	240	48	3
Occupancy and equipment	—	—	103	512	—
Professional services	—	—	—	—	—
Data processing and network fees	—	—	—	—	—
Other operating expenses	7	—	7	88	20
Taxes					
Tax Effect of adjustments	(10)	17	(146)	(7,897)	50
Core Net Income	$25,384	$24,215	$22,710	$22,528	$21,047
Average assets	$8,247,690	$7,899,230	$7,554,078	$7,123,099	$6,650,260
ROA	1.25 %	1.19 %	1.19 %	1.66 %	1.26 %
Core ROA	1.22 %	1.23 %	1.21 %	1.25 %	1.26 %

Tangible book value per share is defined as total stockholders’ equity reduced by goodwill and other intangible assets divided by total common shares outstanding. This non-GAAP financial measure is important to investors interested in changes from period-to-period in book value per share exclusive of changes in intangible assets.

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The following table reconciles this 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:
FCB Financial Holdings, Inc.
Reconciliation of Non-GAAP measures - Tangible Book Value Per Share
(Unaudited)

	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
	(Dollars in thousands, except share and per share data)				
Total assets	$8,531,152	$8,221,222	$7,836,124	$7,331,486	$6,888,689
Less:					
Goodwill and other intangible assets	86,151	86,408	86,705	87,084	87,484
Tangible assets	$8,445,001	$8,134,814	$7,749,419	$7,244,402	$6,801,205
Total stockholders' equity	$966,085	$923,172	$889,299	$876,109	$855,878
Less:					
Goodwill and other intangible assets	86,151	86,408	86,705	87,084	87,484
Tangible stockholders' equity	$879,934	$836,764	$802,594	$789,025	$768,394
Shares outstanding	40,791,359	40,537,913	40,595,787	40,860,453	40,984,200
Tangible book value per share	$21.57	$20.64	$19.77	$19.31	$18.75
Average assets	$8,247,690	$7,899,230	$7,554,078	$7,123,099	$6,650,260
Average equity	943,168	905,728	876,059	864,654	861,971
Average goodwill and other intangible assets	86,276	86,564	86,917	87,291	87,701
Tangible average equity to tangible average assets	10.5 %	10.5 %	10.6 %	11.0 %	11.8 %
Tangible common equity ratio	10.4 %	10.3 %	10.4 %	10.9 %	11.3 %

Management believes these non-GAAP financial measures provide useful information to management and investors that is supplementary to our financial condition, results of operations and cash flows computed in accordance with GAAP. Disclosure of these non-GAAP financial measures is relevant to understanding the capital position and performance of the Company and provides a meaningful base for comparability to other financial institutions. We acknowledge that our non-GAAP financial measures have a number of limitations. As such, you should not view these disclosures as a substitute for results determined in accordance with GAAP.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

As described in more detail in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2015, risk management involves the monitoring and evaluation of interest rate risk, liquidity risk, operational risk, compliance risk and strategic and/or reputation risk. The Company has not experienced any material change in these risks from December 31, 2015 to September 30, 2016. For additional disclosure of our market risks, see the Company's Annual Report on Form 10-K for the year ended December 31, 2015 previously filed with the SEC.

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.

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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 12 "Commitments and Contingencies" in the "Notes to Consolidated Financial Statements."

Item 1A. Risk Factors

There have been no material changes in the risk factors disclosed by the Company in its Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC.

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

None

Item 3. Defaults upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None

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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 9, 2016	/s/ Kent S. Ellert Kent S. Ellert President and Chief Executive Officer (Principal Executive Officer)
Date:	November 9, 2016	/s/ Jennifer L. Simons Jennifer L. Simons Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)