FIRST COMMUNITY BANCSHARES INC /NV/
Form 10-Q
November 04, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

Commission file number 000-19297

FIRST COMMUNITY BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Nevada	**55-0694814**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**
P.O. Box 989	**24605-0989**

Bluefield, Virginia
(Address of principal executive offices) **(Zip Code)**
(276) 326-9000

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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). Yes No

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

Large accelerated filer Accelerated filer

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

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

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

Class Common Stock, $1.00 Par Value; 16,989,383 shares outstanding as of October 28, 2016

FIRST COMMUNITY BANCSHARES, INC.

FORM 10-Q

For the quarter ended September 30, 2016

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FIRST COMMUNITY BANCSHARES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share data)	**September 30, 2016** (Unaudited)	**December 31, 2015**
Assets		
Cash and due from banks	$ 43,686	$ 37,383
Federal funds sold	21,298	13,498
Interest-bearing deposits in banks	945	906
Total cash and cash equivalents	65,929	51,787
Securities available for sale	220,856	366,173
Securities held to maturity	72,182	72,541
Loans held for investment, net of unearned income		
Non-covered	1,774,547	1,623,506
Covered	61,837	83,035
Less allowance for loan losses	(19,633)	(20,233)
Loans held for investment, net	1,816,751	1,686,308
FDIC indemnification asset	14,332	20,844
Premises and equipment, net	50,564	52,756
Other real estate owned, non-covered	4,052	4,873
Other real estate owned, covered	2,437	4,034
Interest receivable	5,498	6,007
Goodwill	101,776	100,486
Other intangible assets	7,964	5,243
Other assets	87,932	91,224
Total assets	$ 2,450,273	$ 2,462,276
Liabilities		
Deposits		
Noninterest-bearing	$ 473,509	$ 451,511
Interest-bearing	1,388,390	1,421,748
Total deposits	1,861,899	1,873,259
Interest, taxes, and other liabilities	26,599	26,630
Securities sold under agreements to repurchase	118,532	138,614
FHLB borrowings	90,000	65,000
Other borrowings	15,707	15,756

Total liabilities	2,112,737	2,119,259
Stockholders equity		
Preferred stock, undesignated par value; 1,000,000 shares authorized; Series A Noncumulative Convertible Preferred Stock, $0.01 par value; 25,000 shares authorized; no shares outstanding at September 30, 2016, and December 31, 2015		
Common stock, $1 par value; 50,000,000 shares authorized; 21,381,779 shares issued at September 30, 2016, and December 31, 2015; 4,392,807 and 3,283,638 shares in treasury at September 30, 2016, and December 31, 2015, respectively	21,382	21,382
Additional paid-in capital	227,884	227,692
Retained earnings	166,689	155,647
Treasury stock, at cost	(78,789)	(56,457)
Accumulated other comprehensive income (loss)	370	(5,247)
Total stockholders equity	337,536	343,017
Total liabilities and stockholders equity	$ 2,450,273	$ 2,462,276

See Notes to Consolidated Financial Statements.

FIRST COMMUNITY BANCSHARES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Amounts in thousands, except share and per share data)	**2016**	**2015**	**2016**	**2015**
Interest income				
Interest and fees on loans	$ 21,952	$ 22,259	$ 65,762	$ 65,999
Interest on securities taxable	738	1,062	2,729	3,167
Interest on securities tax-exempt	905	994	2,762	3,013
Interest on deposits in banks	26	33	55	246
Total interest income	23,621	24,348	71,308	72,425
Interest expense				
Interest on deposits	1,133	1,384	3,334	4,676
Interest on short-term borrowings	548	497	1,613	1,486
Interest on long-term debt	819	798	2,438	2,685
Total interest expense	2,500	2,679	7,385	8,847
Net interest income	21,121	21,669	63,923	63,578
(Recovery of) provision for loan losses	(1,154)	381	755	1,757
Net interest income after (recovery of) provision for loan losses	22,275	21,288	63,168	61,821
Noninterest income				
Wealth management	653	790	2,147	2,231
Service charges on deposits	3,494	3,744	10,146	10,154
Other service charges and fees	2,024	1,974	6,088	5,987
Insurance commissions	1,592	1,650	5,383	5,336
Impairment losses on securities	(4,635)		(4,646)	
Portion of loss recognized in other comprehensive income				
Net impairment losses recognized in earnings	(4,635)		(4,646)	
Net gain (loss) on sale of securities	25	(39)	(53)	151
Net FDIC indemnification asset amortization	(1,369)	(1,768)	(3,856)	(5,179)
Net gain on divestitures	3,065		3,065	
Other operating income	1,046	723	2,554	3,367
Total noninterest income	5,895	7,074	20,828	22,047
Noninterest expense				
Salaries and employee benefits	9,828	9,971	30,501	29,357
Occupancy expense	1,249	1,443	4,139	4,404
Furniture and equipment expense	1,066	1,259	3,271	3,854
Amortization of intangibles	316	281	871	837
FDIC premiums and assessments	363	377	1,109	1,181
FHLB debt prepayment fees				1,702

Merger, acquisition, and divestiture expense	226		675	86
Other operating expense	5,509	5,688	15,527	15,667
Total noninterest expense	18,557	19,019	56,093	57,088
Income before income taxes	9,613	9,343	27,903	26,780
Income tax expense	3,230	3,084	9,181	8,388
Net income	6,383	6,259	18,722	18,392
Dividends on preferred stock				105
Net income available to common shareholders	$ 6,383	$ 6,259	$ 18,722	$ 18,287
Earnings per common share				
Basic	$ 0.37	$ 0.34	$ 1.07	$ 0.98
Diluted	0.37	0.34	1.07	0.97
Cash dividends per common share	0.16	0.14	0.44	0.40
Weighted average shares outstanding				
Basic	17,031,074	18,470,348	17,433,406	18,644,679
Diluted	17,083,526	18,500,975	17,475,211	18,895,909

See Notes to Consolidated Financial Statements.

FIRST COMMUNITY BANCSHARES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(Amounts in thousands)	**Three Months Ended September 30, 2016**	**2015**	**Nine Months Ended September 30, 2016**	**2015**
Net income	$ 6,383	$ 6,259	$ 18,722	$ 18,392
Other comprehensive income, before tax				
Available-for-sale securities:				
Change in net unrealized gains on securities without other-than-temporary impairment	744	3,816	4,141	2,993
Reclassification adjustment for net (gains) losses recognized in net income	(25)	39	53	(151)
Reclassification adjustment for other-than-temporary impairment losses recognized in net income	4,635		4,646	
Net unrealized gains on available-for-sale securities	5,354	3,855	8,840	2,842
Employee benefit plans:				
Net actuarial loss	(2)	(1)	(56)	(98)
Reclassification adjustment for amortization of prior service cost and net actuarial loss recognized in net income	69	82	205	245
Net unrealized gains on employee benefit plans	67	81	149	147
Other comprehensive income, before tax	5,421	3,936	8,989	2,989
Income tax expense	(2,034)	(1,476)	(3,372)	(1,122)
Other comprehensive income, net of tax	3,387	2,460	5,617	1,867
Total comprehensive income	$ 9,770	$ 8,719	$ 24,339	$ 20,259

See Notes to Consolidated Financial Statements.

FIRST COMMUNITY BANCSHARES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (UNAUDITED)

(Amounts in thousands, except share and per share data)	**Preferred Stock**	**Common Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Treasury Stock**	**Accumulated Other Comprehensive Income (Loss)**	**Total**
Balance January 1, 2015	$ 15,151	$ 20,500	$ 215,873	$ 141,206	$ (35,751)	$ (5,605)	$ 351,374
Net income				18,392			18,392
Other comprehensive income						1,867	1,867
Common dividends declared $0.40 per share				(7,447)			(7,447)
Preferred dividends declared $15.00 per share				(105)			(105)
Preferred stock converted to common stock 882,096 shares	(12,784)	882	11,902				
Redemption of preferred stock 2,367 shares	(2,367)						(2,367)
Equity-based compensation expense			43				43
Common stock options exercised 3,000 shares			(10)		51		41
Restricted stock awards 22,561 shares			(192)		383		191
Issuance of treasury stock to 401(k) plan 18,275 shares			5		311		316
Purchase of treasury shares 1,018,726 shares at $17.13 per share					(17,478)		(17,478)
Balance September 30, 2015	$	$ 21,382	$ 227,621	$ 152,046	$ (52,484)	$ (3,738)	$ 344,827
Balance January 1, 2016	$	$ 21,382	$ 227,692	$ 155,647	$ (56,457)	$ (5,247)	$ 343,017
Net income				18,722			18,722
Other comprehensive income						5,617	5,617
Common dividends declared $0.44 per share				(7,680)			(7,680)
Equity-based compensation expense			144				144
Common stock options exercised 11,730 shares			(23)		205		182
Restricted stock awards 15,587 shares			26		270		296
Issuance of treasury stock to 401(k) plan 16,290 shares			45		287		332

Purchase of treasury shares 1,152,776 shares at $20.00 per share					(23,094)		(23,094)
Balance September 30, 2016	$	$ 21,382	$ 227,884	$ 166,689	$ (78,789)	$ 370	$ 337,536

See Notes to Consolidated Financial Statements.

FIRST COMMUNITY BANCSHARES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Amounts in thousands)	**Nine Months Ended September 30, 2016**	**2015**
Operating activities		
Net income	$ 18,722	$ 18,392
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	755	1,757
Depreciation and amortization of property, plant, and equipment	2,707	3,143
Amortization of premiums on investments, net	2,758	5,872
Amortization of FDIC indemnification asset, net	3,856	5,179
Amortization of intangible assets	871	837
Accretion on acquired loans	(3,893)	(5,439)
Gain on divestiture, net	(3,065)	
Gain on sale of loans, net		(439)
Equity-based compensation expense	144	43
Restricted stock awards	296	191
Issuance of treasury stock to 401(k) plan	332	316
Loss on sale of property, plant, and equipment, net	271	26
Loss on sale of other real estate	1,487	2,538
Loss (gain) on sale of securities	53	(151)
Net impairment losses recognized in earnings	4,646	
FHLB debt prepayment fees		1,702
Proceeds from sale of mortgage loans		18,531
Originations of mortgage loans		(16,823)
Decrease in accrued interest receivable	509	405
Decrease in other operating activities	4,341	12,701
Net cash provided by operating activities	34,790	48,781
Investing activities		
Proceeds from sale of securities available for sale	70,530	266
Proceeds from maturities, prepayments, and calls of securities available for sale	77,395	22,350
Proceeds from maturities and calls of securities held to maturity	190	190
Payments to acquire securities available for sale	(1,174)	(81,540)
Payments to acquire securities held to maturity		(15,003)
Originations of loans, net	(138,984)	(6,994)
(Payments for) proceeds from FHLB stock, net	(933)	1,279
Cash proceeds from (paid in) mergers, acquisitions, and divestitures, net	24,816	(88)
Proceeds from the FDIC	3,639	2,411
Payments to acquire property, plant, and equipment, net	(448)	(919)
Proceeds from sale of other real estate	4,541	5,365
Net cash provided by (used in) investing activities	39,572	(72,683)
Financing activities		
Increase in noninterest-bearing deposits, net	28,322	24,292

Decrease in interest-bearing deposits, net	(62,819)	(122,149)
(Repayments of) proceeds from securities sold under agreements to repurchase, net	(20,082)	2,334
Proceeds from (repayments of) FHLB and other borrowings, net	24,951	(28,746)
Redemption of preferred stock		(2,367)
Proceeds from stock options exercised	182	41
Excess tax benefit from equity-based compensation		5
Payments for repurchase of treasury stock	(23,094)	(17,478)
Payments of common dividends	(7,680)	(7,447)
Payments of preferred dividends		(219)
Net cash used in financing activities	(60,220)	(151,734)
Net increase (decrease) in cash and cash equivalents	14,142	(175,636)
Cash and cash equivalents at beginning of period	51,787	237,660
Cash and cash equivalents at end of period	$ 65,929	$ 62,024
Supplemental transactions noncash items		
Transfer of loans to other real estate	$ 3,652	$ 4,139
Loans originated to finance other real estate	42	37
Supplemental disclosure cash flow information		
Cash paid for interest	7,394	9,167
Cash paid for income taxes	6,488	6,900

See Notes to Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Basis of Presentation

General

First Community Bancshares, Inc. (the Company) is a financial holding company headquartered in Bluefield, Virginia that provides banking products and services to individuals and commercial customers through its wholly-owned subsidiary, First Community Bank (the Bank), a Virginia-chartered banking institution. The Bank operates 45 branches in 4 states as First Community Bank in Virginia, West Virginia, and North Carolina and under the trade name People s Community Bank, a Division of First Community Bank, in Tennessee. The Bank offers personal and commercial insurance products and services from certain branch locations through First Community Insurance Services (FCIS) in Virginia and West Virginia. The Bank offers wealth management services and investment advice through its Trust Division and wholly-owned subsidiary First Community Wealth Management (FCWM). The Trust Division and FCWM managed $767 million in combined assets as of September 30, 2016. These assets are not assets of the Company, but are managed under various fee-based arrangements as fiduciary or agent. The Company reported consolidated assets of $2.45 billion as of September 30, 2016. The Company operates in one business segment, Community Banking, which consists of all operations, including commercial and consumer banking, lending activities, wealth management, and insurance services. Unless the context suggests otherwise, the term Company refers to First Community Bancshares, Inc. and its subsidiaries as a consolidated entity.

The Company prepared the accompanying unaudited condensed consolidated financial statements in accordance with generally accepted accounting principles (GAAP) in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. The Company eliminated all significant intercompany balances and transactions in consolidation and, in management s option, made all adjustments, including normal recurring accruals, necessary for a fair presentation. Assets held in an agency or fiduciary capacity are not assets of the Company and are not included in the Company s consolidated balance sheets. Operating results for the interim period are not necessarily indicative of the results that may be expected for the full calendar year.

The condensed consolidated balance sheet as of December 31, 2015, has been derived from the audited consolidated financial statements included in the Company s Annual Report on Form 10-K (the 2015 Form 10-K), as filed with the Securities and Exchange Commission (the SEC) on March 4, 2016. Certain information and footnote disclosures normally included in annual consolidated financial statements were omitted in accordance with standards for the preparation of interim consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company s 2015 Form 10-K.

Significant Accounting Policies

A complete and detailed description of the Company s significant accounting policies is included in Note 1, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements in Part II, Item 8 of the Company s 2015 Form 10-K. A discussion of the Company s application of critical accounting estimates is included in Critical Accounting Estimates in Item 2 of this report.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The update will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 will be effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017, with early adoption permitted. The update should be applied on a retrospective basis unless it is impracticable to apply, in which case the update would be applied prospectively as of the earliest date practicable. The Company is currently evaluating the impact that ASU 2016-15 will have on its financial position, results of operations, and cash flows.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The new guidance is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The new guidance requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization s portfolio. In addition, ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 will be effective on January 1, 2020. The Company is currently evaluating the impact that ASU 2016-13 will have on its financial position, results of operations, and cash flows.

In March 2016, the FASB issued ASU 2016-09, Compensation Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The new guidance is intended to simplify several aspects of the accounting for share-based payment award transactions including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact that ASU 2016-09 will have on its financial position, results of operations, and cash flows and does not expect this guidance to have a material effect on its financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new guidance is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and requiring more disclosures related to leasing transactions. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact that ASU 2016-02 will have on its financial position, results of operations, and cash flows and does not expect this guidance to have a material effect on its financial statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The update amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Although the new guidance retains many current requirements, it significantly revises an entity s accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. The new guidance also amends certain disclosure requirements associated with the fair value of financial instruments. ASU 2016-01 will be effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017, with early adoption permitted for certain changes. The Company is currently evaluating the impact that ASU 2016-01 will have on its financial position, results of operations, and cash flows.

The Company does not expect other recent accounting standards issued by the FASB or other standards-setting bodies to have a material impact on the consolidated financial statements.

Reclassifications and Corrections

Certain amounts reported in prior years have been reclassified to conform to the current year s presentation. These reclassifications had no effect on the Company s results of operations, financial position, or cash flow.

Note 2. Acquisitions and Divestitures

First Bank

On July 15, 2016, the Company completed the previously announced branch exchange with First Bank, North Carolina, pursuant to which the Bank exchanged a portion of its North Carolina branch network for First Bank s Virginia branch network. Under the agreements, the Bank simultaneously sold six branches in the Winston-Salem and Mooresville areas of North Carolina and acquired seven branches in Southwestern Virginia. The branch acquisition complements the Company s 2014 acquisition of seven branches from Bank of America by expanding the Company s existing presence in Southwest Virginia and affords the opportunity to realize certain operating cost savings. The Company incurred expenses related to the First Bank transaction of $226 thousand for the three months ended September 30, 2016, and $675 thousand for the nine months ended September 30, 2016. The estimated fair values, including identifiable intangible assets, are preliminary and subject to refinement for up to one year after the closing date of the acquisition. See Acquisition and Divestiture below for additional transaction details.

Acquisition

On July 15, 2016, the Company completed the acquisition of seven branches in Southwestern Virginia from First Bank. The consideration transferred included the net fair value of certain assets and liabilities divested, see Divestiture below, plus a premium paid of $3.84 million. The Company did not acquire any purchased credit-impaired loans as a result of the branch acquisition.

The following table summarizes the fair value of assets purchased and liabilities assumed:

(Amounts in thousands)	
Assets	
Loans receivable	$ 149,122
Premises and equipment	4,829
Goodwill and other intangible assets	6,288
Other assets	448
Total assets purchased	$ 160,687
Liabilities	
Deposits	$ 134,307
Other liabilities	75
Total liabilities assumed	$ 134,382

Divestiture

On July 15, 2016, the Company completed the exchange of six branches in the Winston-Salem and Mooresville areas of North Carolina to First Bank. At closing, the Company divested certain assets and liabilities at fair value and received a premium of $4.07 million. The Company recorded a net gain of $3.07 million in connection with the divestiture and reversed $1.35 million in the allowance for loan losses related to divested loans. The Company received $24.82 million in cash in connection with the First Bank transaction.

The following table summarizes the fair value of assets and liabilities divested:

(Amounts in thousands)	
Assets	
Loans receivable	$ 155,538
Premises and equipment	3,861
Goodwill and other intangible assets	2,326
Other assets	443
Total assets divested	$ 162,168
Liabilities	
Deposits	$ 111,019
Other liabilities	28
Total liabilities divested	$ 111,047

Note 3. Investment Securities

The following tables present the amortized cost and aggregate fair value of available-for-sale securities, including gross unrealized gains and losses, as of the dates indicated:

	September 30, 2016			
(Amounts in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Agency securities	$ 1,371	$ 4	$	$ 1,375
Municipal securities	116,910	5,171	(7)	122,074
Single issue trust preferred securities	51,292		(2,772)	48,520
Corporate securities	15,027		(5)	15,022
Mortgage-backed Agency securities	33,578	294	(80)	33,792
Equity securities	55	18		73
Total securities available for sale	$ 218,233	$ 5,487	$ (2,864)	$ 220,856

	December 31, 2015			
(Amounts in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Agency securities	$ 31,414	$ 39	$ (751)	$ 30,702
Municipal securities	124,880	4,155	(357)	128,678
Single issue trust preferred securities	55,882		(8,050)	47,832
Corporate securities	70,571		(238)	70,333
Certificates of deposit	5,000			5,000
Mortgage-backed Agency securities	84,576	155	(1,175)	83,556
Equity securities	66	6		72
Total securities available for sale	$ 372,389	$ 4,355	$ (10,571)	$ 366,173

The following tables present the amortized cost and aggregate fair value of held-to-maturity securities, including gross unrealized gains and losses, as of the dates indicated:

	September 30, 2016			
(Amounts in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Agency securities	$ 61,766	$ 317	$	$ 62,083
Corporate securities	10,416	108		10,524
Total securities held to maturity	$ 72,182	$ 425	$	$ 72,607

	December 31, 2015			
(Amounts in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value

U.S. Agency securities	$ 61,863	$ 75	$ (106)	$ 61,832
Municipal securities	190	3		193
Corporate securities	10,488		(23)	10,465
Total securities held to maturity	$ 72,541	$ 78	$ (129)	$ 72,490

The following table presents the amortized cost and aggregate fair value of available-for-sale securities and held-to-maturity securities, by contractual maturity, as of the date indicated. Actual maturities could differ from contractual maturities because issuers may have the right to call or prepay obligations with or without penalties.

	September 30, 2016	
(Amounts in thousands)	Amortized Cost	Fair Value
Available-for-sale securities		
Due within one year	$ 16,747	$ 16,753
Due after one year but within five years	2,131	2,178
Due after five years but within ten years	87,281	91,586
Due after ten years	78,441	76,474
	184,600	186,991
Mortgage-backed securities	33,578	33,792
Equity securities	55	73
Total securities available for sale	$ 218,233	$ 220,856
Held-to-maturity securities		
Due within one year	$ 46,867	$ 46,909
Due after one year but within five years	25,315	25,698
Due after five years but within ten years		
Due after ten years		
Total securities held to maturity	$ 72,182	$ 72,607

The following tables present the fair values and unrealized losses for available-for-sale securities in a continuous unrealized loss position for less than 12 months and for 12 months or longer as of the dates indicated:

	September 30, 2016					
	Less than 12 Months		12 Months or Longer		Total	
(Amounts in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Agency securities	$	$	$	$	$	$
Municipal securities			767	(7)	767	(7)
Single issue trust preferred securities			19,323	(2,772)	19,323	(2,772)
Corporate securities			15,022	(5)	15,022	(5)
Mortgage-backed Agency securities	1,167	(1)	13,589	(79)	14,756	(80)
Total	$ 1,167	$ (1)	$ 48,701	$ (2,863)	$ 49,868	$ (2,864)

December 31, 2015

	Less than 12 Months		12 Months or Longer		Total	
(Amounts in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
U.S. Agency securities	$ 4,441	$ (5)	$ 23,922	$ (746)	$ 28,363	$ (751)
Municipal securities	8,126	(48)	10,393	(309)	18,519	(357)
Single issue trust preferred securities			47,832	(8,050)	47,832	(8,050)
Corporate securities	70,333	(238)			70,333	(238)
Mortgage-backed Agency securities	27,050	(253)	37,291	(922)	64,341	(1,175)
Total	$ 109,950	$ (544)	$ 119,438	$ (10,027)	$ 229,388	$ (10,571)

There were no unrealized losses on held-to-maturity securities as of September 30, 2016. The following table presents the fair values and unrealized losses for held-to-maturity securities in a continuous unrealized loss position for less than 12 months and for 12 months or longer as of December 31, 2015.

	December 31, 2015					
	Less than 12 Months		12 Months or Longer		Total	
(Amounts in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Agency securities	$ 43,723	$ (106)	$	$	$ 43,723	$ (106)
Corporate securities	6,851	(23)			6,851	(23)
Total	$ 50,574	$ (129)	$	$	$ 50,574	$ (129)

There were 20 individual securities in an unrealized loss position as of September 30, 2016, and their combined depreciation in value represented 0.98% of the investment securities portfolio. There were 107 individual securities in an unrealized loss position as of December 31, 2015, and their combined depreciation in value represented 2.44% of the investment securities portfolio.

The following table presents gross realized gains and losses from the sale of available-for-sale securities for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Amounts in thousands)	2016	2015	2016	2015
Gross realized gains	$ 203	$ 26	$ 344	$ 292
Gross realized losses	(178)	(65)	(397)	(141)
Net gain (loss) on sale of securities	$ 25	$ (39)	$ (53)	$ 151

The carrying amount of securities pledged for various purposes totaled $151.82 million as of September 30, 2016, and $236.73 million as of December 31, 2015.

The Company reviews its investment portfolio quarterly for indications of other-than-temporary impairment (OTTI). Debt securities owned by the Company include securities issued from the U.S. Department of the Treasury (Treasury), municipal securities, single issue trust preferred securities, corporate securities, and certificates of deposit. For debt securities owned, the Company analyzes factors such as the impairment s severity and duration, adverse conditions within the issuing industry, prospects for the issuer, ability to hold until recovery, security performance, changes in rating by rating agencies, and other qualitative factors to determine if the impairment will be recovered. If the evaluation suggests that the impairment will not be recovered, OTTI is recorded as a charge to earnings through noninterest income. Temporary impairment on these securities is primarily due to changes in benchmark interest rates, changes in pricing in the credit markets, destabilization in foreign markets, and other current economic factors. During the three and nine months ended September 30, 2016, the Company incurred OTTI charges on debt securities owned of $4.64 million related to the Company s change in intent to hold certain securities to recovery. The intent was changed to sell specific trust preferred securities in the Company s investment portfolio primarily to reduce credit concentrations with two issuers. During the three and nine months ended September 30, 2015, the Company incurred no OTTI charges on debt securities owned.

For equity securities, the Company considers its intent to hold or sell the security before recovery, the severity and duration of the decline in fair value of the security below its cost, the financial condition and near-term prospects of the issuer, and whether the decline appears related to issuer, general market, or industry conditions to determine if the impairment will be recovered. If the Company deems the impairment other-than-temporary in nature, the security is written down to its current present value and the OTTI loss is charged to earnings. During the three months ended September 30, 2016, the Company incurred no OTTI charges related to certain equity holdings. During the nine months ended September 30, 2016, the Company incurred OTTI charges related to certain equity holdings of $11 thousand. During the three and nine months ended September 30, 2015, the Company incurred no OTTI charges on equity holdings.

Note 4. Loans

The Company groups loans held for investment into three segments (commercial loans, consumer real estate loans, and consumer and other loans) with each segment divided into various classes. Covered loans are those loans acquired in Federal Deposit Insurance Corporation (FDIC) assisted transactions that are covered by loss share agreements. The following table presents loans, net of unearned income and disaggregated by class, as of the periods indicated:

	September 30, 2016		December 31, 2015	
(Amounts in thousands)	**Amount**	**Percent**	**Amount**	**Percent**
Non-covered loans held for investment				
Commercial loans				
Construction, development, and other land	$ 49,799	2.71%	$ 48,896	2.86%
Commercial and industrial	90,362	4.92%	88,903	5.21%
Multi-family residential	127,468	6.94%	95,026	5.57%
Single family non-owner occupied	144,023	7.84%	149,351	8.75%
Non-farm, non-residential	596,015	32.46%	485,460	28.45%
Agricultural	5,786	0.32%	2,911	0.17%
Farmland	31,974	1.74%	27,540	1.61%
Total commercial loans	1,045,427	56.93%	898,087	52.62%
Consumer real estate loans				
Home equity lines	108,108	5.89%	107,367	6.29%
Single family owner occupied	497,695	27.10%	495,209	29.02%
Owner occupied construction	43,925	2.39%	43,505	2.55%
Total consumer real estate loans	649,728	35.38%	646,081	37.86%
Consumer and other loans				
Consumer loans	76,363	4.16%	72,000	4.22%
Other	3,029	0.16%	7,338	0.43%
Total consumer and other loans	79,392	4.32%	79,338	4.65%
Total non-covered loans	1,774,547	96.63%	1,623,506	95.13%
Total covered loans	61,837	3.37%	83,035	4.87%
Total loans held for investment, net of unearned income	$ 1,836,384	100.00%	$ 1,706,541	100.00%

Customer overdrafts reclassified as loans totaled $1.18 million as of September 30, 2016, and $1.24 million as of December 31, 2015. Deferred loan fees totaled $5.29 million as of September 30, 2016, and $3.78 million as of December 31, 2015. For information concerning off-balance sheet financing, see Note 14, Litigation, Commitments and Contingencies, to the Condensed Consolidated Financial Statements of this report.

The following table presents the covered loan portfolio, disaggregated by class, as of the dates indicated:

(Amounts in thousands)	**September 30, 2016**	**December 31, 2015**
Commercial loans		
Construction, development, and other land	$ 4,699	$ 6,303
Commercial and industrial	941	1,170
Multi-family residential	43	640
Single family non-owner occupied	1,328	2,674
Non-farm, non-residential	8,312	14,065
Agricultural	26	34
Farmland	412	643
Total commercial loans	15,761	25,529
Consumer real estate loans		
Home equity lines	38,737	48,565
Single family owner occupied	7,058	8,595
Owner occupied construction	201	262
Total consumer real estate loans	45,996	57,422
Consumer and other loans		
Consumer loans	80	84
Total covered loans	$ 61,837	$ 83,035

The Company identifies certain purchased loans as impaired when fair values are established at acquisition and aggregates purchased credit impaired (PCI) loans into loan pools with common risk characteristics. The Company estimates cash flows to be collected on PCI loans and discounts those cash flows at a market rate of interest. The following table presents the carrying and contractual unpaid principal balance of PCI loans, by acquisition, as of the dates indicated:

	September 30, 2016		**December 31, 2015**	
(Amounts in thousands)	**Carrying Balance**	**Unpaid Principal Balance**	**Carrying Balance**	**Unpaid Principal Balance**
Peoples Bank of Virginia	$ 5,798	$ 9,762	$ 6,681	$ 11,249
Waccamaw Bank	24,877	48,642	34,707	63,151
Other acquired	1,121	1,147	1,254	1,297
Total PCI Loans	$ 31,796	$ 59,551	$ 42,642	$ 75,697

The following tables present the activity in the accretable yield on PCI loans, by acquisition, for the periods indicated:

	Nine Months Ended September 30, 2016		
(Amounts in thousands)	**Peoples**	**Waccamaw**	**Total**
Beginning balance	$ 3,589	$ 26,109	$ 29,698
Accretion	(982)	(4,408)	(5,390)
Reclassifications from nonaccretable difference	231	848	1,079
Removals, extensions, and other events, net	1,774	4	1,778
Ending balance	$ 4,612	$ 22,553	$ 27,165

	Nine Months Ended September 30, 2015		
(Amounts in thousands)	**Peoples**	**Waccamaw**	**Total**
Beginning balance	$ 4,745	$ 19,048	$ 23,793
Additions		2	2
Accretion	(1,906)	(5,069)	(6,975)
Reclassifications from nonaccretable difference	583	3,225	3,808
Removals, extensions, and other events, net	(27)	5,203	5,176
Ending balance	$ 3,395	$ 22,409	$ 25,804

Note 5. Credit Quality

The Company uses a risk grading matrix to assign a risk grade to each loan in its portfolio. Loan risk ratings may be upgraded or downgraded to reflect current information identified during the loan review process. The general characteristics of each risk grade are as follows:

Pass This grade is assigned to loans with acceptable credit quality and risk. The Company further segments this grade based on borrower characteristics that include capital strength, earnings stability, liquidity, leverage, and industry conditions.

Special Mention This grade is assigned to loans that require an above average degree of supervision and attention. These loans have the characteristics of an asset with acceptable credit quality and risk; however, adverse economic or financial conditions exist that create potential weaknesses deserving of management s close attention. If potential weaknesses are not corrected, the prospect of repayment may worsen.

Substandard This grade is assigned to loans that have well defined weaknesses that may make payment default, or principal exposure, possible. These loans will likely be dependent on collateral liquidation, secondary repayment sources, or events outside the normal course of business to meet repayment terms.

Doubtful This grade is assigned to loans that have the weaknesses inherent in substandard loans; however, the weaknesses are so severe that collection or liquidation in full is unlikely based on current facts, conditions, and values. Due to certain specific pending factors, the amount of loss cannot yet be determined.

Loss This grade is assigned to loans that will be charged off or charged down when payments, including the timing and value of payments, are uncertain. This risk grade does not imply that the asset has no recovery or salvage value, but simply means that it is not practical or desirable to defer writing off, either all or a portion of, the loan balance even though partial recovery may be realized in the future.

The following tables present the recorded investment of the loan portfolio, disaggregated by class and credit quality, as of the dates indicated. Losses on covered loans are generally reimbursable by the FDIC at the applicable loss share percentage, 80%; therefore, covered loans are disclosed separately.

	September 30, 2016					
(Amounts in thousands)	**Pass**	**Special Mention**	**Substandard**	**Doubtful**	**Loss**	**Total**
Non-covered loans						
Commercial loans						
Construction, development, and other land	$ 48,015	$ 992	$ 792	$	$	$ 49,799
Commercial and industrial	85,440	3,687	1,235			90,362
Multi-family residential	118,153	8,528	787			127,468
Single family non-owner occupied	133,550	4,644	5,829			144,023
Non-farm, non-residential	568,766	16,044	10,495	710		596,015
Agricultural	5,711	75				5,786
Farmland	29,653	1,820	501			31,974
Consumer real estate loans						
Home equity lines	106,086	733	1,289			108,108
Single family owner occupied	471,389	5,725	20,102	479		497,695
Owner occupied construction	43,216		709			43,925
Consumer and other loans						
Consumer loans	76,086	23	248		6	76,363
Other	3,029					3,029
Total non-covered loans	1,689,094	42,271	41,987	1,189	6	1,774,547
Covered loans						
Commercial loans						
Construction, development, and other land	2,830	872	997			4,699
Commercial and industrial	926		15			941
Multi-family residential			43			43
Single family non-owner occupied	1,056	65	207			1,328
Non-farm, non-residential	7,038	616	658			8,312
Agricultural	26					26
Farmland	143		269			412
Consumer real estate loans						
Home equity lines	15,092	22,867	778			38,737
Single family owner occupied	4,810	945	1,303			7,058
Owner occupied construction	105		96			201
Consumer and other loans						
Consumer loans	80					80
Total covered loans	32,106	25,365	4,366			61,837
Total loans	$ 1,721,200	$ 67,636	$ 46,353	$ 1,189	$ 6	$ 1,836,384

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	December 31, 2015					
(Amounts in thousands)	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Non-covered loans						
Commercial loans						
Construction, development, and other land	$ 46,816	$ 974	$ 1,106	$	$	$ 48,896
Commercial and industrial	87,223	663	1,017			88,903
Multi-family residential	81,168	12,969	889			95,026
Single family non-owner occupied	139,680	3,976	5,695			149,351
Non-farm, non-residential	454,906	15,170	15,384			485,460
Agricultural	2,886	25				2,911
Farmland	25,855	1,427	258			27,540
Consumer real estate loans						
Home equity lines	104,897	1,083	1,387			107,367
Single family owner occupied	468,155	6,686	20,368			495,209
Owner occupied construction	42,783		722			43,505
Consumer and other loans						
Consumer loans	71,685	61	254			72,000
Other	7,338					7,338
Total non-covered loans	1,533,392	43,034	47,080			1,623,506
Covered loans						
Commercial loans						
Construction, development, and other land	3,908	1,261	1,134			6,303
Commercial and industrial	1,144	4	22			1,170
Multi-family residential	460		180			640
Single family non-owner occupied	1,808	457	409			2,674
Non-farm, non-residential	9,192	2,044	2,829			14,065
Agricultural	34					34
Farmland	364		279			643
Consumer real estate loans						
Home equity lines	17,893	29,823	849			48,565
Single family owner occupied	5,102	1,963	1,530			8,595
Owner occupied construction	112	51	99			262
Consumer and other loans						
Consumer loans	84					84
Total covered loans	40,101	35,603	7,331			83,035
Total loans	$ 1,573,493	$ 78,637	$ 54,411	$	$	$ 1,706,541

The Company identifies loans for potential impairment through a variety of means, including, but not limited to, ongoing loan review, renewal processes, delinquency data, market communications, and public information. If the Company determines that it is probable all principal and interest amounts contractually due will not be collected, the loan is generally deemed impaired.

The following table presents the recorded investment, unpaid principal balance, and related allowance for loan losses for impaired loans, excluding PCI loans, as of the periods indicated:

	September 30, 2016			December 31, 2015		
(Amounts in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with no related allowance						
Commercial loans						
Multi-family residential	$ 292	$ 297	$	$	$	$
Single family non-owner occupied	455	455		782	783	
Non-farm, non-residential	5,210	5,352		8,427	8,427	
Consumer real estate loans						
Single family owner occupied	1,137	1,195		1,975	2,067	
Owner occupied construction	342	353				
Total impaired loans with no allowance	7,436	7,652		11,184	11,277	
Impaired loans with a related allowance						
Commercial loans						
Single family non-owner occupied	676	677	107	619	623	124
Non-farm, non-residential	4,599	4,636	1,843	5,667	5,673	1,568
Consumer real estate loans						
Single family owner occupied	4,083	4,129	853	4,899	4,907	672
Owner occupied construction				349	355	7
Total impaired loans with an allowance	9,358	9,442	2,803	11,534	11,558	2,371
Total impaired loans	$ 16,794	$ 17,094	$ 2,803	$ 22,718	$ 22,835	$ 2,371

The following table presents the average recorded investment and interest income recognized on impaired loans, excluding PCI loans, for the periods indicated:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2016		2015		2016		2015	
(Amounts in thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Impaired loans with no related allowance								
Commercial loans								
Multi-family residential	$ 298	$ 15	$	$	$ 99	$ 15	$	$
Single family non-owner occupied	460	7	792	27	565	22	571	28
Non-farm, non-residential	5,404	60	8,878	72	6,051	181	8,834	295
Consumer real estate loans								

Single family owner occupied	1,159	13	1,353		829	13	2,578	100
Owner occupied construction	344				229		117	
Total impaired loans with no allowance	7,665	95	11,023	99	7,773	231	12,100	423
Impaired loans with a related allowance								
Commercial loans								
Single family non-owner occupied	682	5	629		572	18	558	22
Non-farm, non-residential	4,658	45	5,417	15	5,108	215	4,740	51
Consumer real estate loans								
Single family owner occupied	4,130	24	4,847	13	4,547	91	3,325	26
Owner occupied construction			357	1	115		119	1
Total impaired loans with an allowance	9,470	74	11,250	29	10,342	324	8,742	100
Total impaired loans	$ 17,135	$ 169	$ 22,273	$ 128	$ 18,115	$ 555	$ 20,842	$ 523

The following tables present information on impaired PCI loan pools as of the dates, and for the periods, indicated:

(Amounts in thousands, except impaired pools)	September 30, 2016	December 31, 2015
Unpaid principal balance	$ 1,104	$ 3,759
Recorded investment	1,104	2,834
Allowance for loan losses related to PCI loan pools	12	54
Impaired PCI loan pools	1	2

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Amounts in thousands)	2016	2015	2016	2015
Interest income recognized	$ 12	$ 96	$ 130	$ 273
Average recorded investment	1,139	3,045	2,195	3,464

The Company generally places a loan on nonaccrual status when it is 90 days or more past due. PCI loans are generally not classified as nonaccrual due to the accrual of interest income under the accretion method of accounting. The following table presents nonaccrual loans, by loan class, as of the dates indicated:

	September 30, 2016			December 31, 2015		
(Amounts in thousands)	Non-covered	Covered	Total	Non-covered	Covered	Total
Commercial loans						
Construction, development, and other land	$ 70	$ 39	$ 109	$ 39	$ 54	$ 93
Commercial and industrial	405	14	419		16	16
Multi-family residential	306		306	84		84
Single family non-owner occupied	1,158	25	1,183	1,850	29	1,879
Non-farm, non-residential	7,075	34	7,109	7,150	39	7,189
Farmland	135		135	234		234
Consumer real estate loans						
Home equity lines	527	440	967	825	413	1,238
Single family owner occupied	7,403	136	7,539	7,245	96	7,341
Owner occupied construction	342		342	349		349
Consumer and other loans						
Consumer loans	66		66	71		71
Total nonaccrual loans	$ 17,487	$ 688	$ 18,175	$ 17,847	$ 647	$ 18,494

The following tables present the aging of past due loans, by loan class, as of the dates indicated. Nonaccrual loans 30 days or more past due are included in the applicable delinquency category. Loans acquired with credit deterioration, with a discount, continue to accrue interest based on expected cash flows; therefore, PCI loans are not generally considered nonaccrual. Non-covered accruing loans contractually past due 90 days or more totaled $62 thousand as of September 30, 2016. No non-covered accruing loans were contractually past due 90 days or more as of December 31, 2015.

	September 30, 2016					
(Amounts in thousands)	**30 - 59 Days Past Due**	**60 - 89 Days Past Due**	**90+ Days Past Due**	**Total Past Due**	**Current Loans**	**Total Loans**
Non-covered loans						
Commercial loans						
Construction, development, and other land	$ 5	$ 64	$ 53	$ 122	$ 49,677	$ 49,799
Commercial and industrial	121	31	171	323	90,039	90,362
Multi-family residential	283	71	306	660	126,808	127,468
Single family non-owner occupied	110	305	780	1,195	142,828	144,023
Non-farm, non-residential	4,726	277	2,451	7,454	588,561	596,015
Agricultural	255			255	5,531	5,786
Farmland	72	576		648	31,326	31,974
Consumer real estate loans						
Home equity lines	377	169	394	940	107,168	108,108
Single family owner occupied	4,123	1,875	2,950	8,948	488,747	497,695
Owner occupied construction	251		342	593	43,332	43,925
Consumer and other loans						
Consumer loans	576	114	32	722	75,641	76,363
Other					3,029	3,029
Total non-covered loans	10,899	3,482	7,479	21,860	1,752,687	1,774,547
Covered loans						
Commercial loans						
Construction, development, and other land	105		39	144	4,555	4,699
Commercial and industrial					941	941
Multi-family residential					43	43
Single family non-owner occupied	25			25	1,303	1,328
Non-farm, non-residential					8,312	8,312
Agricultural					26	26
Farmland					412	412
Consumer real estate loans						
Home equity lines	333	43	24	400	38,337	38,737
Single family owner occupied	232	26	92	350	6,708	7,058
Owner occupied construction					201	201
Consumer and other loans						
Consumer loans					80	80

Total covered loans	695	69	155	919	60,918	61,837
Total loans	$ 11,594	$ 3,551	$ 7,634	$ 22,779	$ 1,813,605	$ 1,836,384

	December 31, 2015					
(Amounts in thousands)	**30 - 59 Days Past Due**	**60 - 89 Days Past Due**	**90+ Days Past Due**	**Total Past Due**	**Current Loans**	**Total Loans**
Non-covered loans						
Commercial loans						
Construction, development, and other land	$	$	$ 39	$ 39	$ 48,857	$ 48,896
Commercial and industrial	281	66		347	88,556	88,903
Multi-family residential	302	76	84	462	94,564	95,026
Single family non-owner occupied	748	120	929	1,797	147,554	149,351
Non-farm, non-residential	347	676	4,940	5,963	479,497	485,460
Agricultural					2,911	2,911
Farmland	585	11	234	830	26,710	27,540
Consumer real estate loans						
Home equity lines	668	195	468	1,331	106,036	107,367
Single family owner occupied	6,122	1,943	3,191	11,256	483,953	495,209
Owner occupied construction					43,505	43,505
Consumer and other loans						
Consumer loans	278	71	23	372	71,628	72,000
Other					7,338	7,338
Total non-covered loans	9,331	3,158	9,908	22,397	1,601,109	1,623,506
Covered loans						
Commercial loans						
Construction, development, and other land	96		42	138	6,165	6,303
Commercial and industrial			16	16	1,154	1,170
Multi-family residential					640	640
Single family non-owner occupied	1,422			1,422	1,252	2,674
Non-farm, non-residential			39	39	14,026	14,065
Agricultural					34	34
Farmland					643	643
Consumer real estate loans						
Home equity lines	489	37	225	751	47,814	48,565
Single family owner occupied	274		42	316	8,279	8,595
Owner occupied construction					262	262
Consumer and other loans						
Consumer loans					84	84
Total covered loans	2,281	37	364	2,682	80,353	83,035
Total loans	$ 11,612	$ 3,195	$ 10,272	$ 25,079	$ 1,681,462	$ 1,706,541

The Company may make concessions in interest rates, loan terms and/or amortization terms when restructuring loans for borrowers experiencing financial difficulty. Restructured loans in excess of $250 thousand are evaluated for a specific reserve based on either the collateral or net present value method, whichever is most applicable. Restructured loans under $250 thousand are subject to the reserve calculation at the historical loss rate for classified loans. Certain troubled debt restructurings (TDRs) are classified as nonperforming at the time of restructuring and are returned to performing status after six months of satisfactory payment performance; however, these loans remain identified as impaired until full payment or other satisfaction of the obligation occurs. PCI loans are generally not considered TDRs as long as the loans remain in the assigned loan pool. No covered loans were recorded as TDRs as of September 30, 2016, or December 31, 2015.

The following table presents loans modified as TDRs, by loan class, segregated by accrual status, as of the dates indicated:

	September 30, 2016			December 31, 2015		
(Amounts in thousands)	Nonaccrual (1)	Accrual	Total	Nonaccrual (1)	Accrual	Total
Commercial loans						
Single family non-owner occupied	$ 39	$ 898	$ 937	$ 130	$ 820	$ 950
Non-farm, non-residential		4,205	4,205		4,600	4,600
Consumer real estate loans						
Home equity lines		162	162	127	43	170
Single family owner occupied	929	7,947	8,876	733	8,256	8,989
Owner occupied construction	343	239	582	349	243	592
Total TDRs	$ 1,311	$ 13,451	$ 14,762	$ 1,339	$ 13,962	$ 15,301
Allowance for loan losses related to TDRs			$ 552			$ 590

(1) Nonaccrual TDRs are included in total nonaccrual loans disclosed in the nonaccrual table above.

The following table presents interest income recognized on TDRs for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Amounts in thousands)	2016	2015	2016	2015
Interest income recognized	$ 143	$ 148	$ 296	$ 456

The following tables present loans modified as TDRs, by type of concession made and loan class, that were restructured during the periods indicated. The post-modification recorded investment represents the loan balance immediately following modification.

	Three Months Ended September 30,					
	2016			2015		
(Amounts in thousands)	Total Contracts	Pre-modification Recorded Investment	Post-modification Recorded Investment	Total Contracts	Pre-modification Recorded Investment	Post-modification Recorded Investment
Below market interest rate and extended payment term Single family owner occupied		$	$	4	$ 307	$ 307
Total		$	$	4	$ 307	$ 307

	Nine Months Ended September 30,					
	2016			2015		
(Amounts in thousands)	Total Contracts	Pre-modification Recorded	Post-modification Recorded	Total Contracts	Pre-modification Recorded	Post-modification Recorded

		Investment	Investment		Investment	Investment
Below market interest rate and extended payment term Single family owner occupied	1	$ 115	$ 115	5	$ 342	$ 342
Total	1	$ 115	$ 115	5	$ 342	$ 342

The following table presents loans modified as TDRs, by loan class, that were restructured within the previous 12 months for which there was a payment default during the periods indicated:

	Three Months Ended September 30,			
	2016		2015	
(Amounts in thousands)	Total Contracts	Post-modification Recorded Investment	Total Contracts	Post-modification Recorded Investment
Commercial loans				
Single family non-owner occupied		$	1	$ 78
Total		$	1	$ 78

	Nine Months Ended September 30,			
	2016		2015	
(Amounts in thousands)	**Total Contracts**	**Post-modification Recorded Investment**	**Total Contracts**	**Post-modification Recorded Investment**
Commercial loans				
Single family non-owner occupied		$	1	$ 78
Consumer real estate loans				
Owner occupied construction			1	353