FIDELITY SOUTHERN CORP
Form 10-Q
November 06, 2015

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, 2015
Commission file number 001-34981

Fidelity Southern Corporation
(Exact name of registrant as specified in its charter)

Georgia (State or other jurisdiction of incorporation or organization)	58-1416811 (I.R.S. Employer Identification No.)
3490 Piedmont Road, Suite 1550 Atlanta, Georgia	30305
(Address of principal executive offices)	(Zip Code)

(404) 639-6500
(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 ý 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 ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of “large accelerated filer” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	ý	Non-accelerated filer (Do not check if smaller reporting company)	o	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No ý
As of October 31, 2015 (the most recent practicable date), the Registrant had outstanding 23,067,158 shares of Common Stock.

FIDELITY SOUTHERN CORPORATION AND SUBSIDIARIES
Report on Form 10-Q
September 30, 2015

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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements
FIDELITY SOUTHERN CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

($ in thousands)	(Unaudited) September 30, 2015	December 31, 2014
Assets		
Cash and due from banks	$15,618	$13,246
Interest-bearing deposits with banks	71,755	58,359
Cash and cash equivalents	87,373	71,605
Investment securities available-for-sale	155,749	149,590
Investment securities held-to-maturity	12,816	7,349
Loans held-for-sale (includes loans at fair value of $218,308 and $181,424, respectively)	339,651	368,935
Loans (includes covered loans of $23,823 and $34,813, respectively)	2,641,814	2,253,306
Allowance for loan losses	(24,750)	(25,450)
Loans, net of allowance for loan losses	2,617,064	2,227,856
Premises and equipment, net	69,356	60,857
Other real estate, net (includes covered assets of $4,189 and $7,581, respectively)	14,707	22,564
Bank owned life insurance	66,008	59,553
Servicing rights, net	82,659	64,897
Other assets	54,082	51,929
Total assets	$3,499,465	$3,085,135
Liabilities		
Deposits		
Noninterest-bearing demand deposits	$722,771	$558,018
Interest-bearing deposits	2,189,267	1,900,004
Total deposits	2,912,038	2,458,022
Short-term borrowings	137,186	291,087
Subordinated debt, net	120,289	46,303
Other liabilities	34,666	24,772
Total liabilities	3,204,179	2,820,184
Shareholders' equity		
Preferred stock, no par value. Authorized 10,000,000; zero issued and outstanding	—	—
Common stock, no par value. Authorized 50,000,000; issued and outstanding 23,009,904 and 21,365,098, respectively	166,989	162,575
Accumulated other comprehensive income, net of tax	2,702	2,814
Retained earnings	125,595	99,562
Total shareholders' equity	295,286	264,951
Total liabilities and shareholders' equity	$3,499,465	$3,085,135

See accompanying notes to unaudited consolidated financial statements.

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FIDELITY SOUTHERN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands, except per share data)	2015	2014	2015	2014
Interest income:				
Loans, including fees	$28,462	$24,690	$80,133	$71,282
Investment securities:				
Taxable interest income	1,030	1,165	3,158	3,455
Nontaxable interest income	78	18	255	221
Federal funds sold and bank deposits	27	18	53	76
Total interest income	29,597	25,891	83,599	75,034
Interest expense:				
Deposits	2,866	2,282	8,041	7,098
Other borrowings	179	163	517	276
Subordinated debt	1,415	282	2,349	834
Total interest expense	4,460	2,727	10,907	8,208
Net interest income	25,137	23,164	72,692	66,826
Provision for loan losses	1,328	1,859	1,254	(25)
Net interest income after provision for loan losses	23,809	21,305	71,438	66,851
Noninterest income:				
Service charges on deposit accounts	1,230	1,141	3,508	3,209
Other fees and charges	1,327	1,140	3,767	3,160
Mortgage banking activities	20,799	16,135	66,734	40,292
Indirect lending activities	4,037	6,303	15,047	14,610
SBA lending activities	1,494	1,479	3,788	3,682
Bank owned life insurance	496	313	1,488	1,369
Other	1,236	1,397	5,020	4,287
Total noninterest income	30,619	27,908	99,352	70,609
Noninterest expense:				
Salaries and employee benefits	17,800	17,022	56,290	49,080
Commissions	7,270	5,363	21,224	14,443
Occupancy	4,270	3,467	11,206	9,477
Communication	1,083	963	3,133	2,829
Other	9,626	8,895	27,996	26,280
Total noninterest expense	40,049	35,710	119,849	102,109
Income before income tax expense	14,379	13,503	50,941	35,351
Income tax expense	5,162	4,701	18,583	12,528
Net income	$9,217	$8,802	$32,358	$22,823
Earnings per common share:				
Basic	$0.41	$0.41	$1.48	$1.07
Diluted	$0.39	$0.38	$1.42	$0.97
Cash dividends declared per common share	$0.10	$0.09	$0.29	$0.21

Net income	$9,217	$8,802	$32,358	$22,823
Other comprehensive income (loss), net of tax:				
Change in net unrealized gains (losses) on available-for-sale securities, net of income taxes of $141, $(268), $(69) and $857, respectively	230	(437)	(112)	1,399
Other comprehensive income (loss), net of tax	230	(437)	(112)	1,399
Total comprehensive income	$9,447	$8,365	$32,246	$24,222

See accompanying notes to unaudited consolidated financial statements.

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FIDELITY SOUTHERN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30,	
	2015	2014
(in thousands)		
Cash flows from operating activities:		
Net income	$32,358	$22,823
Adjustments to reconcile net income to net cash provided (used) in operating activities:		
Provision for loan losses	1,254	(25)
Depreciation and amortization of premises and equipment	3,554	3,197
Other amortization, net	9,543	5,310
Impairment of other real estate	460	2,111
Impairment of servicing rights valuation	1,503	2,332
Share-based compensation	997	491
Gains on loan sales, including origination of servicing rights	(67,115)	(41,979)
Net gain on sales of other real estate	(2,776)	(2,485)
Net income on bank owned life insurance	(1,455)	(1,292)
Net change in fair value of loans held-for-sale	(1,841)	(1,224)
Originations of loans held-for-sale	(2,516,693)	(1,997,252)
Proceeds from sales of loans held-for-sale	2,580,851	1,902,367
Net payments received from FDIC under loss-share arrangements	668	5,028
Other assets	(4,065)	(10,018)
Other liabilities	9,376	563
Net cash provided (used) in operating activities	46,619	(110,053)
Cash flows from investing activities:		
Purchases of investment securities available-for-sale	(30,821)	(5,006)
Purchases of investment securities held-to-maturity	(2,993)	(4,334)
Purchases of FHLB stock	(8,070)	(10,575)
Maturities and calls of investment securities held-to-maturity	720	796
Maturities and calls of investment securities available-for-sale	23,295	19,860
Redemption of FHLB stock	11,488	10,564
Net proceeds from sale of loans	—	52,211
Net increase in loans	(353,068)	(245,120)
Proceeds from bank owned life insurance	—	868
Purchase of bank owned life insurance	(5,000)	—
Proceeds from sales of other real estate	14,240	14,443
Purchases of premises and equipment	(8,457)	(11,052)
Cash received in excess of cash paid for acquisitions	146,740	162,033
Net cash used in investing activities	(211,926)	(15,312)
Cash flows from financing activities:		
Net increase in noninterest-bearing demand deposits	133,058	130,101
Net increase (decrease) in interest-bearing deposits	131,670	(44,119)
Net (decrease) increase in other short-term borrowings	(74,358)	2,169
Proceeds from FHLB advances	770,000	295,000
Repayments on FHLB advances	(850,000)	(280,000)
Issuance of subordinated debt	75,000	—
Payment of debt issuance costs	(1,069)	—

Repurchase of common stock	(796)	(708)
Proceeds from the issuance of common stock	3,893	2,398
Common stock dividends paid	(6,323)	(4,470)
Net cash provided by financing activities	181,075	100,371
Net increase (decrease) in cash and cash equivalents	15,768	(24,994)
Cash and cash equivalents, beginning of period	71,605	116,559
Cash and cash equivalents, end of period	$87,373	$91,565

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FIDELITY SOUTHERN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued
(UNAUDITED)

	Nine Months Ended September 30,	
	2015	2014
(in thousands)		
Supplemental cash flow information and non-cash disclosures:		
Cash paid during the period for:		
Interest	$9,178	$8,363
Income taxes	$7,037	$3,639
Transfers of loans to other real estate	$4,067	$10,086
Acquisitions		
Assets acquired	$43,230	$9,119
Liabilities assumed	$189,969	$170,994
Transfers from investment securities available-for-sale to investment securities held-to-maturity	$3,194	$—

See accompanying notes to unaudited consolidated financial statements.

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FIDELITY SOUTHERN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2015
(UNAUDITED)

1. Basis of Presentation, Summary of Significant Accounting Policies and Subsequent Business Combinations

The unaudited consolidated financial statements include the accounts of Fidelity Southern Corporation ("FSC" or "Fidelity") and its wholly-owned subsidiaries. FSC owns 100% of Fidelity Bank (the “Bank”) and LionMark Insurance Company, an insurance agency offering consumer credit related insurance products. FSC also owns three subsidiaries established to issue trust preferred securities, which are not consolidated for financial reporting purposes in accordance with current accounting guidance, as FSC is not the primary beneficiary. The “Company” or "our," as used herein, includes FSC and its subsidiaries, unless the context otherwise requires.

These unaudited consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles followed within the financial services industry for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required for complete financial statements.

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the periods presented. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of the allowance for loan losses, the calculations of and the amortization of capitalized servicing rights, the valuation of loans held-for-sale and certain derivatives, the valuation of real estate or other assets acquired in connection with foreclosures or in satisfaction of loans, estimates used for fair value acquisition accounting and Federal Deposit Insurance Corporation ("FDIC") receivable for loss share agreements, and valuation of deferred income taxes. In addition, the actual lives of certain amortizable assets and income items are estimates subject to change. The Company principally operates in one business segment, which is community banking.

In the opinion of management, all adjustments considered necessary for a fair presentation of the financial position and results of operations for the interim periods have been included. All such adjustments are normal recurring accruals. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain amounts have been reclassified to conform to current year presentation. These reclassifications had no impact on previously reported net income and shareholders’ equity.

Operating results for the nine-month period ended September 30, 2015, are not necessarily indicative of the results that may be expected for the year ended December 31, 2015. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K and Annual Report to Shareholders for the year ended December 31, 2014.

The Company’s significant accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements included in the 2014 Annual Report on Form 10-K filed with the Securities and Exchange Commission. There were no new accounting policies or changes to existing policies adopted in the first nine months of 2015, which had a significant effect on the results of operations or statement of financial condition. For interim reporting purposes, the Company follows the same basic accounting policies and considers each interim period as an integral part of an annual period.

Recent Accounting Pronouncements

In June 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-10 "Technical Corrections and Improvements." The amendments in this standard clarify the guidance, correct references and make minor improvements affecting a variety of topics. The substantive amendments are effective for entities during annual reporting periods beginning after December 15, 2015, and interim periods therein, and other amendments are effective immediately. The adoption of this ASU is not expected to have a significant impact on the Company's Consolidated Financial Statements.

In April 2015, the FASB issued ASU 2015-03 "Interest - Imputation Of Interest (Subtopic 835-30)." The amendments in this standard simplify the presentation of debt issuance costs by requiring that these costs be presented as a direct

reduction of the related debt liability. The update does not change the recognition and measurement guidance for debt issuance costs. The amendments are effective for entities during annual reporting periods beginning after December 15, 2015, and interim periods therein and those requirements must be applied retrospectively. Early adoption is permitted. The Company early adopted this ASU as of June 30, 2015 on a retrospective basis. The adoption of this ASU resulted in an insignificant balance sheet reclassification of $90,000 between the amounts reported as other assets and subordinated debt as of December 31, 2014.
In February 2015, the FASB issued ASU 2015-02 "Consolidation (Topic 810): Amendments to the Consolidation Analysis." The amendments in this standard provide guidance for performing a consolidation analysis and all reporting entities will be within the scope of Topic 810. As a result, the ASU clarifies when limited partnerships and other similar entities will be considered VIEs; three of the six criteria for determining if fees paid to a decision maker or service provider represent a variable interest were

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eliminated; reduces the extent to which related party arrangements cause an entity to be considered a primary beneficiary, and eliminates the deferral of ASU 2009-17 for certain investment funds. The amendments are effective for entities during annual reporting periods beginning after December 15, 2015. Early adoption is permitted. The adoption of this ASU is not expected to have a significant impact on the Company's Consolidated Financial Statements.

In January 2015, the FASB issued ASU 2015-01 "Income Statement-Extraordinary and Unusual Items: Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items." The new guidance eliminates the concept of an extraordinary item. As a result, an entity will no longer segregate extraordinary items from the results of ordinary operations; separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; nor disclose income taxes and EPS data applicable to an extraordinary item. The ASU does not affect the reporting and disclosure requirements for an event that is unusual in nature or that occurs infrequently. The amendments are effective for annual reporting periods beginning after December 15, 2015, and interim reporting periods therein and those requirements may be applied prospectively or retrospectively. Early adoption is permitted. The adoption of this ASU is not expected to have a significant impact on the Company's Consolidated Financial Statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." The amendments in this guidance indicate that entities should recognize revenue to reflect the transfers of goods or services to customers in an amount equal to the consideration the entity receives or expects to receive. The amendments will be effective for entities during annual reporting periods beginning after December 15, 2016, and interim reporting periods therein and those requirements should be applied retrospectively. Early adoption is not permitted. The Company is continuing to evaluate the impact of this ASU. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of ASU 2014-09 by one year.

In August 2015, the FASB issued ASU 2015-15, "Imputation of Interest, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements - Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting." The FASB issued this ASU to incorporate into the Accounting Standards Codification (ASC) an SEC staff announcement that the SEC staff will not object to an entity presenting the cost of securing a revolving line of credit as an asset, regardless of whether a balance is outstanding. The announcement came in response to questions that arose after the FASB issued ASU 2015-03, "Interest - Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs." The standard, as issued, did not address revolving lines of credit, which may not have outstanding balances. An entity that repeatedly draws on a revolving credit facility and then repays the balance could present the cost as a deferred asset and reclassify all or a portion of it as a direct deduction from the liability whenever a balance is outstanding. However, the SEC staff’s announcement provides a less-cumbersome alternative. Either way, the cost should be amortized over the term of the arrangement. This ASU was effective upon announcement by the SEC staff on June 18, 2015, and the adoption of this ASU did not have a significant impact on the Company's Consolidated Financial Statements.

In August 2015, the FASB issued ASU 2015-16, "Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments." The new guidance eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment, including the effect on earnings of any amounts it would have recorded in previous periods if the accounting had been completed at the acquisition date. The guidance is effective for public business entities for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2015. The Company will implement this ASU as of December 31, 2015. The adoption of this ASU is not expected to have a significant impact on the Company's Consolidated Financial Statements.

Other accounting standards that have been issued by the FASB or other standard-setting bodies are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Contingencies

Due to the nature of their activities, the Company and its subsidiaries are at times engaged in various legal proceedings that arise in the course of normal business, some of which were outstanding as of September 30, 2015.

While it is difficult to predict or determine the outcome of these proceedings, it is the opinion of management, after consultation with its legal counsel, that there is not a reasonable possibility that the ultimate liabilities, if any, would have a material adverse impact on the Company’s consolidated results of operations, financial position, or cash flows.

Subsequent Business Combinations

On October 26, 2015, the Company entered into an Agreement and Plan of Merger with American Enterprise Bankshares, Inc. ("AEB"), the holding company for American Enterprise Bank of Florida, headquartered in Jacksonville, Florida. The Company will acquire all of the common stock of AEB in a stock transaction valued at approximately $27 million, based on the closing price of Fidelity common stock on October 23, 2015. Under the terms of the Merger Agreement, AEB will merge with and into the Company and American Enterprise Bank of Florida will merge with and into Fidelity Bank. As of September 30, 2015, AEB reported approximately $205 million in assets, $156 million in loans, and $177 million in deposits. The consummation of the

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transaction is subject to customary closing conditions, including receipt of all necessary regulatory approvals, and is expected to be completed in the first quarter of 2016.
On October 2, 2015, the Company acquired certain loans and deposits from The Bank of Georgia, headquartered in Peachtree City, Georgia, in a Purchase and Assumption agreement with the FDIC. Net cash proceeds of $41.3 million were received in the transaction, representing $280.0 million of deposit balances assumed at closing, net of amounts bid of approximately $142.3 million for loans, $75.9 million in liquid assets, $8.9 million for real and personal property, and $3.5 million for other assets acquired in the transaction and a 3.05% premium on deposits, which equates to $8.1 million.

2. Business Combinations

On September 11, 2015, the Company acquired certain loans and deposits from eight branches of First Bank, a Missouri bank, in the Sarasota-Bradenton, Florida area. Net cash of $116.0 million was received in the transaction, representing the deposit balances assumed at closing, net of amounts paid for real and personal property acquired of $3.6 million, $29.7 million for loans acquired in the transaction and a 1.0% premium on deposits. Customer deposit balances were recorded at $151.1 million, other assets of $243,000, core deposit intangible of $2.3 million was recognized, and $682,000 in other liabilities were recorded in the transaction. The amount allocated to goodwill was insignificant.
On January 5, 2015, the Company acquired certain loans and deposits from the St. Augustine, Florida branch of Florida Capital Bank, N.A. Net cash of $30.7 million was received in the transaction, representing the deposit balances assumed at closing, net of amounts paid of $6.8 million for loans acquired in the transaction and a 1.75% premium on deposits. Customer deposit balances of $38.2 million and core deposit intangible of $631,000 were recorded in the transaction. The amount allocated to goodwill was insignificant.
The effects of the acquired assets and liabilities have been included in the consolidated financial statements since their respective acquisition date. Pro forma results have not been disclosed as those amounts are not significant to the unaudited consolidated financial statements.

3. Investment Securities

Management's primary objective in managing the investment securities portfolio includes maintaining a portfolio of high quality investments with competitive returns while providing for pledging and liquidity needs within overall asset and liability management parameters. The Company is required under federal regulations to maintain adequate liquidity to ensure safe and sound operations. As such, management regularly evaluates the investment portfolio for cash flows, the level of loan production, current interest rate risk strategies and the potential future direction of market interest rate changes. Individual investment securities differ in terms of default, interest rate, liquidity and expected rate of return risk.
The following table summarizes the amortized cost and fair value of debt securities and the related gross unrealized gains and losses at September 30, 2015 and December 31, 2014.

	September 30, 2015				
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Other than Temporary Impairment	Fair Value
Investment securities available-for-sale:					
Obligations of U.S. Government sponsored enterprises	$40,899	$1,079	$—	$—	$41,978
Municipal securities	11,551	564	—	—	12,115
Residential mortgage-backed securities	98,941	2,747	(32)	—	101,656
Total available-for-sale	$151,391	$4,390	$(32)	$—	$155,749
Investment securities held-to-maturity:					
Municipal securities	$1,589	$—	$—	$—	$1,589

Residential mortgage-backed securities	7,017	263	(28)	—	7,252
Commercial mortgage-backed securities	4,210	—	—	—	4,210
Total held-to-maturity	$12,816	$263	$(28)	$—	$13,051

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(in thousands)	December 31, 2014 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Other than Temporary Impairment	Fair Value
Investment securities available-for-sale:					
Obligations of U.S. Government sponsored enterprises	$25,717	$567	$—	$—	$26,284
Municipal securities	14,170	690	—	—	14,860
Residential mortgage-backed securities	105,165	3,299	(18)	—	108,446
Total available-for-sale	$145,052	$4,556	$(18)	$—	$149,590
Investment securities held-to-maturity:					
Residential mortgage-backed securities	$3,072	$342	$—	$—	$3,414
Commercial mortgage-backed securities	4,277	—	—	—	4,277
Total held-to-maturity	$7,349	$342	$—	$—	$7,691

The Company held one and three investment securities available-for-sale that were in an unrealized loss position at September 30, 2015 and December 31, 2014, respectively, as well as three securities held-to-maturity that were in an unrealized loss position at September 30, 2015, and none at December 31, 2014. The following table reflects the gross unrealized losses and fair values of the investment securities with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

	September 30, 2015			
	12 Months or Less		More Than 12 Months	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Investment securities available-for-sale:				
Obligations of U.S. Government sponsored enterprises	$—	$—	$—	$—
Municipal securities	—	—	—	—
Residential mortgage-backed securities	3,860	(32)	—	—
Total available-for-sale	$3,860	$(32)	$—	$—
Investment securities held-to-maturity:				
Residential mortgage-backed securities	$4,488	$(28)	$—	$—
Commercial mortgage-backed securities	—	—	—	—
Total held-to-maturity	$4,488	$(28)	$—	$—

	December 31, 2014			
	12 Months or Less		More Than 12 Months	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Investment securities available-for-sale:				
Obligations of U.S. Government sponsored enterprises	$—	$—	$—	$—
Municipal securities	—	—	—	—
Residential mortgage-backed securities	4,971	(6)	3,195	(12)
Total available-for-sale	$4,971	$(6)	$3,195	$(12)

At September 30, 2015 and December 31, 2014, the unrealized losses on investment securities related to interest rate fluctuations. Management does not have the intent to sell the impaired securities and it is not more likely than not that the Company will be required to sell the investments before recovery of the amortized cost. Accordingly, as of

September 30, 2015, management believes the impairment detailed in the table above is temporary and no other-than-temporary impairment loss has been recognized in the Company's Consolidated Statements of Comprehensive Income.
The amortized cost and fair value of investment securities at September 30, 2015 and December 31, 2014 are categorized in the following table by contractual maturity. Securities not due at a single maturity (i.e., mortgage-backed securities) are shown separately.

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(in thousands)	September 30, 2015 Amortized Cost	Fair Value	December 31, 2014 Amortized Cost	Fair Value
Investment securities available-for-sale:				
Obligations of U.S. Government sponsored enterprises				
Due after one year through five years	$28,638	$29,535	$—	$—
Due five years through ten years	12,261	12,443	24,713	25,210
Due after ten years	—	—	1,004	1,074
Municipal securities				
Due within one year	—	—	817	819
Due after one year through five years	—	—	885	895
Due five years through ten years	3,398	3,574	688	727
Due after ten years	8,153	8,541	11,780	12,419
Residential mortgage-backed securities	98,941	101,656	105,165	108,446
Total available-for-sale	$151,391	$155,749	$145,052	$149,590
Investment securities held-to-maturity:				
Municipal securities				
Due after ten years	1,589	1,589	—	—
Residential mortgage-backed securities	7,017	7,252	3,072	3,414
Commercial mortgage-backed securities	4,210	4,210	4,277	4,277
Total held-to-maturity	$12,816	$13,051	$7,349	$7,691

There were no investment securities sold during the nine months ended September 30, 2015 or 2014.

The following table summarizes the investment securities that were pledged as collateral at September 30, 2015 and December 31, 2014.

(in thousands)	September 30, 2015	December 31, 2014
Public deposits	$89,904	$95,003
Securities sold under repurchase agreements	23,871	18,778
Total pledged securities	$113,775	$113,781

4. Loans Held-for-Sale

The following table summarizes loans held-for-sale at September 30, 2015 and December 31, 2014.

(in thousands)	September 30, 2015	December 31, 2014
Residential mortgage	$218,308	$181,424
SBA	11,343	12,511
Indirect automobile	110,000	175,000
Total loans held-for-sale	$339,651	$368,935

During the three and nine months ended September 30, 2015 and 2014 , the Company transferred $4.6 million and $2.8 million, respectively, to the held for investment residential mortgage portfolio.

The Company had $151.8 million and $141.1 million in residential mortgage loans held-for-sale pledged to the FHLB at September 30, 2015 and December 31, 2014, respectively.

5. Loans

Loans outstanding, by class, are summarized in the following table and include net unamortized costs of $32.6 million and $30.0 million at September 30, 2015 and December 31, 2014, respectively. Non-covered loans represent existing portfolio loans

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prior to the FDIC-assisted transactions, loans not covered under the Loss Share Agreements, and additional loans originated subsequent to the FDIC-assisted transactions.

	September 30, 2015		December 31, 2014	
(in thousands)	Non-Covered	Covered	Non-Covered	Covered
Commercial	$565,615	$13,704	$502,938	$21,207
SBA	137,709	369	134,142	624
Construction	151,879	2,456	120,128	3,866
Indirect automobile	1,399,932	—	1,219,232	—
Installment	11,723	513	12,342	880
Residential mortgage	247,182	1,515	156,841	1,657
Home equity lines of credit	103,951	5,266	72,870	6,579
Total loans	$2,617,991	$23,823	$2,218,493	$34,813

Loans in nonaccrual status are presented by class of loans in the following table.

(in thousands)	September 30, 2015	December 31, 2014
Commercial	$11,372	$12,414
SBA	6,520	10,637
Construction	6,087	7,031
Indirect automobile	811	715
Installment	543	623
Residential mortgage	2,133	2,299
Home equity lines of credit	1,026	1,137
Total nonaccrual loans	$28,492	$34,856

If such nonaccrual loans had been on a full accrual basis, interest income on these loans for the the three months ended September 30, 2015 and 2014 would have been $497,000 and $535,000, respectively. For the the nine months ended September 30, 2015 and 2014 the interest income would have been $1.2 million and $1.3 million, respectively.
Accruing loans delinquent 30-89 days, 90 days or more, and troubled debt restructured loans ("TDRs") accruing interest, presented by class of loans at September 30, 2015 and December 31, 2014, were as follows:

	September 30, 2015			December 31, 2014		
(in thousands)	Accruing Delinquent 30-89 Days	Accruing Delinquent 90 Days or More	TDRs Accruing	Accruing Delinquent 30-89 Days	Accruing Delinquent 90 Days or More	TDRs Accruing
Commercial	$665	$—	$9,167	$215	$—	$9,521
SBA	2,497	2,579	3,931	830	—	4,164
Construction	1,111	—	284	—	—	445
Indirect automobile	1,381	—	1,944	1,547	—	1,779
Installment	87	—	62	42	—	18
Residential mortgage	158	1,389	621	475	827	632
Home equity lines of credit	1,119	—	—	1,442	—	—
Total	$7,018	$3,968	$16,009	$4,551	$827	$16,559

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TDR Loans

The following tables present loans, by class, which were modified as TDRs that occurred during the three and nine months ended September 30, 2015 and 2014, along with the type of modification.

	Troubled Debt Restructured During the Three Months Ended September 30, 2015		Troubled Debt Restructured During the Three Months Ended September 30, 2014	
(in thousands)	Interest Rate	Term	Interest Rate	Term
Commercial	$—	$—	$—	$—
SBA	—	—	—	—
Construction	—	—	—	—
Indirect automobile	—	484	—	275
Installment	—	—	—	42
Residential mortgage	—	—	—	—
Home equity lines of credit	—	—	—	—
Total	$—	$484	$—	$317

	Troubled Debt Restructured During the Nine Months Ended September 30, 2015		Troubled Debt Restructured During the Nine Months Ended September 30, 2014	
(in thousands)	Interest Rate	Term	Interest Rate	Term
Commercial	$—	$1,006	$—	$—
SBA	—	—	—	—
Construction	—	—	—	—
Indirect automobile	—	952	—	657
Installment	—	—	127	60
Residential mortgage	—	—	155	—
Home equity lines of credit	—	—	—	217
Total	$—	$1,958	$282	$934

The following tables present the amount of TDRs that were restructured in the previous twelve months and subsequently redefaulted during the three and nine months ended September 30, 2015 and 2014.

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(in thousands)	Troubled Debt Restructured During the Last Twelve Months and Subsequently Redefaulting During the Three Months Ended September 30, [1]		Troubled Debt Restructured During the last Twelve Months and Subsequently Redefaulting During the Nine Months Ended September 30,	
	2015	2014	2015	2014
Commercial	$—	$—	$—	$—
SBA	—	—	—	—
Construction	—	—	—	—
Indirect automobile	—	—	—	—
Installment	—	42	—	42
Residential mortgage	—	—	—	155
Home equity lines of credit	—	—	—	14
Total	$—	$42	$—	$211

[1] Subsequently redefaulting is defined as a payment default (i.e., 30 days contractually past due) within twelve months of restructuring date.

The Company had total TDRs with a balance of $23.4 million at September 30, 2015 and $21.3 million December 31, 2014. There were no commitments to lend any additional amounts to customers with outstanding loans that were classified as TDRs at September 30, 2015 or December 31, 2014.

There were $398.5 million and $318.5 million in loans pledged to the FHLB of Atlanta as collateral for borrowings at September 30, 2015 and December 31, 2014, respectively. Additionally, $318.3 million and $305.1 million in indirect automobile loans were pledged to the FRB at September 30, 2015 and December 31, 2014, respectively, as collateral for potential Discount Window borrowings.

Impaired Loans

The following tables present by class the unpaid principal balance, amortized cost and related allowance for impaired loans at September 30, 2015 and December 31, 2014.

(in thousands)	September 30, 2015			December 31, 2014		
	Unpaid Principal Balance	Recorded Investment[1]	Related Allowance	Unpaid Principal Balance	Recorded Investment[1]	Related Allowance
Impaired Loans with Allowance						
Commercial	$8,809	$6,258	$1,753	$9,390	$7,527	$2,608
SBA	2,600	2,600	15	4,519	3,652	25
Construction	284	284	185	686	583	278
Indirect automobile	2,424	2,053	8	2,219	1,855	9
Installment	296	255	255	1,783	463	296
Residential mortgage	2,197	2,197	408	2,418	2,418	532
Home equity lines of credit	907	761	709	848	733	679
Loans	$17,517	$14,408	$3,333	$21,863	$17,231	$4,427

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(in thousands)	September 30, 2015 Unpaid Principal Balance	September 30, 2015 Recorded Investment[1]	December 31, 2014 Unpaid Principal Balance	December 31, 2014 Recorded Investment[1]
Impaired Loans with No Allowance				
Commercial	17,969	15,304	18,776	16,316
SBA	15,236	11,314	13,618	12,578
Construction	8,190	6,087	9,009	6,893
Indirect automobile	—	—	—	—
Installment	1,489	193	59	47
Residential mortgage	2,544	2,544	1,921	1,921
Home equity lines of credit	—	—	143	133
Loans	45,428	35,442	43,526	37,888

[1]The primary difference between the unpaid principal balance and recorded investment represents charge offs previously taken; it excludes accrued interest receivable due to materiality

Average recorded investment of impaired loans and interest income recognized for the three and nine months ended September 30, 2015 and 2014, by class, are summarized in the table below. Interest income recognized during the periods on a cash basis was immaterial.

	Three Months Ended September 30,			
	2015		2014	
(in thousands)	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized
Commercial	$21,669	$88	$23,776	$91
SBA	13,855	25	22,477	837
Construction	6,534	5	7,894	5
Indirect automobile	1,872	78	1,981	42
Installment	451	15	502	25
Residential mortgage	4,383	4	3,222	19
Home equity lines of credit	765	4	932	9
Total	$49,529	$219	$60,784	$1,028

	Nine Months Ended September 30,			
	2015		2014	
(in thousands)	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized
Commercial	$22,099	$332	$22,758	$444
SBA	15,527	558	21,683	1,626
Construction	7,013	15	9,413	20
Indirect automobile	1,875	213	2,087	135
Installment	482	56	524	106
Residential mortgage	4,709	65	3,010	57
Home equity lines of credit	876	12	951	24
Total	$52,581	$1,251	$60,426	$2,412

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Credit Quality Indicators
The Company uses an asset quality ratings system to assign a numeric indicator of the credit quality and level of existing credit risk inherent in a loan. These ratings are adjusted periodically as the Company becomes aware of changes in the credit quality of the underlying loans.
Indirect automobile loans typically receive a risk rating only when being downgraded to an adverse rating. The Company uses a number of factors, including FICO scoring, to help evaluate the likelihood consumer borrowers will pay their credit obligations as agreed. The weighted-average FICO score for the indirect automobile portfolio was 723 at September 30, 2015 and 741 at December 31, 2014.
The following are definitions of the asset rating categories.
•Pass – These categories include loans rated satisfactory with high, good, average or acceptable business and credit risk.
•Special Mention – A special mention asset has potential weaknesses that deserve management's close attention.
•Substandard – A substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. A substandard asset has a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt.
•Doubtful – Doubtful assets have all the weaknesses inherent in assets classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.
•Loss – Loss assets are considered uncollectable and of such little value that their continuance as recorded assets is not warranted.
The following tables present the recorded investment in loans, by loan rating category, as of September 30, 2015 and December 31, 2014:

(in thousands)	September 30, 2015							
Asset Rating	Commercial	SBA	Construction	Indirect Automobile	Installment	Residential Mortgage	Home Equity Lines of Credit	Total
Pass	$547,194	$118,990	$143,560	$—	$11,068	$243,405	$107,512	$1,171,729
Special Mention	6,343	7,736	2,221	—	172	186	162	16,820
Substandard	25,782	11,352	8,554	2,581	996	5,106	1,543	55,914
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
	579,319	138,078	154,335	2,581	12,236	248,697	109,217	1,244,463
Ungraded Performing	—	—	—	1,397,351	—	—	—	1,397,351
Total	$579,319	$138,078	$154,335	$1,399,932	$12,236	$248,697	$109,217	$2,641,814

(in thousands)	December 31, 2014							
Asset Rating	Commercial	SBA	Construction	Indirect Automobile	Installment	Residential Mortgage	Home Equity Lines of Credit	Total
Pass	$479,032	$115,166	$113,309	$—	$11,449	$153,437	$77,689	$950,082
Special Mention	15,876	6,024	217	—	245	365	82	22,809
Substandard	29,237	13,576	10,468	2,880	1,528	4,696	1,678	64,063
Doubtful	—	—	—	—	—	—	—	—

Loss	—	—	—	—	—	—	—	—
	524,145	134,766	123,994	2,880	13,222	158,498	79,449	1,036,954
Ungraded Performing	—	—	—	1,216,352	—	—	—	1,216,352
Total	$524,145	$134,766	$123,994	$1,219,232	$13,222	$158,498	$79,449	$2,253,306

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Purchased Credit Impaired ("PCI") Loans
The carrying amount of PCI loans at September 30, 2015 and December 31, 2014 was as follows.

(in thousands)	September 30, 2015	December 31, 2014
Commercial	$14,829	$23,005
Construction	2,456	3,866
Consumer	687	1,756
Mortgage	7,070	8,657
Total carrying amount	$25,042	$37,284
Total outstanding balance	$30,237	$42,679

Accretable yield, or income expected to be collected on PCI loans at September 30, 2015 and December 31, 2014, was as follows.

(in thousands)	For the Nine Months Ended September 30, 2015	For the Year Ended December 31, 2014
Beginning balance	$1,649	$2,188
Accretion of income	(411)	(2,162)
Other activity, net	765	1,623
Ending balance	$2,003	$1,649

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6. Allowance for Loan Losses

A summary of changes in the allowance for loan losses, by loan portfolio segment, for the three and nine months ended September 30, 2015 and 2014 follows.

	Three Months Ended September 30, 2015							
(in thousands)	Commercial	Construction	Consumer	Mortgage	Covered	Acquired Non-covered	Unallocated	Total
Beginning balance	$10,744	$1,584	$6,067	$3,260	$230	$10	$1,530	$23,425
Charge-offs	—	—	(986)	(100)	(26)	—	—	(1,112)
Recoveries	111	291	382	2	12	1	—	799
Net (charge-offs)/ recoveries	111	291	(604)	(98)	(14)	1	—	(313)
Decrease in FDIC indemnification asset	—	—	—	—	310	—	—	310
Provision for loan losses(1)	(216)	(242)	1,560	559	75	3	(411)	1,328
Ending balance	$10,639	$1,633	$7,023	$3,721	$601	$14	$1,119	$24,750

	Three Months Ended September 30, 2014							
(in thousands)	Commercial	Construction	Consumer	Mortgage	Covered	Acquired Non-covered	Unallocated	Total
Beginning balance	$15,426	$1,279	$5,639	$3,092	$1,856	$314	$1,306	$28,912
Charge-offs	(1,358)	—	(1,005)	(32)	(156)	(52)	—	(2,603)
Recoveries	21	41	391	28	79	—	—	560
Net (charge-offs)/ recoveries	(1,337)	41	(614)	(4)	(77)	(52)	—	(2,043)
Decrease in FDIC indemnification asset	—	—	—	—	(431)	—	—	(431)
Provision for loan losses(1)	1,623	(76)	587	91	(125)	(141)	(100)	1,859
Ending balance	$15,712	$1,244	$5,612	$3,179	$1,223	$121	$1,206	$28,297

	Nine Months Ended September 30, 2015							
(in thousands)	Commercial	Construction	Consumer	Mortgage	Covered	Acquired Non-covered	Unallocated	Total
Beginning balance	$12,967	$1,486	$6,300	$3,251	$555	$160	$731	$25,450
Charge-offs	(923)	—	(3,092)	(100)	(151)	(34)	—	(4,300)
Recoveries	229	658	1,122	6	416	88	—	2,519
Net (charge-offs)/ recoveries	(694)	658	(1,970)	(94)	265	54	—	(1,781)

Decrease in FDIC indemnification asset	—	—	—	—	(173)	—	—	(173)
Provision for loan losses(1)	(1,634)	(511)	2,693	564	(46)	(200)	388	1,254
Ending balance	$10,639	$1,633	$7,023	$3,721	$601	$14	$1,119	$24,750

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	Nine Months Ended September 30, 2014							
(in thousands)	Commercial	Construction	Consumer	Mortgage	Covered	Acquired Non-covered	Unallocated	Total
Beginning balance	$17,348	$2,044	$6,410	$3,376	$3,331	$278	$897	$33,684
Charge-offs	(3,201)	(111)	(3,051)	(180)	(652)	(52)	—	(7,247)
Recoveries	33	1,818	1,071	58	288	16	—	3,284
Net (charge-offs)/ recoveries	(3,168)	1,707	(1,980)	(122)	(364)	(36)	—	(3,963)
Decrease in FDIC indemnification asset	—	—	—	—	(1,399)	—	—	(1,399)
Provision for loan losses[(1)]	1,532	(2,507)	1,182	(75)	(345)	(121)	309	(25)
Ending balance	$15,712	$1,244	$5,612	$3,179	$1,223	$121	$1,206	$28,297

[(1)] Net of benefit attributable to FDIC indemnification asset

The following tables present, by portfolio segment, the balance in the allowance for loan losses disaggregated on the basis of the Company’s impairment measurement method and the related recorded investment in loans as of September 30, 2015 and December 31, 2014.

	September 30, 2015						
(in thousands)	Commercial	Construction	Consumer	Mortgage	Acquired, Covered and Non-covered	Unallocated	Total
Individually evaluated for impairment	$1,768	$185	$263	$1,117	$—	$—	$3,333
Collectively evaluated for impairment	8,871	1,448	6,760	2,604	—	1,119	20,802
Acquired with deteriorated credit quality	—	—	—	—	615	—	615
Total allowance for loan losses	$10,639	$1,633	$7,023	$3,721	$615	$1,119	$24,750
Individually evaluated for impairment	$35,476	$6,371	$2,501	$5,502	$—	$—	$49,850
Collectively evaluated for impairment	667,092	145,508	1,408,980	345,342	—	—	2,566,922
Acquired with deteriorated credit quality	14,829	2,456	687	7,070	—	—	25,042
Total loans	$717,397	$154,335	$1,412,168	$357,914	$—	$—	$2,641,814

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	December 31, 2014						
(in thousands)	Commercial	Construction	Consumer	Mortgage	Acquired, Covered and Non-covered	Unallocated	Total
Individually evaluated for impairment	$2,633	$278	$305	$1,211	$—	$—	$4,427
Collectively evaluated for impairment	10,334	1,208	5,995	2,040	—	731	20,308
Acquired with deteriorated credit quality	—	—	—	—	715	—	715
Total allowance for loan losses	$12,967	$1,486	$				