Section 1: 425 (FORM 8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): December 4, 2015

Bank of the Ozarks, Inc.
(Exact name of registrant as specified in its charter)

Arkansas
(State or other jurisdiction of incorporation)

0-22759	**71-0556208**
(Commission File Number)	**(IRS Employer Identification No.)**
17901 Chenal Parkway, Little Rock, Arkansas	**72223**
(Address of principal executive offices)	**(Zip Code)**

(501) 978-2265
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2.):

☒ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Information.

On October 19, 2015, Bank of the Ozarks, Inc. ("Ozarks") announced the signing of a definitive agreement and plan of merger ("Merger Agreement") with Community & Southern Holdings, Inc. ("C&S") whereby Ozarks would acquire C&S and its wholly-owned bank subsidiary, Community & Southern Bank (collectively, the "Merger"). The terms of the Merger and the Merger Agreement are more fully described in Ozarks Current Report on Form 8-K dated October 19, 2015.

We are filing herewith historical audited financial statements of C&S and unaudited pro forma combined consolidated financial information of Ozarks and C&S. The proposed Merger has not yet been consummated and there can be no assurance that the transaction will be consummated as contemplated. The proposed Merger is expected to be completed late in the first quarter of 2016 or in the second quarter of 2016, subject to approvals by C&S stockholders and Ozarks shareholders, respectively, receipt of required regulatory and other approvals and satisfaction of closing conditions.

For further information relating to the proposed Merger, please see Ozarks Current Report on Form 8-K dated October 19, 2015.

ADDITIONAL INFORMATION

This communication is being made in respect of the proposed merger transaction involving Ozarks and C&S. This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. In connection with the proposed merger, Ozarks filed with the SEC a registration statement on Form S-4 on December 4, 2015 that includes a joint proxy statement of Ozarks and C&S and a prospectus of Ozarks. Ozarks also plans to file other documents with the SEC regarding the proposed merger transaction. BEFORE MAKING ANY VOTING OR INVESTMENT DECISION, INVESTORS ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS REGARDING THE PROPOSED TRANSACTION AND ANY OTHER RELEVANT DOCUMENTS CAREFULLY IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. The joint proxy statement/prospectus, as well as other filings containing information about Ozarks and C&S, will be available without charge, at the SEC's Internet site (http://www.sec.gov). Copies of the joint proxy statement/prospectus and the filings with the SEC that will be incorporated by reference in the joint proxy statement/prospectus can also be obtained, when available, without charge from Ozarks' website at http://www.bankozarks.com under the Investor Relations tab.

Ozarks and C&S, and certain of their respective directors, executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies from the shareholders of C&S and Ozarks in respect of the proposed merger transaction. Information concerning such participants' ownership of common stock of Ozarks and C&S and any additional information regarding the interests of such participants will be included in the joint proxy statement/prospectus and other relevant documents regarding the proposed merger transaction filed with the SEC when they become available.

CAUTION ABOUT FORWARD-LOOKING STATEMENTS

This filing and the reports Ozarks files with the SEC contain certain forward-looking information about Ozarks and C&S that is intended to be covered by the safe harbor for "forward-looking statements" provided by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are forward-looking statements. In some cases, you can identify forward-looking statements by words such as "may," "hope," "will," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential," "continue," "could," "future" or the negative of those terms or other words of similar meaning. These forward-looking statements include, without limitation, statements relating to the terms and closing of the proposed transaction between Ozarks and C&S, the proposed impact of the merger on Ozarks' financial results, including any expected increase in Ozarks' book value and tangible book value per common share and any expected increase in diluted earnings per common share, acceptance by C&S customers of Ozarks' products and services, the opportunities to enhance market share in certain markets, expectations regarding branch consolidation, if any, market acceptance of Ozarks generally in new markets, and the integration of C&S operations. You should carefully read forward-looking statements, including statements that contain these words, because they discuss the future expectations or state other "forward-looking" information about Ozarks and C&S. A number of important factors could cause actual results or events to differ materially from those indicated by such forward-looking statements, many of which are beyond the parties' control, including the parties' ability to consummate the transaction or satisfy the conditions to the completion of the transaction, including the receipt of shareholder approval, the receipt of regulatory approvals required for the transaction on the terms expected or on the anticipated schedule; the parties' ability to meet expectations regarding the timing, completion and accounting and tax treatments of the transaction; the possibility that any of the anticipated benefits of the proposed merger will not be realized or will not be realized within the expected time period; the risk that integration of C&S operations with those of Ozarks will be materially delayed or will be more costly or difficult than expected; the failure of the proposed merger to close for any other reason; the effect of the announcement of the merger on employee and customer relationships and operating results (including, without limitation, difficulties in maintaining relationships with employees and customers); dilution caused by Ozarks' issuance of additional shares of its common stock in connection with the merger; the possibility that the merger may be more expensive to complete than anticipated, including as a result of unexpected factors or events; general competitive, economic, political and market conditions and fluctuations; and the other factors described in Ozarks' Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and in its most recent Quarterly Reports on Form 10-Q filed with the SEC. Ozarks assumes no obligation to update the information in this communication, except as otherwise required by law. Readers are cautioned not to place undue reliance on these forward-looking statements, all of which speak only as of the date hereof.

Item 9.01 Financial Statements and Exhibits.

(a) *Financial Statements.*

Audited financial statements of Community & Southern Holdings, Inc. as of December 31, 2014 and 2013 and as of December 31, 2013 and 2012, and the notes related thereto, are filed herewith as Exhibits 99.1 and 99.2, respectively, and incorporated in this Item 9.01(a) by reference.

Unaudited financial statements of Community & Southern Holdings, Inc. for the nine months ended September 30, 2015, and the notes related thereto, are filed herewith as Exhibit 99.3, and incorporated in this Item 9.01(a) by reference.

(b) Pro Forma Combined Financial Information.

Unaudited pro forma combined consolidated financial statements of Bank of the Ozarks, Inc. for the year ended December 31, 2014 and the nine months ended September 30, 2015 are filed herewith as Exhibit 99.4, and incorporated in this Item 9.01(b) by reference.

(c) *Not Applicable*

(d) *Exhibits*: The following exhibits are being filed with this Current Report on Form 8-K.

Exhibit No.	**Document Description**
2.1	Agreement and Plan of Merger among Bank of the Ozarks, Inc., Bank of the Ozarks, Community & Southern Holdings, Inc. and Community & Southern Bank, dated as of October 19, 2015 (previously filed as Exhibit 2.1 to Ozarks' Current Report on Form 8-K filed with the Commission on October 19, 2015, and incorporated herein by this reference).
23.1	Consent of PricewaterhouseCoopers LLP

Exhibit No.	Document Description
99.1	Community & Southern Holdings, Inc. audited consolidated financial statements for the year ended December 31, 2014 and 2013.
99.2	Community & Southern Holdings, Inc. audited consolidated financial statements for the year ended December 31, 2013 and 2012.
99.3	Community & Southern Holdings, Inc. unaudited consolidated financial statements for the nine months ended September 30, 2015.
99.4	Unaudited pro forma combined consolidated financial statements of Bank of the Ozarks, Inc. for the year ended December 31, 2014 and the nine months ended September 30, 2015

SIGNATURES

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

BANK OF THE OZARKS, INC.

Date: December 4, 2015

/s/ Greg L. McKinney

Greg L. McKinney

Chief Financial Officer and Chief Accounting Officer

EXHIBIT INDEX

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Section 2: EX-23.1 (EX-23.1)

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-203388) and Form S-8 (Nos. 333-204268, 333-204266, 333-32173, 333-74577, 333-32175, 333-68596, 333-183909, 333-183910, 333-194720, 333-194721) of Bank of the Ozarks, Inc. of our reports dated March 25, 2015 and March 25, 2014 relating to the consolidated financial statements and the effectiveness of internal control over financial reporting of Community & Southern Holdings, Inc. which appear in this Current Report on Form 8-K of Bank of the Ozarks, Inc.

/s/ PricewaterhouseCoopers LLP
Atlanta, Georgia
December 4, 2015

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Section 3: EX-99.1 (EX-99.1)

Exhibit 99.1

COMMUNITY & SOUTHERN HOLDINGS, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Community & Southern Holdings, Inc.'s (the "Company") internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. The Company's assessment was conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), and included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and with the regulatory reporting requirements associated with Form FR Y-9C, Form FR Y-9LP, and the Consolidated Reports of Condition and Income. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management is responsible for establishing and maintaining effective internal control over financial reporting, including controls over the preparation of regulatory financial statements. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework (2013)*. Based on that assessment, management concluded that, as of December 31, 2014, the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements, is effective based on the criteria established in *Internal Control—Integrated Framework (2013)*.

Management's assessment of the effectiveness of internal control over financial reporting, including controls over the preparation of regulatory financial statements, as of December 31, 2014, has been audited by PricewaterhouseCoopers, an independent public accounting firm, as stated in their report dated March 25, 2015.

Community & Southern Holdings, Inc.
March 25, 2015

/s/ Patrick M. Frawley
Patrick M. Frawley
Chief Executive Officer

/s/ Anthony P. Valduga
Anthony P. Valduga
Chief Financial Officer

/s/ James C. Musselwhite
James C. Musselwhite
Controller

Independent Auditor's Report

To the Board of Directors of Community & Southern Holdings, Inc.

We have audited the accompanying consolidated financial statements of Community & Southern Holdings, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2014 and 2013 and the related consolidated statements of income, comprehensive income, shareholder's equity and cash flows for the years then ended. We also have audited the Company's internal control over financial reporting as of December 31, 2014 based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's Responsibility

The Company's management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, for maintaining internal control over financial reporting including the design, implementation, and maintenance of controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to error or fraud, and for its assertion about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and our audit of internal control over financial reporting in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of internal control over financial reporting involves obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinions.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America.

Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), our audit of Company's internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C). A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and those charged with governance; and (iii) provide reasonable assurance regarding prevention or timely detection and correction of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community & Southern Holdings, Inc. and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ PricewaterhouseCoopers LLP
March 25, 2015

PricewaterhouseCoopers LLP, 10 Tenth Street, Suite 1400, Atlanta, GA 30309-3851
T: (678) 419 0000, F: (678) 419 1239, www.pwc.com/us

Community & Southern Holdings, Inc.
Consolidated Balance Sheets
December 31, 2014 and 2013

(In thousands of dollars, except share data)

	2014	2013
Assets		
Cash and due from banks	$ 203,956	$ 217,071
Investment securities available-for-sale (amortized cost of $441,728 and $432,945, respectively)	444,883	433,037
Investment securities held-to-maturity (market value of $86,460 and $77,527, respectively)	82,903	75,680
Loans held for sale	1,981	1,967
Loans held for investment (including $304,877 and $378,937 covered under FDIC loss share agreements, respectively)	2,422,287	1,762,637
Allowance for loan losses	(37,910)	(30,535)
Loans, net of allowance for loan losses	2,384,377	1,732,102
Premises and equipment	64,617	61,962
Other real estate owned (including $12,817 and $46,999 covered under FDIC loss share agreements, respectively)	14,363	47,793
FDIC loss share receivable	34,464	108,267
Goodwill	23,084	11,740
Other intangible assets	9,738	8,554
Bank owned life insurance	62,424	58,999
Other assets	73,784	47,848
Total assets	$ 3,400,574	$ 2,805,020
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing	$ 365,084	$ 279,795
Interest-bearing	2,470,942	1,960,159
Total deposits	2,836,026	2,239,954
Other borrowings	78,905	95,183
Other liabilities	50,573	46,048
Total liabilities	2,965,504	2,381,185
Shareholders' equity		
Common stock ($0.01 par value; 100,000,000 shares authorized; 36,949,266 shares issued and outstanding as of December 31, 2014 and 2013, respectively)	369	369
Additional paid-in capital	372,670	370,139
Retained earnings	59,461	52,617
Accumulated other comprehensive income	2,570	710
Total shareholders' equity	435,070	423,835
Total liabilities and shareholders' equity	$ 3,400,574	$ 2,805,020

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

Community & Southern Holdings, Inc.
Consolidated Statements of Income
For the Years Ended December 31, 2014 and 2013

(In thousands of dollars)

	2014	2013
Interest income		
Interest and fees on loans	$ 141,958	$ 124,485
Interest and dividends on investment securities	13,045	10,042
Interest on other earning assets	343	664
Total interest income	155,346	135,191
Interest expense		
Deposits	13,035	11,572
Other borrowings	1,602	1,907
Total interest expense	14,637	13,479
Net interest income	140,709	121,712
Provision for credit losses	8,954	1,206
Net interest income after provision for credit losses	131,755	120,506
Noninterest income		
Service charges on deposit accounts	11,185	10,996
Investment securities gains, net	1,341	2,532
Gain on acquisition	2,278	—
Other	7,068	11,355
Total noninterest income	21,872	24,883
Noninterest expense		
Salaries and employee benefits	46,784	45,375
Occupancy and equipment expense	11,345	11,340
Expense on loans and other real estate owned	4,087	6,135
Other real estate owned and repossession losses, net	3,162	4,715
Amortization expense	3,058	2,309
FDIC loss share receivable valuation adjustments	7,766	7,138
FDIC loss share receivable amortization	42,806	28,222
Other	29,426	23,153
Total noninterest expense	148,434	128,387
Income before income taxes	5,193	17,002
Income tax expense (benefit)	(1,651)	3,812
Net income	$ 6,844	$ 13,190

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

Community & Southern Holdings, Inc.
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2014 and 2013

(In thousands of dollars)

	2014	2013
Net Income	$6,844	$13,190
Components of other comprehensive income / (loss):		
Unrealized gains / (losses) on available-for-sale investment securities arising during period (net of $1,530 and $2,566 tax, respectively)	2,874	(4,691)
Reclassification adjustment for net investment securities gains realized in earnings (net of $456 and $861 tax, respectively)	(885)	(1,671)
Amortization of unrealized gains on investment securities transferred from available-for-sale to held-to-maturity	(129)	(126)
Total other comprehensive income / (loss)	1,860	(6,488)
Comprehensive income	$8,704	$ 6,702

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

Community & Southern Holdings, Inc.
Consolidated Statements of Shareholders' Equity
For the Years Ended December 31, 2014 and 2013

(In thousands of dollars)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at January 1, 2013	$ 369	$ 366,642	$ 39,427	$ 7,198	$ 413,636
Net income	—	—	13,190	—	13,190
Change in accumulated other comprehensive income	—	—	—	(6,488)	(6,488)
Stock-based compensation expense	—	3,497	—	—	3,497
Balance at December 31, 2013	369	370,139	52,617	710	423,835
Net income	—	—	6,844	—	6,844
Change in accumulated other comprehensive income	—	—	—	1,860	1,860
Stock-based compensation expense	—	2,531	—	—	2,531
Balance at December 31, 2014	$ 369	$ 372,670	$ 59,461	$ 2,570	$ 435,070

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

Community & Southern Holdings, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

(In thousands of dollars)

	2014	2013
Cash flows from operating activities		
Net income	$ 6,844	$ 13,190
Adjustments to reconcile net income to cash provided by operating activities:		
Net amortization/accretion of premiums and discounts	(44,196)	(55,731)
Provision for credit losses	8,954	(1,206)
Other real estate owned and repossession losses, net	3,162	4,715
Stock-based compensation expense	2,531	3,497
Deferred income tax benefit	(21,782)	(17,305)
Depreciation, amortization and accretion	3,545	3,109
Gain on acquisitions	(2,278)	—
Securities gains, net	(1,341)	(2,532)
Net change in loans held for sale	(14)	22,179
Net change in FDIC loss share receivable	73,803	128,133
Increase in cash surrender value of bank owned life insurance	(607)	(1,437)
Net change in other assets	2,232	(14,420)
Net change in other liabilities	(8,055)	23,025
Net cash provided by operating activities	22,798	105,217
Cash flows from investing activities		
Net change in loans held for investment (originations, net of principal repayments)	(375,578)	(317,407)
Purchases of investment securities available-for-sale	(117,578)	(225,698)
Proceeds from maturities and calls of investment securities available-for-sale	78,784	99,950
Proceeds from sales of investment securities available-for-sale	109,552	44,272
Proceeds from calls and maturities of investment securities held-to-maturity	3,253	1,472
Purchases of investment securities held-to-maturity	(10,871)	(10,940)
Purchases of premises and equipment	(1,907)	(3,667)
Disposals of premises and equipment	1,620	2,500
Other adjustments in other real estate owned	5,928	15,734
Proceeds from sales of other real estate owned	40,935	91,857
Net cash acquired from acquisitions	74,891	201,313
Net cash used in investing activities	(190,971)	(100,614)
Cash flows from financing activities		
Net change in deposits	174,058	12,979
Proceeds from other borrowings	70,000	215,000
Repayment of other borrowings	(89,000)	(230,000)
Net cash provided by (used in) financing activities	155,058	(2,021)
Change in cash and due from banks	(13,115)	2,582
Beginning of period	217,071	214,489
End of period	$ 203,956	$ 217,071
Supplemental disclosure of cash flow information		
Transfers of loans to other real estate owned	$ 15,322	$ 37,273
Cash paid for interest	14,187	13,516
Cash paid for income taxes	18,544	15,742
Change in unrealized gain on investment securities available-for-sale	3,062	(9,788)

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

1. Summary of Significant Accounting Policies and Nature of Business

Community & Southern Holdings, Inc. (the “Company”), headquartered in Atlanta, Georgia, is a registered bank holding company with two banking subsidiaries: Community & Southern Bank (“CSB”) which operates branches throughout the Atlanta, Georgia metro area and northern Georgia and Community & Southern Risk Management, Inc. (“CSB Risk Management”) a captive insurance company established with the specific objective of insuring risks for the Company and a group of member banks. CSB is the parent company of CSB Investments, Inc. (“CSB Investments”) and was formerly the parent of, Acru Wealth, LLC (“Acru”). CSB Investments is a Nevada corporation which owns all of the investment securities of the Company. Acru was a Georgia limited liability company acquired on July 20, 2012 in connection with the acquisition of First Cherokee State Bank (“FCSB”) and dissolved on May 7, 2014. The Company was organized on September 18, 2009, as a Delaware corporation, with no activity until January 29, 2010. CSB was organized as a Georgia-state chartered bank and opened on January 29, 2010. As used herein, “the Company” refers to Community & Southern Holdings, Inc., except where the context requires otherwise.

Nature of Business

CSB offers full-service banking services designed to meet the needs of retail and commercial customers in the markets in which it operates, with a focus on the resolution of assets acquired from the Federal Deposit Insurance Corporation (“FDIC”). The services offered include transaction and savings deposit accounts, commercial and consumer lending, asset management and full-service investment securities brokerage through a third-party provider and other activities related to commercial banking. Acru historically provided insurance products, trust services and access to various other investment products and services through non-bank affiliated, registered third parties. During 2013, the Company discontinued offering these products and services through Acru and transferred all custody accounts to an outside third party in early 2014. The Company and CSB are subject to the regulations of certain federal and state agencies and are periodically examined by those regulatory agencies.

Basis of Presentation and Consolidation

The accounting and reporting policies of the Company and its subsidiaries are in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) and also conform to general industry practices. All intercompany accounts and transactions have been eliminated in consolidation. Assets and liabilities of purchased companies are stated at estimated fair values at the date of acquisition. Results of operations of companies purchased are included from the date of acquisition. Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

Use of Estimates in the Preparation of Financial Statements

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change include:

- Determination of the allowance for loan losses (“ALL”), reserve for unfunded lending commitments, and provision for credit losses
- Income taxes, including tax provisions and realization of deferred tax assets

- Determination of fair values of acquired assets and liabilities
- Loss estimates related to acquired loans and other real estate owned (“OREO”)
- Goodwill and other intangible assets, including assessment of impairment
- Valuation of OREO

Cash and Due from Banks

Cash and due from banks includes cash on hand, interest-bearing demand deposits in other banks and amounts due from banks. Cash on hand is defined as having maturities of three months or less, and accordingly, the carrying amount of these instruments is deemed to approximate fair value.

The Company is required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank to meet regulatory reserve and clearing requirements.

Investment Securities

The Company classifies debt and equity investment securities into three categories: trading, held-to-maturity and available-for-sale.

Management determines the appropriate classification of investment securities at the time of purchase. Debt investment securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the investment securities to maturity. Held-to-maturity investment securities are carried at amortized cost.

Investment securities classified as trading are held principally for resale in the near term and are recorded at fair value. Gains or losses, either unrealized or realized, are reported in noninterest income. At December 31, 2014 and 2013, the Company had no investment securities classified as trading.

Investment securities not classified as either held-to-maturity or trading are classified as available-for-sale. Investment securities available-for-sale are stated at fair value, with the unrealized gains and losses, net of tax, reported as a separate component of accumulated other comprehensive income in the Consolidated Statements of Comprehensive Income.

The amortized cost of debt investment securities classified as either held-to-maturity or available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity, or in the case of mortgage-backed securities, over the estimated life of the security. Such amortization is considered an adjustment to yield on the security and included in interest income from investments. Interest and dividends are included in interest and dividends on investment securities in the Consolidated Statements of Income.

Gains and losses realized from the sales of investment securities are determined by specific identification and are included in noninterest income. Available-for-sale and held-to-maturity investment securities are reviewed quarterly for potential impairment. The Company determines whether it has the intent to sell a debt security or whether it is more likely than not it will be required to sell the debt security before the recovery of its amortized cost basis. If either condition is met, the Company will recognize an impairment loss necessary to reduce the carrying value of the debt security to fair value. For all other debt investment securities for which the Company does not expect to recover the entire amortized cost basis of the security and do not meet either condition, an other-than-temporary loss is considered to have occurred and the Company records the credit loss portion of impairment in earnings and the impairment related to all other factors in other comprehensive income/(loss).

Loans Held for Sale

Loans held for sale represent mortgage loans originated or acquired by the Company with the intent to sell and are measured at the lower of cost or fair value.

Loans Held for Investment

Loans held for investment are reported at the principal amount outstanding, net of the allowance for loan losses, net of deferred loan fees and costs, and any discounts received or premiums paid on purchased non-impaired loans. Deferred fees, costs, discounts and premiums are amortized over the estimated life of the loan primarily using the effective interest method. Interest income on loans is recognized as earned and is computed using the effective interest method. The Company does not anticipate prepayments in applying the interest method.

Loans are considered past due or delinquent when the contractual principal or interest due in accordance with the terms of the loan agreement or any portion thereof remains unpaid after the due date of the scheduled payment. Loans are placed on non-accrual status when it becomes probable that interest is not fully collectible, generally when the loan becomes 90 days past due. Once loans are placed on non-accrual status, previously accrued but unpaid interest is reversed from interest income, and the accrual of interest income is suspended. Future payments received are applied to the principal balance of the loan. If and when borrowers demonstrate the sustained ability to repay such loans in accordance with the loan's contractual terms of a loan, the loan may be returned to accrual status. Loans which become 90 days past due are reviewed for collectability of principal. Principal amounts deemed uncollectible are charged off against the ALL (unless such loans are in the process of modification, collection through repossession, or foreclosure.)

Purchased Credit-Impaired Loans

Purchased credit-impaired ("PCI") loans are those loans acquired with evidence of deterioration of credit quality since origination for which it is probable, at acquisition, that the Company will be unable to collect all contractually required payments receivable. The Company groups PCI loans into pools based upon common risk characteristics and periodically re-estimates expected cash flows. Estimated fair values for acquired loans are based upon a discounted cash flows methodology that considers various factors including the type of loan, collateral, credit quality, fixed or variable interest rate, historical payment performance, term of loan and whether or not the loan was amortizing, and a discount rate reflecting effective yield of the pool.

Interest income on PCI loans is recognized through accretion of the difference between the recorded investment of the loan pool and the gross expected cash flows, from such pool, on a level-yield basis over the loans' estimated life. For loan pools where the recorded investment has been fully recovered, income is recognized as cash is received utilizing the cost recovery method. PCI loans accounted for within a pool are excluded from being classified as non-accrual when the Company can reasonably estimate cash flows.

Impaired Loans

The Company considers a loan to be impaired when, based upon current information and events, it believes it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Management reviews all impaired loans individually to determine if a specific allowance based upon the borrower's overall financial condition, resources and payment record, support from guarantors and the realizable value of any collateral is necessary. Specific allowances are based upon discounted cash flows using a loan's initial effective interest rate or the net realizable value of the collateral for collateral-dependent loans. If the recorded investment in the impaired loan exceeds its fair value, a valuation allowance is required as a component of the ALL. Interest income on impaired loans is recorded on a cash basis once the loan's principal has been fully recovered.

Troubled Debt Restructurings

A restructuring of debt constitutes a troubled debt restructuring ("TDR") if the Company, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to a borrower that it would not otherwise consider. Concessions granted generally involve forgiving or forbearing a portion of interest or principal on any loans or making loans at a rate that is less than that of market rates. Prior to modifying a borrower's loan terms, the Company performs an evaluation of the borrower's financial condition and ability to service under the potential modified loan terms. If a loan is accruing at the time of modification, the loan remains on accrual status and is subject to the Company's charge-off and non-accrual policies. If a loan is on non-accrual before it is determined to be a TDR, then the loan remains on non-accrual. TDRs may be returned to accrual status if there has been a sustained period of repayment performance by the borrower. Generally, however, once a loan becomes a TDR, it is probable that the loan will be reported as a TDR for the life of the loan. TDRs are considered by the Company to be impaired loans.

Modified PCI loans accounted for within a pool are not subject to TDR guidance and are not removed from the pool even if the modification would otherwise be considered a TDR. PCI loans accounted for individually continue to be subject to the TDR reporting provisions.

Allowance for Loan Losses (Excluding PCI Loans)

The allowance for loan losses ("ALL") represents management's estimate of probable and reasonably estimable credit losses incurred in loans held for investment as of the balance sheet date. The estimate of the ALL is based upon management's evaluation of the loan portfolio including such factors as past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay (including the timing of future payments), the estimated value of any underlying collateral, composition of the loan portfolio, current market and economic conditions, borrower's payment status, internal credit risk ratings and other relevant factors. This evaluation is inherently subjective as it requires material estimates including the amounts and timing of future cash flows expected to be received on impaired loans that may be susceptible to significant change. Loans are charged off when management believes that the ultimate collectability of the loan is unlikely. Allocation of the ALL may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, is deemed to be uncollectible. The ALL is increased by provisions charged to expense and decreased by actual charge-offs, net of recoveries.

The ALL adequacy assessment begins with a process of estimating probable and reasonably estimable credit losses incurred within the loan portfolio. These estimates are established by category and based upon the Company's internal system of credit risk ratings and historical loss data. The estimate of probable and reasonably estimable credit losses incurred within the loan portfolio may then be adjusted for management's estimate of additional probable and reasonably estimable credit losses as a result of specific credit exposures, trends in delinquent and nonaccrual loans, as well as other factors such as prevailing economic conditions, lending strategies, and other influencing factors. For acquired loans that do not meet the definition of PCI loans, an allowance is recorded once estimated credit losses exceed the remaining unamortized purchase discount.

Allowance for Purchased Credit-Impaired Loan Losses

The Company also maintains an ALL on PCI loans. To determine the allowance for PCI loans, the Company periodically re-estimates cash flows expected to be collected on these loans. These cash flow evaluations are inherently subjective as they require material estimates, all of which may be susceptible to significant change in future periods. A decline in gross expected cash flows for a pool of loans results in impairment and is recorded through a charge to provision for credit losses during the period. Improvement in gross expected cash flows for a pool of loans, once any previously recorded impairment is recaptured, is recognized prospectively as an adjustment to the yield on the loans in the pool. Charge-offs on PCI loans are first applied against any remaining purchase discount until such discount is exhausted. Subsequent charge-offs are applied to the ALL.

Reserve for Unfunded Lending Commitments

The Company also estimates probable and reasonably estimable credit losses related to unfunded lending commitments, such as letters of credit and binding unfunded loan commitments. Unfunded lending commitments are analyzed and segregated by risk similar to funded loans based upon the Company's internal credit risk ratings. These risk classifications, in combination with an analysis of historical loss experience, existing economic conditions, and any other pertinent information, result in the estimation of the reserve for unfunded lending commitments. The unfunded commitment reserve is reported in the Consolidated Balance Sheet within other liabilities while the change in the reserve is reported within the provision for credit losses for originated loans within the Consolidated Statements of Income.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed by the straight-line method and are expensed over the estimated useful lives of the assets, which range from 20 to 50 years for premises and 3 to 10 years for furniture, software and equipment. Leasehold improvements are amortized over the terms of the respective leases or the useful lives of the improvements, whichever is shorter. Gains and losses on dispositions are recorded in other noninterest income. Premises and equipment are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Maintenance and repairs are charged to occupancy and equipment expense as incurred.

OREO

OREO includes assets that have been acquired in satisfaction of debt through foreclosure. OREO is recorded at the lower of cost or fair value, minus estimated costs to sell. Subsequent to foreclosure, losses resulting from the periodic revaluation of the property are charged to net income and a new carrying value is established. Any gains or losses realized at the time of disposal are reflected in the Consolidated Statements of Income.

FDIC Loss Share Receivable

The FDIC loss share receivable results from loss share agreements in FDIC-assisted transactions which are measured separately from the related covered assets as they are not contractually embedded in those assets and are not transferable should the Company choose to dispose of the covered assets. The FDIC loss share receivable represents expected reimbursements from the FDIC for losses on covered assets.

Pursuant to the terms of the loss share agreements, covered assets are subject to stated loss thresholds or loss tranches, as outlined in each loss share agreement, whereby the FDIC will reimburse the Company for certain losses in accordance with each respective loss share agreement. The Company will reimburse the FDIC for its share of recoveries with respect to losses for which the FDIC paid the Company a reimbursement under the loss share agreement. The FDIC's obligation to reimburse the Company for losses with respect to covered assets begins with the first dollar of loss incurred.

The FDIC loss share receivable was recorded at its estimated fair value at the time each FDIC-assisted transaction was consummated. Subsequent accounting for the FDIC loss share receivable is closely related to the accounting for the underlying, covered assets and is recorded as an indemnification asset under the guidance for identifiable assets and liabilities acquired in a business combination. The Company re-estimates the gross expected indemnification asset cash flows in conjunction with the periodic re-estimation of cash flows on covered loans accounted for under the guidance related to acquired loans with deteriorated credit quality. Improvements in cash flow expectations on covered loans generally result in a related decline in the expected indemnification cash flows. The resultant decrease in the value of the FDIC loss share receivable is reflected as an adjustment to its level-yield basis amortization over the lesser of the contractual term of the indemnification agreement and the remaining life of the indemnified assets. Conversely, declines in gross cash flow expectations on covered loans generally result in an increase in expected indemnification cash flows. The resultant increase in the value of the FDIC loss share receivable is reflected immediately in earnings to the extent that a previously recorded valuation allowance is reversed; otherwise, the increase in the value of the FDIC loss share receivable is reflected as an adjustment to its level-yield basis amortization over the lesser of the contractual term of the indemnification agreement and the remaining life of the indemnified assets.

For covered OREO, additional FDIC loss share receivable may be established as subsequent write-downs to OREO occur or as gains and losses on sales of OREO are recognized.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. Goodwill is not amortized but tested for impairment on an annual basis, or more often, if events or circumstances indicate there may be impairment. Goodwill impairment exists when a reporting unit’s carrying value of goodwill exceeds its implied fair value, which is determined through a two-step impairment test. Authoritative guidance governing the testing of indefinite lived intangible assets for impairment allows the option to first assess Goodwill by utilizing qualitative factors in determining if it is more likely than not that carrying value exceeds fair value. If, through this analysis, it is determined that it is more likely than not that carrying value exceeds fair value, then the next step, referred to as Step 1, requires estimation of the fair value of the reporting unit. If the fair value of the reporting unit exceeds its carrying value, no further testing is required. If the carrying value exceeds the fair value, further analysis is required to determine whether an impairment charge must be recorded based upon the implied fair value of goodwill and, if so, the amount of such charge. A qualitative assessment was performed on the Company’s one reporting unit as of September 30, 2014. Qualitative factors indicated that it was more likely than not that the fair value of the Company’s goodwill exceeded its carrying value. As such, Step 1 testing was not required. Additionally, no triggering events were identified since the analysis was performed on September 30, 2014.

As a result of the Company’s acquisitions, identifiable intangible assets were recorded representing the estimated value of core deposits assumed. The Company amortizes the intangible assets ratably over their estimated useful lives. All intangible assets are periodically reviewed for reasonableness and are evaluated for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable.

Bank Owned Life Insurance

Bank Owned Life Insurance (“BOLI”) is long-term life insurance on the lives of certain employees where the insurance policy benefits and ownership are retained by the employer. To date, the Company has purchased life insurance policies on certain senior officers. BOLI is recorded at the cash surrender value that can be adjusted for charges due at settlement at the balance sheet date. The cash value accumulation on BOLI is permanently tax deferred if the policy is held to the insured person’s death.

Other Assets

Other assets include investments in the Federal Home Loan Bank of Atlanta ("FHLBA") stock, prepaid expenses, net tax assets (current and deferred), and accrued interest receivable. The FHLBA requires member banks to purchase stock as a condition of membership and other criteria including the amount of advances outstanding. FHLBA stock is generally redeemable based upon guidelines established by the issuing bank. The investments in FHLBA stock are reported at cost and evaluated for impairment based upon the ultimate recoverability of the par value. Prepaid expenses are payments made by the Company for services to be received in the near future. While the Company initially records these as assets, their value is expensed, as incurred, when the benefit is received. Accrued interest represents the interest that has been earned from a borrowers' loan or investment securities but not yet received.

Other Liabilities

Other liabilities include the FDIC clawback liability, the unfunded commitment reserve, accrued interest on deposits and other payables. The FDIC clawback liability represents a reimbursement the Company may be required to pay the FDIC if actual losses are less than certain thresholds established in each loss share agreement. Accrued interest on deposits represents interest that has been earned and payable to depositors. Other payables are expenses incurred by the Company for services received that will be paid in the near future.

Income Taxes

Income tax expense is based upon income before income taxes and generally differs from income taxes paid due to deferred income taxes and benefits arising from income and expenses being recognized in different periods for financial and income tax reporting purposes, as well as permanent differences, such as gains on acquisitions. The Company uses the asset and liability method to account for deferred income taxes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the income tax basis of the Company's assets and liabilities at the effective rates expected to be in effect when such amounts are realized or settled. The Company evaluates the realization of deferred tax assets based upon all positive and negative evidence available at the balance sheet date. Realization of deferred tax assets is based upon the Company's judgments, including taxable income within any applicable carryback periods, future projected taxable income, reversal of taxable temporary differences and other tax-planning strategies to maximize realization of the deferred tax assets. A valuation allowance is recognized for a deferred tax asset if, based upon the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. In computing the income tax provision or benefit, the Company evaluates the technical merits of its income tax positions based upon current legislative, judicial and regulatory guidance.

The Company continually monitors and evaluates the potential impact of current events on the estimates used to establish income tax expense and income tax liabilities. The Company and its subsidiary file a consolidated federal income tax return and separate state income tax returns based upon current tax law, positions taken by various tax auditors within the jurisdictions that the Company is required to file income tax returns, as well as potential or pending audits or assessments by such tax auditors. If the Company incurs interest and/or penalties related to income tax matters it will report them as a part of income tax expense.

Pension Accounting

The Company maintains an unfunded, noncontributory, nonqualified supplemental executive retirement plan ("SERP") that covers key executives. The plan provides defined benefits based upon a fixed cash benefits schedule. The Company adopted authoritative guidance for employers' accounting for pensions which require accounting for the SERP using the actuarial model and requires the recognition of the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability on the Consolidated Balance Sheets.

Other Comprehensive Income

Other comprehensive income is defined as the change in shareholders' equity during the period from transactions and other events and circumstances from nonowner sources. Accumulated other comprehensive income includes the reclassification for realized gains and losses from investment securities sales during the period, the unrealized holding gains and losses from investment securities available-for-sale and the amortization of unrealized gains on investment securities transferred from available-for-sale to held-to-maturity.

Stock-based Compensation

The Company grants stock options and other equity awards to purchase its common stock to certain key officers/employees and directors. Stock options are for a fixed number of shares with an exercise price equal to the fair value of the shares at the grant date. Stock-based compensation expense is recognized in the Consolidated Statements of Income on a straight-line basis over the vesting period. In addition, the Company estimates the number of awards for which vesting is probable and adjusts compensation cost accordingly. As compensation expense is recognized, a deferred tax asset is recorded that represents an estimate of the future tax deduction from exercise. At the time that stock-based awards are exercised, cancelled, or expire, the Company may be required to recognize an adjustment to income tax expense.

Fair Values

US GAAP requires the use of fair values in determining the carrying values of certain assets and liabilities, as well as for specific disclosures. Fair value is defined as the exit price that would be received to sell an asset or transfer a liability in an orderly transaction between willing market participants at the measurement date. When determining the fair value measurements for assets and liabilities, the Company considers the principal or most advantageous market in which those assets or liabilities are sold and considers assumptions that market participants would use when pricing those assets or liabilities.

Individual fair value estimates are classified on a three-tiered scale based upon the relative reliability of the inputs used in the valuation. Fair values determined using Level 1 inputs rely on active and observable markets to price identical assets or liabilities. In situations where identical assets and liabilities are not traded in active markets, fair values may be determined based upon Level 2 inputs, which are used when observable data exists for similar assets and liabilities. Fair values for assets and liabilities that are not actively traded in observable markets are based upon Level 3 inputs, which are considered to be unobservable. Certain financial assets and liabilities are eligible for measurement at fair value with changes in fair value recognized in the income statements each period. Upon inception, the Company elected not to measure any assets and liabilities at fair value other than those otherwise required to be measured at fair value.

Acquisitions

The Company applies the acquisition method of accounting for all business combinations. The acquirer is the entity that obtains control of one or more businesses in the business combination and the acquisition date is the date the acquirer achieved control. The acquirer recognizes the fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree at the acquisition date. If the fair value of assets purchased exceeded the fair value of liabilities assumed, it results in a "gain on acquisition". If the consideration given exceeds the fair value of the net assets received, goodwill is recognized. Generally, fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available (the “measurement period”). During the measurement period, the Company may recognize adjustments to the initial amounts recorded as if the accounting for the business combination had been completed at the acquisition date. Adjustments are typically recorded as a result of new information received after the acquisition date that is necessary to identify and measure identifiable assets acquired and liabilities assumed. In many cases, the determination of acquisition-date fair values requires management to make estimates about discount rates, future expected cash flows, market conditions, and other future events that are highly subjective in nature and subject to change.

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

Cash and Due from Banks

The carrying amount of these assets is expected to reasonably approximate fair value given the short-term nature of the assets.

Federal Funds Sold

The carrying amount of federal funds sold is expected to reasonably approximate fair value based upon the short-term nature of the asset.

Investment Securities Available-for-sale

The fair value of investment securities is determined by quoted market prices at the time of acquisition.

Loans

The fair value of acquired loans is estimated upon a discounted cash flow methodology that considered factors including the type of loans and related collateral, classification status, fixed or variable interest rate, loan term, whether or not the loan was amortizing, and a market discount rate reflecting risks inherent in the acquired loans, including potential prepayments. The fair value of acquired loans includes both a rate-based valuation mark, representing the carrying value of discount required to establish the appropriate effective yield for acquired loans, as well as a credit-based valuation mark representing the valuation adjustment applied to acquired loans related to credit loss assumptions.

Other Real Estate Owned

The fair value of other real estate owned is estimated based upon the value that management expects to receive when the property is sold, net of related costs of disposal.

Core Deposit Intangibles

The fair value of core deposit intangibles is estimated based upon a discounted cash flow methodology that gave appropriate consideration to expected customer attrition rates, cost of the deposit base, and the net maintenance cost attributable to customer deposits.

Premises and Equipment

The fair value of premises and equipment is estimated based upon independent appraisals.

Other Assets

Other assets generally include accrued interest that has been earned on borrowers' loans or investment securities not yet received and prepaid expenses. The carrying value of these assets is expected to reasonably approximate fair value.

Deposits

The fair values used for the noninterest-bearing deposits that comprise the transactions accounts acquired closely approximate the amount payable on demand at the acquisition date and thus reasonably approximate fair value. The fair value of interest-bearing deposits is estimated based upon a discounted cash flow methodology. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are temporary differences between the carrying amount of an asset or a liability recognized in the Consolidated Balance Sheets and the related tax basis for the asset or liability using enacted tax rates in effect for the year in which the difference are expected to be recovered.

Other Liabilities

Other liabilities generally include accrued interest on deposit accounts and additional accounts held in escrow. The carrying value of these liabilities is expected to reasonably approximate fair value.

Operating Segments

Accounting standards require that information be reported about a company's operating segments using a "management approach." Reportable segments are identified in these standards as those revenue-producing components for which separate financial information is produced internally and which are subject to evaluation by the chief operating decision maker. While the chief operating decision maker monitors the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a Company-wide basis. Operating segments are aggregated into one as operating results for all segments are similar. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment.

Recent Accounting Pronouncements

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. The ASU requires companies to present information about reclassification adjustments from accumulated other comprehensive income in a single note or on the face of the financial statements. Additionally, companies are to disclose, by component, reclassifications out of accumulated other comprehensive income and their effects on the respective line items on net income and other disclosures currently required under U.S. GAAP. The ASU is effective prospectively for fiscal years beginning on or after December 15, 2012. The adoption of this ASU did not have a material impact on the Company's financial condition or results of operations.

In January 2014, the FASB issued ASU 2014-01, Investments – Equity Method and Joint Ventures (Topic 323): *Accounting for Investments in Qualified Affordable Housing Projects.* The ASU permits reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense (benefit). The ASU should be applied retrospectively to all periods presented. A reporting entity that uses the effective yield method to account for its investments in qualified affordable housing projects before the date of adoption may continue to apply the effective yield method for those preexisting investments. The ASU is effective for annual periods beginning after December 15, 2014. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company's financial condition or results of operations.

In January 2014, the FASB issued ASU 2014-04, Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40): *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure.* The ASU clarifies that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the ASU requires annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. This ASU is effective for fiscal periods beginning after December 15, 2014. This ASU is not expected to have a material impact on the Company's financial condition or results of operations.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The ASU provides a five-step revenue recognition model for all revenue arising from contracts with customer and affects all entities that enter into contracts to provide goods or services to their customers (unless the contracts are included in the scope of other standards). The ASU requires an entity to recognize the revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. This ASU is effective for annual reporting periods beginning after December 15, 2016. The Company is evaluating the effect of adopting this ASU, but does not expect the adoption of this guidance to have a material impact on the Company's financial condition or results of operations.

In June 2014, the FASB issued ASU 2014-11, Transfers and Servicing (Topic 860): *Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*. The ASU makes amendments to the current guidance on accounting for certain repurchase agreements and expands disclosure requirements for certain transfers of financial assets accounted for as sales or as secured borrowings. The accounting changes in this ASU are effective for annual reporting periods beginning after December 15, 2014. The Company is evaluating the effect of adopting this ASU, but does not expect the adoption of this ASU to have a material impact on the Company's financial condition or results of operations.

In August 2014, the FASB issued ASU 2014-14, Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40): *Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure – a consensus of the FASB Emerging Issues Task Force*. This ASU reduces diversity in practice with regards to the classification of foreclosed mortgage loans that are fully or partially guaranteed under government programs.

(In thousands of dollars, except share data)

Greater consistency in classification of such mortgage loans upon foreclosure is expected to provide more decision-useful information about a creditor's foreclosed mortgage loans that are expected to be recovered, at least in part, through government guarantees. This ASU is effective for annual periods beginning after December 15, 2014 with earlier adoption permitted for companies which have already adopted the ASU. This ASU is not expected to have a significant impact on the Company's financial conditions or results of operations.

2. Acquisitions

Verity Capital Group

On April 16, 2014, the Company acquired 100% of the outstanding shares of Verity Capital Group ("Verity"), a bank holding company headquartered in Winder, Georgia, for cash consideration of $27,243. The acquisition provided the Company with an opportunity to expand its banking presence in Northeast Georgia.

Upon consummation of the acquisition, Verity was merged with and into the Company, with the Company as the surviving entity in the merger. Shortly thereafter, Verity's wholly-owned banking subsidiary, Verity Bank, was also merged with and into CSB. Verity Bank had a total of two banking locations located in northeast Georgia. The table below presents a summary of the assets acquired and liabilities assumed as a result of the Verity acquisition:

	Carrying Value Acquired	Purchase Adjustments	As Recorded by CSB
Assets			
Cash and due from banks	$ 13,846	$ —	$ 13,846
Investment securities	28,044	61	28,105
Loans, net	111,661	(987)	110,674
Premises and equipment	4,514	(311)	4,203
Intangible assets	—	1,871	1,871
Deferred tax assets	1,463	(116)	1,347
Other assets	2,511	(372)	2,139
Total assets acquired	$ 162,039	$ 146	$ 162,185
Liabilities			
Deposits			
Noninterest-bearing	$ 12,966	$ —	$ 12,966
Interest-bearing	128,585	98	128,683
Total deposits	141,551	98	141,649
Other liabilities	279	—	279
Total liabilities assumed	$ 141,830	$ 98	$ 141,928
Net identifiable assets acquired			$ 20,257
Cash consideration transferred to Verity			27,243
Goodwill			$ 6,986

The acquisition of Verity resulted in the recognition of $6,986 in goodwill, none of which is deductible for tax purposes. The goodwill arose primarily as a result of the expected synergies from combining the operations of Verity with the Company.

(In thousands of dollars, except share data)

The loans acquired had gross contractual amounts receivable of $136,626. At the acquisition date, the Company's current estimate of expected cash flows to be collected was $131,297.

Eastside Commercial Bank

On July 18, 2014, Eastside Commercial Bank ("Eastside") was placed into receivership with the FDIC upon its closure by the Georgia Department of Banking and Finance. CSB purchased certain assets (primarily performing loans) and assumed substantially all of the deposits of Eastside from the FDIC, as Receiver of Eastside, in order to expand CSB's banking presence in Georgia. CSB did not enter into any loss sharing agreement with the FDIC in connection with the Eastside transaction. Eastside operated two commercial banking branches in northeast Georgia. The table below presents a summary of the assets and liabilities purchased in the Eastside acquisition:

	As Recorded by Eastside	Assets Received from FDIC	Purchase Adjustments	As Recorded by CSB
Assets				
Cash and due from banks	$ 26,694	$ 69,591	$ —	$ 96,285
Due from / (to) FDIC	—	—	—	—
Investment securities	13,903	—	(89)	13,814
Loans, net	52,747	—	(2,039)	50,708
Premises and equipment	76	—	(52)	24
Intangible assets	—	—	784	784
Other assets	439	—	—	439
Total assets acquired	$ 93,859	$ 69,591	$ (1,396)	$ 162,054
Liabilities				
Deposits				
Noninterest-bearing	$ 45,270	$ —	$ —	$ 45,270
Interest-bearing	112,835	—	—	112,835
Total deposits	158,105	—	—	158,105
Deferred tax liability	—	—	1,450	1,450
Other liabilities	221	—	—	221
Total liabilities assumed	$ 158,326	$ —	$ 1,450	$ 159,776
Excess of assets assumed over liabilities acquired	$ (64,467)	$ 69,591	$ (2,846)	
Gain on acquisition of Eastside				$ 2,278

The acquisition of Eastside resulted in a bargain purchase gain of $2,278, which is included in "gain on acquisition" within the Consolidated Statements of Income. The gain represents the excess of the estimated fair value of the assets acquired (including cash payments received from the FDIC) over the estimated fair value of the liabilities assumed and is influenced significantly by the FDIC-assisted transaction process.

The loans acquired had gross contractual amounts receivable of $56,505. At the acquisition date, CSB's current estimate of expected cash flows to be collected was $55,189.

(In thousands of dollars, except share data)

Alliance Bancshares, Inc.

On August 20, 2014, CSB acquired 100% of the outstanding shares of Alliance Bancshares ("Alliance"), a bank holding company headquartered in Dalton, Georgia, for cash consideration of $20,943. The acquisition provided CSB with an opportunity to expand its banking presence in Northwest Georgia.

Upon consummation of the acquisition, Alliance was merged with and into the Company, with CSB as the surviving entity in the merger. Shortly thereafter, Alliance's wholly-owned banking subsidiary, Alliance National Bank, was also merged with and into CSB. Alliance National Bank had a total of two banking locations located in Northwest Georgia.

The table below presents a summary of the assets acquired and liabilities assumed as a result of the Alliance acquisition:

	Carrying Value Acquired	Purchase Adjustments	As Recorded by CSB
Assets			
Cash and due from banks	$ 12,947	$ —	$ 12,947
Investment securities	38,983	242	39,225
Loans, net	92,783	(2,705)	90,078
Other real estate owned	2,202	(929)	1,273
Premises and equipment	2,814	148	2,962
Intangible assets	—	1,375	1,375
Deferred tax assets	2,585	900	3,485
Other assets	3,567	13	3,580
Total assets acquired	$ 155,881	$ (956)	$ 154,925
Liabilities			
Deposits			
Noninterest-bearing	$ 21,557	$ —	$ 21,557
Interest-bearing	100,703	—	100,703
Total deposits	122,260	—	122,260
Other borrowings	4,000	—	4,000
Other liabilities	12,080	—	12,080
Total liabilities assumed	$ 138,340	$ —	$ 138,340
Net identifiable assets acquired			$ 16,585
Cash consideration transferred to Alliance			20,943
Goodwill			$ 4,358

The acquisition of Alliance resulted in the recognition of $4,358 in goodwill, none of which is deductible for tax purposes. The goodwill arose primarily as a result of the expected synergies from combining the operations of Alliance with CSB.

The loans acquired had gross contractual amounts receivable of $105,900. At the acquisition date, CSB's current estimate of expected cash flows to be collected was $100,924.

(In thousands of dollars, except share data)

Essex Bank

On November 8, 2013, CSB purchased Essex Bank's ("Essex") Georgia banking franchise, which was comprised of four bank branches located in Loganville, Snellville, Grayson and Covington, Georgia, for cash consideration of $2,569. The purchase provided CSB with an opportunity to expand its banking presence in Georgia.

The table below presents a summary of the assets and liabilities purchased from Essex:

	Carrying Value Acquired	Purchase Adjustments	As Recorded by CSB
Assets			
Cash and due from banks	$ 187,940	$ —	$ 187,940
Premises and equipment	5,174	(43)	5,131
Intangible assets	—	1,214	1,214
Other assets	191	—	191
Total assets acquired	$ 193,305	$ 1,171	$ 194,476
Liabilities			
Deposits			
Noninterest-bearing	$ 15,869	$ —	$ 15,869
Interest-bearing	177,301	192	177,493
Total deposits	193,170	192	193,362
Other liabilities	135	—	135
Total liabilities assumed	$ 193,305	$ 192	$ 193,497
Net identifiable assets acquired			$ 979
Cash consideration transferred to Essex			2,569
Goodwill			$ 1,590

The acquisition of the Essex branches resulted in the recognition of $1,590 in goodwill, which is fully deductible for tax purposes. The goodwill arose primarily as a result of the expected synergies from combining the operations of the Essex branches with the Company.

Acquisitions Prior to 2013

Prior to 2013, CSB acquired seven financial institutions in FDIC-assisted transactions. In conjunction with these FDIC-assisted acquisitions, the Company entered into loss share agreements with the FDIC such that CSB and the FDIC will share in the losses on assets covered under the loss share agreements until the agreements expire as discussed below.

(In thousands of dollars, except share data)

The loss share agreements applicable to single family residential mortgage loans and related foreclosed assets (the "single family" assets) provide for FDIC loss sharing and CSB's reimbursement to the FDIC for recoveries of covered losses for ten years from the date on which each applicable loss share agreement was entered. The loss share agreements applicable to commercial loans and related foreclosed assets (the "non-single family" assets) provide for FDIC loss sharing for five years from the date on which each applicable loss share agreement was entered and CSB's reimbursement to the FDIC for recoveries of covered losses for an additional three years thereafter. The following table provides additional information about the timing and nature of the FDIC-assisted acquisitions completed prior to 2013:

Financial Institution Acquired	Loss Share Agreement Type	Date Acquired
First National Bank of Georgia ("FNBGA")	Single Family & Non-Single Family	January 29, 2010
Appalachain Community Bank ("ACB")	Single Family & Non-Single Family	March 19, 2010
Bank of Ellijay ("BOE")	Single Family & Non-Single Family	September 17, 2010
The Peoples Bank ("TPB")	Single Family & Non-Single Family	September 17, 2010
First Commerce Community Bank ("FCCB")	Single Family & Non-Single Family	September 17, 2010
Georgia Trust Bank ("GTB")	Non-Single Family	July 20, 2012
First Cherokee State Bank ("FCSB")	Non-Single Family	July 20, 2012

3. Investment Securities

The aggregate values of investment securities at December 31, 2014 and 2013 along with unrealized gains and losses determined on an individual security basis are as follows:

	Held-to-Maturity As of December 31, 2014				Available-for-Sale As of December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government	$ —	$ —	$ —	$ —	$ 39,822	$ 89	$ 745	$ 39,166
Certificates of deposit	17,974	39	98	17,915	—	—	—	—
FNMA, GNMA and FHLMC mortgage-backed securities	—	—	—	—	208,915	3,608	547	211,976
Asset backed securities	—	—	—	—	18,791	3	72	18,722
Collateralized mortgage obligations	—	—	—	—	142,107	1,430	827	142,710
State, county and municipal	64,929	3,643	27	68,545	7,016	99	3	7,112
Corporate bonds	—	—	—	—	21,255	206	86	21,375
Equity securities	—	—	—	—	3,822	—	—	3,822
Total investment securities	$ 82,903	$ 3,682	$ 125	$86,460	$ 441,728	$ 5,435	$ 2,280	$444,883

(In thousands of dollars, except share data)

	Held-to-Maturity As of December 31, 2013				Available-for-Sale As of December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government	$ —	$ —	$ —	$ —	$ 30,120	$ —	$ 1,750	$ 28,370
Certificates of deposit	10,777	4	174	10,607	—	—	—	—
FNMA, GNMA and FHLMC mortgage-backed securities	—	—	—	—	211,093	2,312	2,485	210,920
Asset backed securities	—	—	—	—	19,470	14	79	19,405
Collateralized mortgage obligations	—	—	—	—	157,002	2,606	559	159,049
State, county and municipal	64,903	2,394	377	66,920	—	—	—	—
Corporate bonds	—	—	—	—	15,069	268	235	15,102
Equity securities	—	—	—	—	191	—	—	191
Total investment securities	$ 75,680	$ 2,398	$ 551	$77,527	$ 432,945	$ 5,200	$ 5,108	$433,037

The following table provides contractual maturity information for investment securities as of December 31, 2014. Callable investment securities are assumed to mature on their earliest call date. Actual maturities may differ from contractual maturity because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Held-to-Maturity As of December 31, 2014		Available-for-Sale As of December 31, 2014	
	Cost	Fair Value	Cost	Fair Value
Maturing in				
One year or less	$ 227	$ 227	$ 1,565	$ 1,575
One through five years	18,815	19,177	273,554	276,874
Five through ten years	48,631	51,024	150,049	149,833
Over ten years	15,230	16,032	12,738	12,779
Equity securities	—	—	3,822	3,822
Total investment securities	$82,903	$ 86,460	$441,728	$ 444,883

(In thousands of dollars, except share data)

The following table provides information regarding investment securities with unrealized losses as of December 31, 2014 and 2013:

	As of December 31, 2014								
	Less Than 12 Months			More Than 12 Months			Total		
	Investment Positions	Fair Value	Unrealized Losses	Investment Positions	Fair Value	Unrealized Losses	Investment Positions	Fair Value	Unrealized Losses
U.S. government	10	$ 4,952	$ 15	5	$ 24,368	$ 730	15	$ 29,320	$ 745
Certificates of deposit	20	4,480	26	19	4,194	72	39	8,674	98
FNMA, GNMA and FHLMC mortgage-backed securities	1	10,167	35	9	36,944	512	10	47,111	547
Asset backed securities	3	10,211	35	1	4,825	37	4	15,036	72
Collateralized mortgage obligations	6	48,245	484	2	9,633	343	8	57,878	827
State, county and municipal	4	1,487	3	3	1,812	27	7	3,299	30
Corporate bonds	1	5,100	82	1	4,997	4	2	10,097	86
Total investment securities	45	$ 84,642	$ 680	40	$ 86,773	$ 1,725	85	$ 171,415	$ 2,405

	As of December 31, 2013								
	Less Than 12 Months			More Than 12 Months			Total		
	Investment Positions	Fair Value	Unrealized Losses	Investment Positions	Fair Value	Unrealized Losses	Investment Positions	Fair Value	Unrealized Losses
U.S. government	6	$ 28,370	$ 1,750	—	$ —	$ —	6	$ 28,370	$ 1,750
Certificates of deposit	45	9,770	174	—	—	—	45	9,770	174
FNMA, GNMA and FHLMC mortgage-backed securities	19	96,094	2,485		—	—	19	96,094	2,485
Asset backed securities	2	8,283	46	2	9,133	33	4	17,416	79
Collateralized mortgage obligations	5	25,552	176	1	8,231	383	6	33,783	559
State, county and municipal	19	12,490	321	1	666	56	20	13,156	377
Corporate bonds	2	9,850	235	—	—	—	2	9,850	235
Total investment securities	98	$ 190,409	$ 5,187	4	$ 18,030	$ 472	102	$ 208,439	$ 5,659

The Company held certain investment securities having unrealized loss positions. As of December 31, 2014, the Company did not intend to sell these investment securities nor was it more likely than not that the Company would be required to sell these investment securities before their anticipated recovery or maturity. The Company has reviewed its portfolio for OTTI in accordance with the accounting policies outlined in Note 1, “Summary of Significant Accounting Policies and Nature of Business”, to the Consolidated Financial Statements. Market changes in interest rates and credit spreads will result in temporary unrealized losses as the market price of investment securities fluctuates. As a result, the Company had no other-than-temporary impairment for the years ended December 31, 2014 and 2013.

During the years ended December 31, 2014 and 2013, the Company had investment gross gains of $1,355 and $2,541 and investment losses of $14 and $9, respectively.

During the year ended December 31, 2011, the Company elected to transfer certain debt investment securities from its available-for-sale portfolio to its held-to-maturity portfolio. These transfers were made at fair value at the date of transfer and the unrealized holding gain of $898 at this date is retained in accumulated other comprehensive income. Such amounts are amortized as a yield adjustment over their remaining contractual life.

The Company had pledged held-to-maturity and available-for-sale investment securities having aggregate fair values of $27,981 and $304,489, respectively, at December 31, 2014 and $64,305 and $333,062, respectively, at December 31, 2013, to secure public funds on deposit and certain other borrowings, and for other purposes as required by law.

4. Loans Held for Investment

Composition of Loan Portfolio

The Company engages in a full complement of lending activities, including real estate-related loans, construction loans, commercial & industrial loans, and consumer purpose loans within select markets in Georgia. While risk of loss in the Company’s portfolio is primarily tied to the credit quality of the various borrowers, risk of loss may increase due to factors beyond the Company’s control, such as local, regional and/or national economic downturns. General conditions in the real estate market may also impact the relative risk in the real estate portfolio.

Construction loans include loans for the development of residential neighborhoods, construction of one-to-four family residential construction loans to builders, and commercial real estate construction loans, primarily for owner-occupied properties. Construction loans generally carry a higher degree of risk than long-term financing of existing properties because repayment depends upon the ultimate completion of the project and usually on the subsequent lease-up and/or sale of the property. The Company limits its construction lending risk through adherence to established underwriting procedures.

Commercial real estate loans include loans secured by owner-occupied commercial buildings for office, storage, retail, farmland, and warehouse space. They also include non-owner occupied commercial buildings such as leased retail and office space, multi-family properties, and senior housing developments. The primary risk associated with loans secured with income-producing property is the inability of that property to produce adequate cash flow to service the debt. High unemployment, generally weak economic conditions and/or an oversupply in the market may result in our customer having difficulty achieving adequate occupancy rates. Payments on such loans are often dependent on successful operation or management of the properties.

Commercial & industrial loans include both secured and unsecured loans for working capital, expansion, and other business purposes. Short-term working capital loans may be secured by non-real estate collateral such as accounts receivable, inventory, and/or equipment. The Company evaluates the financial strength, cash flow, management, credit history of the borrower and the quality of the collateral securing the loan. Repayment is primarily dependent on the ability of the borrower to achieve business results consistent with those projected at loan origination resulting in cash flow sufficient to service the debt. To the extent that a borrower’s business results are significantly unfavorable versus the original projections, the ability for the loan to be serviced on a basis consistent with the contractual terms may be at risk. The Company often requires personal guarantees and secondary sources of repayment on commercial & industrial loans.

(In thousands of dollars, except share data)

Residential real estate loans generally represent permanent mortgage financing and are secured by residential properties. Residential real estate loans also include home equity lines of credit. Significant and rapid declines in real estate values can result in residential mortgage loan borrowers having debt levels in excess of the current market value of the collateral.

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

The Company also has a portfolio of PCI loans as a result of its FDIC-assisted acquisitions. See Note 1, "Summary of Significant Accounting Policies and Nature of Business" for additional information regarding PCI loans.

The Company's recorded investment in loans outstanding at December 31, 2014 and 2013 is summarized as follows:

	2014	2013
Commercial loans:		
Construction	$ 283,528	$ 194,996
Commercial real estate	835,163	522,805
Commercial & industrial	335,853	275,995
Total commercial loans	1,454,544	993,796
Consumer loans:		
Residential real estate	121,912	64,600
Automobile	230,576	70,139
Marine and recreational vehicle	298,740	241,503
Other consumer purpose	11,274	12,432
Total consumer loans	662,502	388,674
Purchased credit-impaired loans:		
Construction	16,382	16,814
Commercial real estate	172,733	212,286
Commercial & industrial	10,556	15,653
Residential real estate	104,256	133,552
Other consumer purpose	1,314	1,862
Total purchased credit-impaired loans	305,241	380,167
Loans held for investment	$ 2,422,287	$ 1,762,637
Loans held for sale	$ 1,981	$ 1,967

Under a line of credit agreement with the FHLBA, at December 31, 2014 and 2013, the Company had pledged certain loans under a blanket lien as collateral for its FHLBA borrowings. The loans encumbered by the blanket lien included all qualifying 1-4 family first mortgage loans, multi-family first mortgage loans, and commercial real estate loans. Loans pledged as collateral for FHLBA borrowings totaled $2,062,251 and $1,612,383 at December 31, 2014 and 2013, respectively.

(In thousands of dollars, except share data)

Covered Loans

Included in loans held for investment are loans acquired in FDIC-assisted transactions that are initially covered under loss share agreements ("covered loans"). The Company's recorded investment in covered loans at December 31, 2014 and 2013 is summarized as follows:

	2014	2013
Commercial loans	$ 2,127	$ 2,095
Consumer loans	15,030	16,934
Purchased credit-impaired loans:	287,720	359,908
Total covered loans	$ 304,877	$ 378,937

Credit Quality

The Company monitors the credit quality of its commercial loan portfolio using internal credit risk ratings. These credit risk ratings are based upon established regulatory guidance and are assigned upon initial approval of credit to borrowers. Credit risk ratings are updated at least annually after the initial assignment or whenever management becomes aware of information affecting the borrowers' ability to fulfill their obligations. The Company utilizes the following categories of credit grades to evaluate its commercial loan portfolio:

Pass. Higher quality loans that do not fit any of the other categories described below.

Special Mention. The Company assigns a special mention rating to loans with potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or lease or the Company's credit position at some future date.

Substandard. The Company assigns a substandard rating to loans that are inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged, if any. Substandard loans have well-defined weaknesses that jeopardize repayment of the debt. Substandard loans are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not addressed.

*Doubtful***.** The Company assigns a doubtful rating to loans with all the attributes of a substandard rating 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. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors that may work to the advantage and strengthening of the credit quality of the loan, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral and refinancing plans.

(In thousands of dollars, except share data)

The following tables show the credit quality indicators associated with the Company's commercial loan portfolio (excluding PCI loans) as of December 31, 2014 and 2013:

	As of December 31, 2014			
	Construction	Commercial Real Estate	Commercial & Industrial	Total
Pass	$ 283,011	$ 783,889	$ 312,756	$1,379,656
Special Mention	172	36,015	3,540	39,727
Substandard	345	15,259	4,925	20,529
Doubtful	—	—	14,632	14,632
	$ 283,528	$ 835,163	$ 335,853	$1,454,544

	As of December 31, 2013			
	Construction	Commercial Real Estate	Commercial & Industrial	Total
Pass	$ 194,422	$ 516,385	$ 271,271	$ 982,078
Special Mention	180	4,100	1,115	5,395
Substandard	394	2,320	3,609	6,323
Doubtful	—	—	—	—
	$ 194,996	$ 522,805	$ 275,995	$ 993,796

The Company monitors the credit quality of its consumer portfolio based primarily on payment activity and credit scores. Payment activity is the primary factor considered in determining whether a consumer loan should be classified as nonperforming.

The following tables show the credit quality indicators associated with the Company's consumer loan portfolio (excluding PCI loans) as of December 31, 2014 and 2013:

	As of December 31, 2014				
	Residential Real Estate	Automobile	Marine & RV	Other Consumer	Total
Performing	$ 120,511	$ 230,283	$ 298,671	$ 11,264	$660,729
Nonperforming	1,401	293	69	10	1,773
	$ 121,912	$ 230,576	$ 298,740	$ 11,274	$662,502

	As of December 31, 2013				
	Residential Real Estate	Automobile	Marine & RV	Other Consumer	Total
Performing	$ 62,553	$ 70,063	$ 241,474	$ 12,430	$386,520
Nonperforming	2,047	76	29	2	2,154
	$ 64,600	$ 70,139	$ 241,503	$ 12,432	$388,674

(In thousands of dollars, except share data)

The following tables show the credit quality indicators associated with the Company's commercial PCI loans as of December 31, 2014 and 2013:

	As of December 31, 2014			
	Construction	Commercial Real Estate	Commercial & Industrial	Total
Pass	$ 5,958	$ 99,498	$ 9,293	$114,749
Special Mention	1,296	22,071	284	23,651
Substandard	7,865	49,065	972	57,902
Doubtful	1,263	2,099	7	3,369
	$ 16,382	$ 172,733	$ 10,556	$199,671

	As of December 31, 2013			
	Construction	Commercial Real Estate	Commercial & Industrial	Total
Pass	$ 5,132	$ 119,121	$ 5,808	$130,061
Special Mention	1,173	16,414	7,156	24,743
Substandard	6,453	74,523	1,165	82,141
Doubtful	4,056	2,228	1,524	7,808
	$ 16,814	$ 212,286	$ 15,653	$244,753

The following tables show the credit quality indicators associated with the Company's consumer PCI loans as of December 31, 2014 and 2013:

	As of December 31, 2014		
	Residential Real Estate	Other Consumer	Total
Performing	$ 89,984	$ 1,287	$ 91,271
Nonperforming	14,272	27	14,299
	$ 104,256	$ 1,314	$105,570

	As of December 31, 2013		
	Residential Real Estate	Other Consumer	Total
Performing	$ 111,457	$ 1,341	$112,798
Nonperforming	22,095	521	22,616
	$ 133,552	$ 1,862	$135,414

(In thousands of dollars, except share data)

Delinquency

An aging analysis for the Company's loan portfolio (excluding PCI loans) at December 31, 2014 and 2013 is shown in the tables below:

	As of December 31, 2014					
	Current	30-89 Days Past Due	90+ Days Past Due	Total	90+ Days Accruing	Nonaccrual
Commercial loans:						
Construction	$ 283,487	$ —	$ 41	$ 283,528	$ —	$ 233
Commercial real estate	830,162	4,663	338	835,163	—	5,507
Commercial & industrial	329,305	333	6,215	335,853	164	14,722
Consumer loans:						
Residential real estate	120,464	1,104	344	121,912	113	1,401
Automobile	229,404	1,002	170	230,576	30	293
Marine & RV	298,312	413	15	298,740	—	69
Other consumer purpose	11,138	136	—	11,274	—	10
	$2,102,272	$ 7,651	$ 7,123	$2,117,046	$ 307	$ 22,235

	As of December 31, 2013					
	Current	30-89 Days Past Due	90+ Days Past Due	Total	90+ Days Accruing	Nonaccrual
Commercial loans:						
Construction	$ 194,936	$ 60	$ —	$ 194,996	$ —	$ 60
Commercial real estate	520,869	483	1,453	522,805	—	1,453
Commercial & industrial	275,970	20	5	275,995	—	106
Consumer loans:						
Residential real estate	63,340	511	749	64,600	—	2,047
Automobile	69,814	296	29	70,139	—	76
Marine & RV	241,403	100	—	241,503	—	29
Other consumer purpose	12,239	183	10	12,432	8	1
	$1,378,571	$ 1,653	$ 2,246	$1,382,470	$ 8	$ 3,772

For PCI loans, if the Company has a reasonable expectation about the timing and amount of cash flows expected to be collected, the loans meet the criteria for the recognition of income and are considered to be accruing loans.

(In thousands of dollars, except share data)

An aging analysis for the Company's PCI loans at December 31, 2014 and 2013 is shown in the tables below:

	As of December 31, 2014					
	Current	30-89 Days Past Due	90+ Days Past Due	Total	90+ Days Accruing	Nonaccrual
PCI loans:						
Construction	$ 14,423	$ 147	$ 1,812	$ 16,382	$ 1,812	$ —
Commercial real estate	156,696	2,700	13,337	172,733	13,337	—
Commercial & industrial	9,903	134	519	10,556	519	—
Residential real estate	95,194	4,155	4,907	104,256	4,907	—
Other consumer purpose	1,247	63	4	1,314	4	—
	$277,463	$ 7,199	$ 20,579	$305,241	$ 20,579	$ —

	As of December 31, 2013					
	Current	30-89 Days Past Due	90+ Days Past Due	Total	90+ Days Accruing	Nonaccrual
PCI loans:						
Construction	$ 11,648	$ —	$ 5,166	$ 16,814	$ 5,166	$ —
Commercial real estate	188,657	2,784	20,845	212,286	20,845	—
Commercial & industrial	13,583	309	1,761	15,653	1,761	—
Residential real estate	119,495	5,527	8,530	133,552	8,530	—
Other consumer purpose	1,356	21	485	1,862	485	—
	$334,739	$ 8,641	$ 36,787	$380,167	$ 36,787	$ —

(In thousands of dollars, except share data)

Impaired Loans

The following tables set forth certain information regarding the Company's impaired loans (excluding PCI loans) as of December 31, 2014 and 2013:

	As of December 31, 2014				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial loans:					
Construction	$ 233	$ 911	$ —	$ 473	$ 196
Commercial real estate	5,507	7,241	—	4,221	375
Commercial & industrial	8,693	12,838	—	8,873	173
Consumer loans:					
Residential real estate	1,530	3,290	—	2,015	39
Automobile	170	321	—	205	7
Marine & RV	21	25	—	43	3
Other consumer purpose	17	24	—	22	2
With an allowance recorded:					
Commercial loans:					
Construction	—	—	—	—	—
Commercial real estate	—	—	—	—	—
Commercial & industrial	6,054	6,073	5,146	6,213	178
Consumer loans:					
Residential real estate	208	208	9	209	9
Automobile	123	144	16	122	2
Marine & RV	47	47	1	48	1
Other consumer purpose	32	32	2	34	2
Total impaired loans	$ 22,635	$ 31,154	$ 5,174	$ 22,478	$ 987

(In thousands of dollars, except share data)

	As of December 31, 2013				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial loans:					
Construction	$ 59	$ 64	$ —	$ 61	$ —
Commercial real estate	1,453	1,465	—	1,198	—
Commercial & industrial	106	141	—	145	3
Consumer loans:					
Residential real estate	1,627	3,152	—	1,763	17
Automobile	8	69	—	49	2
Marine & RV	14	14	—	14	1
Other consumer purpose	39	55	—	29	1
With an allowance recorded:					
Commercial loans:					
Construction	—	—	—	—	—
Commercial real estate	—	—	—	—	—
Commercial & industrial	36	36	1	37	—
Consumer loans:					
Residential real estate	755	1,391	67	757	—
Automobile	67	70	12	64	
Marine & RV	15	17	2	17	1
Other consumer purpose	8	8	3	6	68
Total impaired loans	$ 4,187	$ 6,482	$ 85	$ 4,140	$ 93

Troubled Debt Restructurings

From time to time, the Company may modify loans under the terms of a TDR. Modifications typically involve a reduction in the stated interest rate of the loan lower than a market rate for new debt with similar risks, an extension of the maturity date of the loan, or both. As of December 31, 2014, the Company had modified a total of 28 loans under the terms of a TDR with a recorded investment of $11,705. As of December 31, 2013, the Company had modified a total of 26 loans under the terms of a TDR with a recorded investment of $8,777. The following tables present loans by class modified as TDRs during the years ended December 31, 2014 and 2013:

	2014		
	Number of Contracts	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
Residential real estate	2	$ 194	$ 194
Commercial real estate	2	2,909	2,909
Total	4	$ 3,103	$ 3,103

(In thousands of dollars, except share data)

	2013		
	Number of Contracts	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
Residential real estate	4	$ 932	$ 932
Commercial real estate	4	7,289	7,289
Total	8	$ 8,221	$ 8,221

During the years ended December 31, 2014 and 2013, respectively, the Company had not modified any loans under the terms of a TDR that subsequently defaulted within the next twelve months. Additionally, the Company was not committed to lend any additional amounts in connection with loans that had been modified in a TDR as of December 31, 2014 and December 31, 2013, respectively. Charge-offs on TDRs are factored into the rolling historical loss rate, which is used in the calculation of the ALL.

Purchased Credit-Impaired Loans

The unpaid principal balance of the Company's PCI loan portfolio was $448,558 and $612,080 as of December 31, 2014 and 2013. Changes in the amount of accretable yield on PCI loans for the years ended December 31, 2014 and 2013 were as follows:

	FNBGA	ACB	BOE	TPB	FCCB	GTB	FCSB	TOTAL
Balance at January 1, 2013	$ 52,502	$ 39,848	$ 7,818	$19,894	$ 7,850	$ 3,807	$30,260	$161,979
Additions	—	—	—	—	—	—	—	—
Accretion	(17,545)	(12,673)	(4,783)	(7,289)	(5,154)	(3,176)	(6,827)	(57,447)
Exit events	(4,031)	(3,655)	(1,152)	(2,030)	(1,848)	(1,080)	(3,616)	(17,412)
Other activity, net	306	341	191	28	4	109	377	1,356
Reclassifications from nonaccretable difference	9,741	7,605	5,079	5,334	5,843	5,528	10,195	49,325
Balance at December 31, 2013	40,973	31,466	7,153	15,937	6,695	5,188	30,389	137,801
Additions	—	—	—	—	—	—	—	—
Accretion	(13,524)	(9,038)	(3,674)	(7,179)	(3,268)	(3,048)	(5,498)	(45,229)
Exit events	(3,107)	(2,250)	(555)	(3,015)	(373)	(235)	(4,214)	(13,749)
Other activity, net	999	480	205	298	239	94	3	2,318
Reclassifications from nonaccretable difference	12,656	4,882	2,355	8,366	3,511	3,570	3,547	38,887
Balance at December 31, 2014	$ 37,997	$ 25,540	$ 5,484	$14,407	$ 6,804	$ 5,569	$24,227	$120,028

(In thousands of dollars, except share data)

5. Allowance for Loan Losses

Activity in the ALL for the years ended December 31, 2014 and 2013 is summarized in the tables below:

	For the Year Ended December 31, 2014			
	Commercial	Consumer	PCI	Total
Beginning Balance	$ 12,186	$ 6,608	$ 11,741	$ 30,535
Charge-offs	(5,160)	(924)	(2,557)	(8,641)
Recoveries	74	392	3,936	4,402
Provision[1]	16,575	2,983	(7,944)	11,614
Ending Balance	$ 23,675	$ 9,059	$ 5,176	$ 37,910
Year-end ALL allocated to:				
Loans individually evaluated for impairment	$ 5,146	$ 27	$ —	$ 5,173
Loans collectively evaluated for impairment	18,529	9,032	—	27,561
Loans acquired with deteriorated credit quality	—	—	5,176	5,176
Ending Balance	$ 23,675	$ 9,059	$ 5,176	$ 37,910
Year-end recorded investment in loans:				
Individually evaluated for impairment	$ 20,487	$ 2,014	$ —	$ 22,501
Collectively evaluated for impairment	1,434,057	660,488	—	2,094,545
Acquired with deteriorated credit quality	—	—	305,241	305,241
Ending Balance	$ 1,454,544	$ 662,502	$ 305,241	$ 2,422,287

	For the Year Ended December 31, 2013			
	Commercial	Consumer	PCI	Total
Beginning Balance	$ 8,424	$ 3,373	$ 18,748	$ 30,545
Charge-offs	(152)	(781)	(3,778)	(4,711)
Recoveries	11	193	4,772	4,976
Provision[2]	3,903	3,823	(8,001)	(275)
Ending Balance	$ 12,186	$ 6,608	$ 11,741	$ 30,535
Year-end ALL allocated to:				
Loans individually evaluated for impairment	$ 1	$ 85	$ —	$ 86
Loans collectively evaluated for impairment	12,185	6,523	—	18,708
Loans acquired with deteriorated credit quality	—	—	11,741	11,741
Ending Balance	$ 12,186	$ 6,608	$ 11,741	$ 30,535
Year-end recorded investment in loans:				
Individually evaluated for impairment	$ 1,655	$ 2,387	$ —	$ 4,042
Collectively evaluated for impairment	992,141	386,287	—	1,378,428
Acquired with deteriorated credit quality	—	—	380,167	380,167
Ending Balance	$ 993,796	$ 388,674	$380,167	$1,762,637

1 Does not include ($2,660) in provision for unfunded commitments.
2 Does not include $1,481 in provision for unfunded commitments.

(In thousands of dollars, except share data)

In addition to the ALL, the Company also estimates probable and reasonably estimable credit losses related to unfunded lending commitments, such as letters of credit and binding unfunded loan commitments. This reserve for unfunded lending commitments totaled $3,545 and $6,205 at December 31, 2014 and 2013, respectively.

6. Premises and Equipment

Major classifications of premises and equipment at December 31, 2014 and 2013 are summarized as follows:

	2014	2013
Land	$16,718	$15,989
Premises and leasehold improvements	42,004	36,177
Furniture and equipment	24,245	22,404
	82,967	74,570
Less: Accumulated depreciation and amortization	18,350	12,608
Total premises and equipment	$64,617	$61,962

There were no premises pledged to secure borrowings at December 31, 2014 and 2013.

The Company leases certain premises and equipment under various lease agreements that provide for payment of property taxes, insurance and maintenance costs. Operating leases frequently provide for one or more renewal options on the same basis as current rental terms. However, certain leases require increased rentals under cost of living escalation clauses. Some leases also provide purchase options.

Future minimum rental commitments for noncancelable operating leases with initial or remaining terms of one or more years consisted of the following at December 31, 2014:

2015	$ 2,135
2016	1,861
2017	1,505
2018	1,194
2019	460
Thereafter	3,808
Total minimum payments	$10,963

Total rent expense for all operating leases amounted to $2,407 and $2,562 in 2014 and 2013, respectively, net of rent income, which totaled $34 and $34 during 2014 and 2013, respectively.

(In thousands of dollars, except share data)

7. OREO

The following table provides details of the Company's OREO as of December 31, 2014 and 2013:

	Covered OREO	Not Covered OREO	Total OREO
December 31, 2014			
Commercial Real Estate	$ 3,881	$ 460	$ 4,341
Construction	6,288	260	6,548
Residential Real Estate	2,648	826	3,474
Total	$ 12,817	$ 1,546	$14,363

	Covered OREO	Not Covered OREO	Total OREO
December 31, 2013			
Commercial Real Estate	$ 17,915	$ 532	$18,447
Construction	21,141	21	21,162
Residential Real Estate	7,943	241	8,184
Total	$ 46,999	$ 794	$47,793

A rollforward of the Company's OREO for the years ending December 31, 2014 and 2013 is as follows:

	Covered OREO	Not Covered OREO	Total OREO
Balance January 1, 2013	$121,524	$ 1,302	$122,826
Additions	36,060	1,213	37,273
Sales	(90,196)	(1,661)	(91,857)
Losses and other adjustments	(20,389)	(60)	(20,449)
Balance December 31, 2013	$ 46,999	$ 794	$ 47,793
Additions	15,278	1,317	16,595
Sales	(40,370)	(565)	(40,935)
Losses and other adjustments	(9,090)	—	(9,090)
Balance December 31, 2014	$ 12,817	$ 1,546	$ 14,363

(In thousands of dollars, except share data)

8. FDIC Loss Share Receivable

The following table shows changes in the carrying value of the FDIC loss share receivable for loss share agreements and the related recorded investment of the covered assets for the years ended December 31, 2014 and 2013:

	As of December 31, 2014							
	FNBGA	**ACB**	**BOE**	**TPB**	**FCCB**	**GTB**	**FCSB**	**Total**
Carrying value of FDIC loss share receivable, at January 1, 2014	$ 30,922	$ 40,283	$ 6,052	$ 2,449	$12,615	$ 5,752	$ 10,194	$ 108,267
Additions resulting from:								
Charge-offs, writedowns, and other losses	(605)	1,408	225	305	349	14	40	1,736
Allowable external expenses	1,120	1,102	(36)	(50)	(56)	119	338	2,537
Reductions resulting from:								
Effect of valuation adjustment on covered assets	(2,508)	(2,115)	(604)	(818)	(935)	(204)	(582)	(7,766)
Amortization	(20,803)	(12,481)	(1,440)	1,844	(7,056)	(745)	(2,125)	(42,806)
Payments received	(2,641)	(13,608)	(3,111)	(2,280)	(3,125)	(1,089)	(1,650)	(27,504)
Carrying value of FDIC loss share receivable, at December 31, 2014	$ 5,485	$ 14,589	$ 1,086	$ 1,450	$ 1,792	$ 3,847	$ 6,215	$ 34,464
Covered Assets:								
Loans	93,916	73,938	19,207	37,542	20,119	20,029	40,126	304,877
OREO	3,109	4,366	1,272	1,558	935	—	1,577	12,817
Total covered assets	$ 97,025	$ 78,304	$20,479	$39,100	$21,054	$20,029	$ 41,703	$ 317,694

	As of December 31, 2013							
	FNBGA	**ACB**	**BOE**	**TPB**	**FCCB**	**GTB**	**FCSB**	**Total**
Carrying value of FDIC loss share receivable, at January 1, 2013	$ 57,821	$ 88,251	$12,533	$11,030	$22,502	$11,526	$ 32,737	$ 236,400
Additions resulting from:								
Charge-offs, writedowns, and other losses	1,751	4,485	2,673	81	1,753	449	(217)	10,975
Allowable external expenses	2,758	2,915	211	414	422	391	190	7,301
Effect of valuation adjustment on covered assets	(4,127)	(1,658)	(229)	(310)	(354)	199	567	(5,912)
Reductions resulting from:								
Amortization	(10,502)	(7,870)	(2,103)	(2,794)	(3,186)	(454)	(1,292)	(28,201)
Payments received	(16,779)	(45,840)	(7,033)	(5,972)	(8,522)	(6,359)	(21,791)	(112,296)
Carrying value of FDIC loss share receivable, at December 31, 2013	$ 30,922	$ 40,283	$ 6,052	$ 2,449	$12,615	$ 5,752	$ 10,194	$ 108,267
Covered Assets:								
Loans	109,396	87,063	21,418	54,405	27,720	27,560	51,375	378,937
OREO	9,738	15,769	3,453	7,428	4,335	4,055	2,217	46,995
Total covered assets	$119,134	$102,832	$24,871	$61,833	$32,055	$31,615	$ 53,592	$ 425,932

(In thousands of dollars, except share data)

9. Goodwill and Other Intangible Assets

The following table provides details of the Company's goodwill by acquisition for the years ended December 31, 2014 and 2013:

	2014	2013
First National Bank of Georgia	$ 7,801	$ 7,801
The People's Bank	2,227	2,227
Essex Branches	1,590	1,590
Verity Bank	6,986	—
Alliance National Bank	4,358	—
Other acquisitions	122	122
Total Goodwill	$23,084	$11,740

Other intangible assets consist of core deposit intangibles and are amortized ratably over their estimated useful lives, generally seven to ten years. At December 31, 2014 and 2013, other intangibles consisted of the following:

	As of December 31, 2014		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
Core deposit intangible	$ 20,185	$ (10,447)	$ 9,738

	As of December 31, 2013		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
Core deposit intangible	$ 16,154	$ (7,600)	$ 8,554

Amortization expense recognized on core deposit intangible assets for 2014 and 2013 was $2,847 and $2,172, respectively.

The estimated amortization expense of other intangible assets is as follows:

	Amortization Expense
2015	$ 3,083
2016	2,836
2017	1,221
2018	732
2019	574
2020	378
Thereafter	914
	$ 9,738

(In thousands of dollars, except share data)

10. Deposits

Deposits at December 31, 2014 and 2013 are summarized as follows:

	2014	2013
Noninterest-bearing demand	$ 365,084	$ 279,795
Interest-bearing demand	426,406	378,382
Money market	687,025	484,749
Savings	91,329	78,454
Time	1,266,182	1,018,574
Total deposits	$ 2,836,026	$ 2,239,954

Time deposits with a minimum denomination of $100 totaled $750,925 and $532,412 at December 31, 2014 and 2013, respectively.

At December 31, 2014, the scheduled maturities of time deposits were:

2015	$ 879,666
2016	312,206
2017	37,333
2018	19,624
2019 and thereafter	17,353
Total time deposits	$ 1,266,182

11. Other Borrowings

Other borrowings include advances from the FHLBA and investment securities sold under a repurchase agreement. The Company had unused credit lines allowing access to overnight borrowings of up to $205,000 and $80,000 on an unsecured basis from four correspondent banks at December 31, 2014 and 2013, respectively.

The Company has a borrowing capacity with the FHLBA in the amount of $503,350 and $400,560 at December 31, 2014 and 2013, respectively. This is 15 percent of total qualified assets as measured by the FHLBA.

The Repurchase Agreement in the principal amount of $10,000 at December 31, 2013 was secured by investment securities with a carrying value of $12,669 at December 31, 2013. The Repurchase Agreement matured and paid off in 2014.

At December 31, 2014 and 2013, the Company had advances outstanding to the FHLBA in the principal amount of $77,000 and $82,000, respectively, secured by the Company's stock in the FHLBA and a blanket lien on the loan portfolio. At December 31, 2014 and 2013, the Company had FHLBA stock in the amount of $6,429 and $6,785, respectively, pledged to the FHLBA.

(In thousands of dollars, except share data)

Other borrowings at December 31, 2014 and 2013 are as follows:

	2014	2013
Repurchase agreement (inclusive of unamortized premium of $0 and $256, for December 31, 2014 and 2013, respectively)	$ —	$10,256
Advances payable to the FHLBA with contractual rates ranging from 0.26 percent to 4.39 percent and maturities ranging from June 2015 to March 2018 (inclusive of unamortized premium of $1,905 and $2,927 for December 31, 2014 and 2013)	78,905	84,927
Total other borrowings	$78,905	$95,183

Other borrowings maturing in each of the five years subsequent to December 31, 2014 include:

Maturity	Amount	Weighted-Average Interest Rate
2015	$ 22,099	1.41%
2016	15,216	4.35%
2017	15,829	3.40%
2018	25,761	3.07%
Thereafter	—	0.00%
Total other borrowings	$ 78,905	2.92%

12. Estimated Fair Values

Fair value measurements are determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, US GAAP establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 and 2 of the hierarchy) and reporting entity's own assumptions developed based on the best information available in the circumstances (unobservable inputs classified within Level 3 of the hierarchy).

Fair Value Hierarchy

Level 1

Valuation is based on inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2

Valuation is based on inputs, other than quoted prices included within Level 1, that are observable for the asset and liability, either directly or indirectly, such as interest rates, yield curves observable at commonly quoted intervals, and other market-corroborated inputs.

Level 3

Valuation inputs are unobservable inputs for the asset or liability, which shall be used to measure fair value to the extent that observable inputs are not available. The inputs shall reflect the Company's own assessment regarding assumptions that market participants would use in pricing the asset or liability.

Fair value estimates are made at a specific point in time based upon relevant market information and information about each asset and liability. Where information regarding the fair value of an asset or liability is available, those values are used, as is the case with investment securities and residential mortgage loans. In these cases, an open market exists in which these assets are actively traded.

Because no market exists for many assets and liabilities, fair value estimates are based upon judgments regarding future expected loss experience, current economic conditions, risk characteristics and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. For those assets or liabilities with a fixed interest rate, an analysis of the related cash flows was the basis for estimating fair values. The expected cash flows were then discounted to the valuation date using an appropriate discount rate. The discount rates used represent the rates under which similar transactions would be currently negotiated. For assets or liabilities with fixed and variable rates, fair value estimates also consider the impact of liquidity discounts appropriate as of the measurement date.

The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The Company evaluates fair value measurement inputs on an ongoing basis in order to determine if there is a change of sufficient significance to warrant a transfer between levels. Transfers between levels of the fair value hierarchy are recognized on the actual date of the event or circumstances that caused the transfer, which generally coincides with the Company’s valuation process. There were no significant transfers between levels during 2014 and 2013.

Fair Value of Financial Instruments Measured on a Recurring Basis

The following methods and assumptions were used by the Company in estimating the fair value of its financial assets on a recurring basis:

Investment Securities

Investment securities classified as available-for-sale are recorded at fair value on a recurring basis. The Company’s investment portfolio primarily consists of U.S. government agency mortgage-backed securities, non-agency mortgage-backed securities, U.S. government securities, corporate bonds and municipal securities. The fair value of investment securities classified as available-for-sale are generally determined using widely accepted valuation techniques including matrix pricing and broker-quote-based applications. Inputs may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond’s terms and conditions, among other relevant items. The Company reviews the prices supplied by the independent pricing service, as well as their underlying pricing methodologies, for reasonableness and to ensure such prices are aligned with traditional pricing matrices. From time to time, the Company validates the appropriateness of the valuations provided by the independent pricing service to prices obtained from an additional third party or prices derived using internal models.

(In thousands of dollars, except share data)

The following tables summarize the financial assets and liabilities measured at fair value on a recurring basis at December 31, 2014 and 2013:

	As of December 31, 2014			
Description	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1) Inputs**	**Quoted Prices for Similar Assets and Liabilities (Level 2) Inputs**	**Significant Unobservable Inputs (Level 3) Inputs**
Investment securities available-for-sale				
U.S. government	$ 39,166	$ —	$ 39,166	$ —
FNMA, GNMA, FHLMC mortgage-backed securities	211,976	—	211,976	—
Asset backed securities	18,722	—	18,722	—
Collateralized mortgage obligations	142,710	—	142,710	—
State, county and municipal	7,112	—	7,112	—
Corporate bonds	21,375	—	21,375	
Equity securities	3,822	—	—	3,822
	$444,883	$ —	$ 441,061	$ 3,822

	As of December 31, 2013			
Description	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1) Inputs**	**Quoted Prices for Similar Assets and Liabilities (Level 2) Inputs**	**Significant Unobservable Inputs (Level 3) Inputs**
Investment securities available-for-sale				
U.S. government	$ 28,370	$ —	$ 28,370	$ —
FNMA, GNMA, FHLMC mortgage-backed securities	210,920	—	210,920	—
Asset backed securities	19,405	—	19,405	—
Collateralized mortgage obligations	159,049	—	159,049	—
State, county and municipal	—	—	—	—
Corporate bonds	15,102	—	15,102	—
Equity securities	191	—	—	191
	$433,037	$ —	$ 432,846	$ 191

During 2014, the Company purchased level 3 investment securities of $5,341, received settlements of $1,710, and recognized no gains or losses in earnings or other comprehensive income.

(In thousands of dollars, except share data)

Fair Value of Financial Instruments Measured on a Nonrecurring Basis

The following methods and assumptions were used by the Company in estimating the fair value of its financial assets on a nonrecurring basis:

Impaired Loans

Loans are considered impaired when it is determined to be probable that all amounts due under the contractual terms of the loans will not be collected when due. Loans considered individually impaired are evaluated and a specific allowance is established if required based on the underlying collateral value of the impaired loans or the estimated discounted cash flows for such loans. A specific allowance is required if the fair value of the expected repayments or the fair value of the collateral is less than the recorded investment in the loan. The Company records impaired loans as nonrecurring level 3.

Loans Held for Sale

Level 1 loans held for sale consist of conforming residential mortgage loans accounted for at lower of cost or market. Fair value is determined based upon pricing assigned on a loan-by-loan basis, at the time a loan is locked with the borrower, through correspondent relationships that the Company maintains in order to sell loans held for sale.

OREO

The fair value of OREO is determined when the asset is transferred to foreclosed assets. The assets are carried at the lower of the carrying value or fair value less estimated costs to sell. Fair value is based upon appraised values of the collateral or management's estimation of the value of the collateral. Management requires a new appraisal at the time of foreclosure or repossession of the underlying collateral. Updated appraisals are obtained on at least an annual basis on all OREO and are considered to contain Level 3 inputs. Management has also determined, in some cases, that fair value of collateral is further impaired based upon real estate market trends and declining foreclosed property pricing. Therefore, all OREO is recorded as a nonrecurring Level 3 hierarchy.

For assets and liabilities carried at fair value on a nonrecurring basis, the following table provides fair value information as of December 31, 2014 and 2013:

	As of December 31, 2014			
Description	Net Carrying Value	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1) Inputs	Quoted Prices for Similar Assets and Liabilities (Level 2) Inputs	Significant Unobservable Inputs (Level 3) Inputs
Impaired loans	$ 22,635	$ —	$ —	$ 22,635
Loans held for sale	1,981	1,981	—	—
OREO	14,363	—	—	14,363

	As of December 31, 2013			
Description	Net Carrying Value	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1) Inputs	Quoted Prices for Similar Assets and Liabilities (Level 2) Inputs	Significant Unobservable Inputs (Level 3) Inputs
Impaired loans	$ 4,187	$ —	$ —	$ 4,187
Loans held for sale	1,967	1,967	—	—
OREO	47,793	—	—	47,793

(In thousands of dollars, except share data)

The following table provides information describing the unobservable inputs used in Level 3 fair value measurements at December 31, 2014:

As of December 31, 2014

Financial Instrument	Net Carrying Value	Valuation Technique	Unobservable Input	Range of Inputs
Impaired loans	$22,635	1) Non-Collateral Dependent: Discounted cash flow analysis 2) Collateral Dependent: Third party appraisal	1) a) Loss given default b) Probability of default c) Discount rate 2) Management discount for property type, recent market volatility, and costs to sell.	1) a) 0%—73% b) 35%—100% c) 3%—8% 2) 0%—83%
OREO	$14,363	Third party appraisal	Management discount for property type, recent market volatility and time on the market	0%—40%

As of December 31, 2013

Financial Instrument	Net Carrying Value	Valuation Technique	Unobservable Input	Range of Inputs
Impaired loans	$4,187	1) Non-Collateral Dependent: Discounted cash flow analysis 2) Collateral Dependent: Third party appraisal	1) a) Loss given default b) Probability of default c) Discount rate 2) Management discount for property type, recent market volatility, and costs to sell.	1) a) 20%—50% b) 19%—50% c) 3%—14% 2) 0%—90%
OREO	$47,793	Third party appraisal	Management discount for property type, recent market volatility and time on the market	0%—40%

(In thousands of dollars, except share data)

Fair Value of Financial Instruments

The following table includes the estimated fair value of the Company's financial assets and financial liabilities. The methodologies for estimating the fair value of financial assets and financial liabilities measured on a recurring and nonrecurring basis are discussed above. The methodologies for estimating the fair value for other financial assets and financial liabilities are discussed below. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data in order to develop the estimates of fair value. Accordingly, the estimates presented below are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation techniques may have a material effect on the estimated fair value amounts at December 31, 2014 and December 31, 2013.

	2014		2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and due from banks	$ 203,956	$ 203,956	$ 217,071	$ 217,071
Investment securities available-for-sale	444,883	444,883	433,037	433,037
Investment securities held-to-maturity	82,903	86,460	75,680	77,527
Loans held for sale	1,981	2,035	1,967	2,017
Loans held for investment, net	2,384,377	2,443,694	1,732,102	1,759,138
FDIC loss share receivable	34,464	34,464	108,267	108,267
BOLI	62,424	62,424	58,999	58,999
FHLBA stock	6,429	6,429	6,785	6,785
Deposits	2,836,026	2,808,630	2,239,954	2,233,237
Other borrowings	78,905	80,047	95,183	97,831

Cash and Due From Banks

The carrying amount approximates fair value for these instruments.

Loans Held For Sale

Loans held for sale are carried at the lower of cost or fair value. These loans currently consist of one-to-four family residential real estate loans originated for sale to qualified third parties. Fair value is based upon the contractual price to be received from these third parties, which may be different than cost.

Loans Held for Investment

Fair values are estimated for portfolios of loans with similar financial characteristics if collateral-dependent. Loans are segregated by type. The fair value of performing loans is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect observable market information incorporating the credit, liquidity, yield and other risks inherent in the loan. The estimate of maturity is based upon the Company's historical experience with repayments for each loan classification, modified, as required, by an estimate of the effect of the current economic and lending conditions.

Fair value for significant non-performing loans is generally based upon recent external appraisals. If appraisals are not available, estimated cash flows are discounted using a rate commensurate with the risk associated with the estimated cash flows. Assumptions regarding credit risk, cash flows and discount rates are judgmentally determined using available market information and specific borrower information.

Fair values for PCI loans are valued based upon a discounted expected cash flow methodology that considers various factors including the type of loan and related collateral, credit quality, fixed or variable interest rate, term of loan and whether or not the loan was amortizing and a discount rate reflecting the Company's assessment of risk inherent in the cash flow estimates. PCI loans are grouped together according to common risk characteristics and are evaluated in aggregated pools when applying various valuation techniques. The Company estimated the gross cash flows expected to be collected on these loans based upon the expected remaining life of the underlying loans, which includes the effects of estimated prepayments. The carrying amounts of PCI loans approximate fair value.

FDIC Loss Share Receivable

The fair value of the FDIC loss share receivable is estimated using projected cash flows related to the loss sharing agreements based on the expected reimbursements for losses and the applicable loss sharing percentages. The cash flows are discounted to reflect the uncertainty of the time of receipt of the loss-sharing reimbursements from the FDIC. The carrying amount of the FDIC loss share receivable approximates fair value.

FHLBA

FHLBA stock is carried at its original cost basis, as cost approximates fair value and there is no ready market for such investments.

Deposits

The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, savings and money market and checking accounts, is based on the discounted value of estimated cash flows. The fair value of time deposits is based upon the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

Other Borrowings

The fair value of the Company's FHLBA advances is estimated based upon the discounted value of contractual cash flows. The fair value of investment securities sold under agreements to repurchase approximates the carrying amount because of the short maturity of these borrowings. The discount rate is estimated using rates quoted for the same or similar issues or the current rates offered to the Company for debt of the same remaining maturities.

Commitments and Contingencies

For off-balance sheets commitments and contingencies, carrying amounts are reasonable estimates of the fair values for such financial instruments. Carrying amounts include unamortized fee income and, in some cases, reserves for any credit losses from those financial instruments. These amounts are not material to the Company's financial position.

13. Employee Benefit Plans

The Company sponsors a defined contribution 401(k) profit sharing plan which covers substantially all employees. This plan is qualified under the Internal Revenue Code and employees are eligible to participate in the 401(k) profit sharing plan after 3 months of service through deferral of portions of their salary. Based upon the employee's contribution, the Company matches up to 50 percent of the employee contribution up to 6 percent. The Company contributions to the 401(k) profit sharing plan are at the discretion of the Board of Directors. The Company made matching contributions of $593 and $454 during 2014 and 2013, respectively.

(In thousands of dollars, except share data)

The Company also maintains an unfunded, noncontributory, nonqualified SERP that covers key executives of the Company. The plan provides defined benefits based upon a fixed payment schedule. The Company expensed $403 and $490 during 2014 and 2013, respectively for the accrual of the retirement benefits.

14. Noninterest Expense

Other noninterest expense for the years ended December 31, 2014 and 2013 included the following:

	2014	2013
Technology and data processing	$ 9,187	$ 7,896
Legal and professional services	5,120	3,988
Printing and supplies	980	827
Advertising	1,661	1,355
Insurance expense	1,203	1,155
Postage	620	594
FDIC deposit insurance expense	2,649	2,193
Other	8,006	5,145
Total other noninterest expense	$29,426	$23,153

15. Accumulated Other Comprehensive Income (AOCI)

In addition to presenting the Consolidated Statements of Comprehensive Income herein, the following table shows the tax effects allocated to each component of AOCI for the years ended December 31, 2014 and 2013:

	December 31, 2014			December 31, 2013		
	Before-Tax Amount	Tax	Net-of-Tax Amount	Before-Tax Amount	Tax	Net-of-Tax Amount
AOCI, beginning balance	$ 1,094	$ (384)	$ 710	$ 11,074	$(3,876)	$ 7,198
Unrealized gains / (losses) on securities:						
Net unrealized gains / (losses) arising during the period	4,404	(1,530)	2,874	(7,257)	2,566	(4,691)
Less: reclassification adjustment for gains included in net income	(1,341)	456	(885)	(2,532)	861	(1,671)
Amortization of unrealized gains on investment securities transferred from available-for-sale to held-to-maturity	(196)	67	(129)	(191)	65	(126)
AOCI, ending balance	$ 3,961	$(1,391)	$ 2,570	$ 1,094	$ (384)	$ 710

(In thousands of dollars, except share data)

Reclassifications out of AOCI consisted of the following:

Details about components of AOCI	December 31 2014	December 31 2013	Affected line item in the Consolidated Financial Statements
Realized gains on AFS securities:	$ (1,341)	$ (2,532)	Securities gains
	456	861	Income tax expense (benefit)
	$ (885)	$ (1,671)	
Amortization of unrealized gains on investment securities transferred from available-for-sale to held-to-maturity:	$ (196)	$ (191)	Investment securities held-to-maturity
	67	65	Income tax expense (benefit)
	$ (129)	$ (126)	

16. Income Taxes

At December 31, 2014 and 2013, the income tax expense and benefit consisted of the following components:

	2014	2013
Current tax expense (benefit)		
Federal	$ 19,509	$ 21,636
State	622	(519)
Total current tax expense (benefit)	20,131	21,117
Deferred tax expense (benefit)		
Federal	(19,716)	(17,167)
State	(2,066)	(138)
Total deferred tax expense (benefit)	(21,782)	(17,305)
Total income tax expense (benefit)	$ (1,651)	$ 3,812

The Company’s effective tax rate for the years ended December 31, 2014 and 2013 was -31.80% and 22.42%, respectively which differed from the statutory rate of 35% and 35%, respectively, primarily as a result of the nontaxable bargain purchase gain and state income tax benefit.

(In thousands of dollars, except share data)

The difference between the federal income tax rates, applied to income before income taxes and the effective rates were due to the following:

	2014	2013
Income taxes at statutory rates (35% and 35%, respectively)	$ 1,818	$ 5,951
Increase (reduction) in income taxes resulting from		
Nontaxable income on loans and investments, net of nondeductible expenses	(603)	(593)
Gain on acquisition	(797)	—
State income taxes, net of federal benefit	(939)	(427)
Tax exempt income—BOLI	(691)	(1,063)
Captive insurance income	(150)	—
Tax credits	(166)	(166)
Meals and entertainment	38	36
Other, net	(161)	74
Total income tax expense (benefit)	$(1,651)	$ 3,812

The major components of the temporary differences that give rise to deferred tax assets and liabilities at December 31, 2014 and 2013 were as follows:

	2014	2013
Deferred tax assets:		
Covered assets	$ 20,202	$ 32,803
Goodwill	3,366	5,098
FDIC clawback liability	11,659	10,458
State carryforwards	74	226
Federal carryforwards	1,207	—
Stock-based compensation	5,598	4,564
Allowance for loan loss	12,176	7,177
Nonaccrual loan interest	5,820	7,416
Other	3,567	4,138
Total deferred tax asset	63,669	71,880
Deferred tax liabilities:		
FDIC Loss Share Receivable	(13,310)	(42,116)
Deposit premiums	(3,036)	(2,477)
Available-for-sale securities	(1,384)	(382)
Tax gain on acquisitions	(3,636)	(7,324)
Other	(4,946)	(6,454)
Total deferred tax (liability)	(26,312)	(58,753)
Net deferred tax asset (liability)	$ 37,357	$ 13,127

The Company has federal carryforwards of $3,448 that begin to expire in 2032 and state tax credit carryforwards of $1,891 which begin to expire in 2018.

At December 31, 2014 and 2013, the Company had no unrecognized tax benefits recorded. The Company does not expect the total amount of unrecognized tax benefits to significantly increase within the next twelve months.

(In thousands of dollars, except share data)

The Company did not have any amounts accrued for interest and penalties at December 31, 2014 and 2013.

The Company and its subsidiaries are subject to U.S. federal income tax as well as state and local tax in several jurisdictions. Tax years since inception are still open to examinations by taxing authorities.

17. Transactions with Related Persons

In the ordinary course of business, loans may be made to officers, directors and affiliated companies at substantially the same terms as comparable transactions with other borrowers. At December 31, 2014 and 2013, related party loans were approximately $2,249 and $2,317, respectively. Repayments of loans made by the related parties were $68 and $62 for the years ended December 31, 2014 and 2013, respectively.

The Company held deposits of $1,181 and $1,974 from key officers, directors and affiliated companies at December 31, 2014 and 2013, respectively.

18. Regulatory Requirements and Other Restrictions

The Company (on a consolidated basis) and CSB are subject to various regulatory capital requirements administered by federal and state banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations involve quantitative measures of assets, liabilities and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet minimum capital requirements results in certain discretionary and required actions by regulators that could have an effect on the Company's operations.

Quantitative measures established by regulation to ensure capital adequacy require the Company and CSB to maintain minimum amounts and ratios (as defined by regulations and set forth in the table below) of Total and Tier 1 capital to risk-weighted assets and to average assets, respectively. Management believes, as of December 31, 2014, the Company and CSB meet all capital adequacy requirements to which it is subject. At December 31, 2014 and 2013, regulatory notifications categorized CSB as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the Company and CSB must maintain minimum Total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table. There have been no conditions or events that would affect the Company's and CSB's well-capitalized status.

	As of December 31, 2014					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital to risk-weighted assets						
Consolidated	$ 432,052	16.50%	$ 209,525	8.00%	N/A	N/A
CSB	$ 385,688	14.73%	$ 209,525	8.00%	$ 261,906	10.00%
Tier 1 capital to risk-weighted assets						
Consolidated	$ 399,211	15.24%	$ 104,762	4.00%	N/A	N/A
CSB	$ 352,847	13.47%	$ 104,762	4.00%	$ 157,144	6.00%
Tier 1 capital to average assets						
Consolidated	$ 399,211	11.85%	$ 134,794	4.00%	N/A	N/A
CSB	$ 352,847	10.47%	$ 134,794	4.00%	$ 168,492	5.00%

(In thousands of dollars, except share data)

	As of December 31, 2013					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital to risk-weighted assets						
Consolidated	$426,773	22.42%	$152,284	8.00%	N/A	N/A
CSB	$359,517	18.89%	$152,261	8.00%	$ 190,326	10.00%
Tier 1 capital to risk-weighted assets						
Consolidated	$402,819	21.16%	$ 76,142	4.00%	N/A	N/A
CSB	$335,566	17.63%	$ 76,131	4.00%	$ 114,196	6.00%
Tier 1 capital to average assets						
Consolidated	$402,819	14.71%	$109,568	4.00%	N/A	N/A
CSB	$335,566	12.25%	$109,568	4.00%	$ 136,960	5.00%

As a condition to the Department of Banking and Finance of the State of Georgia's approval of CSB's Article of Incorporation, CSB must maintain a Tier 1 capital to average assets of not less than 10 percent, a total capital to risk-weighted assets of not less than 12 percent and a Prompt Corrective Action category rating, as defined by regulators, of "Well Capitalized" for the later of the first three years of operations or until cumulative profitability is achieved. As a condition to the FDIC's approval of CSB's business plan, CSB is required to maintain a Tier 1 Common Equity to total assets ratio of at least 10 percent through July 20, 2015.

The Company and CSB are subject to various requirements imposed by state and federal banking statutes and regulations, including regulations requiring the maintenance of noninterest-bearing reserve balances at the Federal Reserve Bank. Banks are allowed to reduce the required balances by the amount of vault cash. As of December 31, 2014 and 2013, the requirement for the Company was $7,573 and $6,736, respectively.

19. Stock-Based Compensation

The Company has a nonqualified stock option plan for certain key officers/employees and nonemployee directors. The 2010 Long-Term Incentive Plan ("LTIP plan") provides stock awards up to 4,135,582 common shares of the Company and as of December 31, 2014 and 2013, there were 609,270 and 1,034,764 shares available for future grants under this plan, respectively. The Company initially had two types of options that were granted under this plan. The first set of granted options ("Type A") were to certain key officers and nonemployee directors and vest monthly at a rate of 25% per year, except that key officers do not begin vesting until they have completed one year of service, at which time they immediately become 25% vested. Each option remains outstanding for 10 years after the initial grant date. There were 285,500 options granted during 2014 and 290,388 options granted in 2013 under this plan. The second set of granted options ("Type B"), were to certain key employees and the vesting of these options would depend on the performance of the Company's equity at the end of the vesting performance period, which is measured at September 17, 2015 or a liquidity event, whichever is earlier. There were no options granted during 2014 and 92,500 options granted in 2013 under this plan. During 2014, there were 5,000 options forfeited Type A options and no forfeited Type B options and during 2013, there were 76,618 forfeited Type A options and 170,000 forfeited Type B options.

Under a Board of Directors resolution, all options granted as Type B were converted to Type A in August of 2013 with credit given for time served to the 18 employees affected. As a result of this modification, the Company had to determine the additional incremental cost for the converted options in order to recognize this cost over the remaining vesting term of the options. This incremental value for the 1,534,000 options that were converted was $1,078 and will be recognized over the remaining vesting term, which was extended from 4 to 6 years for certain officers.

(In thousands of dollars, except share data)

In January 2014, the Company granted 125,000 restricted stock units (“RSUs”) and 19,994 deferred stock units (“DSUs”) to key officers/employees as part of the Company’s LTIP plan. The RSUs are time-based awards that vest 50% on the second anniversary of the date of grant and fully vest on the third anniversary. These awards will be delivered in common stock on the fully vested date with stock-based compensation expense being recognized over the vesting term. The DSUs are fully vested and non-forfeitable awards that will be delivered in common stock on the earlier of the 1) second anniversary of the date of grant or 2) grantee’s separation of service.

Stock-based awards are recognized over the vesting period and reflected as salaries and employee benefits within the Consolidated Statements of Income, which was $2,531 and $3,497 for the years ending December 31, 2014 and 2013, respectively. Total unrecognized salaries and employee benefit expense related to nonvested share-based compensation was $3,648 and $3,517 at December 31, 2014 and 2013, respectively, and is expected to all be recognized by October 30, 2018 with a weighted-average period of 2.21 years.

Activity in the stock option plan for the years ended December 31, 2014 and 2013 is summarized as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)
Outstanding – January 1, 2013	2,964,548	10.07	7.03
Granted	382,888	11.00	—
Exercised	—	—	—
Forfeited	(246,618)	10.50	—
Outstanding – December 31, 2013	3,100,818	10.15	5.77
Granted	285,500	12.00	—
Exercised	—	—	—
Forfeited	(5,000)	11.50	—
Outstanding – December 31, 2014	3,381,318	$ 10.30	5.19

Activity for the DSUs and RSUs for the years ended December 31, 2014 is summarized as follows:

	Number of Shares	Weighted Average Fair Value
Outstanding – January 1, 2014	—	—
Granted	144,994	12.00
Exercised	—	—
Forfeited	—	—
Outstanding – December 31, 2014	144,994	$ 12.00

(In thousands of dollars, except share data)

The following table presents information on stock options that were exercisable as of December 31, 2014 and 2013:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)
December 31, 2014	2,674,289	$ 10.09	5.57
December 31, 2013	2,317,375	$ 10.04	6.33

The Company has utilized the Black-Scholes valuation method to determine the fair value of its stock options for Type A. The valuation method requires the use of the following assumptions: the stock price as of the grant date, the expected dividend yield and the expected stock price volatility based upon the historical volatility for a group of comparable publicly-traded companies as defined by the Company. Also, for a period approximating the expected life of the options, the risk-free rate based upon the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the options and the expected option life presented by the period of time the options are expected to be outstanding is based upon historical trends.

The estimated fair value of the options granted, as well as the weighted average and ranged assumptions used in the computations are as follows:

	Type A
Fair value of options granted	$ 4.17
Expected dividend yield	—
Expected volatility	37.00%
Risk-free interest rate	1.55%
Expected life (in years)	5.00

20. Commitment & Contingencies

In order to meet the financing needs of its customers, the Company has financial instruments with off-balance sheet risk. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve elements of credit, interest rate and/or liquidity risk.

Commitments to extend credit are legally binding agreements to lend to customers. Commitments generally have fixed expiration dates or other termination clauses and may require payment of fees. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future liquidity requirements. Established credit standards control the credit-risk exposure associated with these commitments. The amount of collateral obtained, if deemed necessary upon extension of credit, is determined on a case by case basis by management through credit evaluation of the customer.

Standby letters of credit are commitments guaranteeing performance of a customer to a third party. These guarantees are issued primarily to support public and private borrowing arrangements. In order to minimize its exposure, the Company credit policies govern the issuance of standby letters of credit.

(In thousands of dollars, except share data)

At December 31, 2014 and 2013, the Company had unused loan commitments and standby letters of credit amounting to the following:

	As of December 31, 2014			As of December 31, 2013		
	Fixed Rate	Variable Rate	Total	Fixed Rate	Variable Rate	Total
Unused loan commitments	$ 25,001	$ 462,685	$ 487,686	$ 22,405	$ 439,703	$ 462,108
Standby letters of credit	1,076	38,404	39,480	3,664	23,937	27,601
	$ 26,077	$ 501,089	$ 527,166	$ 26,069	$ 463,640	$ 489,709

The Company, on a case-by-case basis, establishes reserves for those legal claims in which it is probable that a loss will be incurred and the amount of such loss can be reasonably estimated. Based on current knowledge, management does not believe that loss contingencies, if any, arising from pending litigation and regulatory matters will have a material adverse effect on the consolidated financial position, results or liquidity of the Company.

21. Subsequent Events

Management has evaluated the effects of subsequent events that have occurred after December 31, 2014 and through March 25, 2015, the date the financial statements were issued. During this period, management has determined that no events occurred that require disclosure.

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Section 4: EX-99.2 (EX-99.2)

Exhibit 99.2

COMMUNITY & SOUTHERN HOLDINGS, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Community & Southern Holdings, Inc.'s (the "Company") internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. The Company's assessment was conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), and included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and with the regulatory reporting requirements associated with Form FR Y-9C, Form FR Y-9LP, and the Consolidated Reports of Condition and Income. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management is responsible for establishing and maintaining effective internal control over financial reporting, including controls over the preparation of regulatory financial statements. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework (1992)*. Based on that assessment, management concluded that, as of December 31, 2013, the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements, is effective based on the criteria established in *Internal Control—Integrated Framework (1992)*.

Management's assessment of the effectiveness of internal control over financial reporting, including controls over the preparation of regulatory financial statements, as of December 31, 2013, has been audited by PricewaterhouseCoopers, an independent public accounting firm, as stated in their report dated March 25, 2014.

Community & Southern Holdings, Inc.
March 25, 2014

/s/ Patrick M. Frawley
Patrick M. Frawley
Chief Executive Officer

/s/ Anthony P. Valduga
Anthony P. Valduga
Chief Financial Officer

/s/ James C. Musselwhite
James C. Musselwhite
Controller

Report of Independent Auditors

To the Board of Directors and Shareholders
of Community & Southern Holdings, Inc.

We have audited the accompanying consolidated financial statements of Community & Southern Holdings, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the years then ended. We also have audited the Company's internal control over financial reporting as of December 31, 2013 based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's Responsibility

The Company's management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, for maintaining internal control over financial reporting including the design, implementation, and maintenance of controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to error or fraud, and for its assertion about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and our audit of internal control over financial reporting in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of internal control over financial reporting involves obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinions.

Definition and Inherent Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), our audit of the Company's internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C). A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and those charged with governance; and (iii) provide reasonable assurance regarding prevention or timely detection and correction of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community & Southern Holdings, Inc. and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ PricewaterhouseCoopers LLP

March 25, 2014

PricewaterhouseCoopers LLP, 10 Tenth Street, Suite 1400, Atlanta, GA 30309-3851
T: (678) 419 0000, F: (678) 419 1239, www.pwc.com/us

Community & Southern Holdings, Inc.
Consolidated Balance Sheets
December 31, 2013 and 2012

(In thousands of dollars, except share data)

	2013	2012
Assets		
Cash and due from banks	$ 217,071	$ 214,489
Investment securities available-for-sale (amortized cost of $432,945 and $351,815, respectively)	433,037	361,696
Investment securities held-to-maturity (market value of $77,527 and $72,084, respectively)	75,680	66,550
Loans held for sale	1,967	24,146
Loans		
Originated	1,358,251	865,937
Acquired (including $377,926 and $511,952 covered under FDIC loss share agreements, respectively)	404,386	547,103
Allowance for loan losses for originated loans	(18,450)	(11,792)
Allowance for loan losses for acquired loans	(12,085)	(18,753)
Loans, net of allowance for loan losses	1,732,102	1,382,495
Premises and equipment	61,962	59,751
Other real estate owned (including $46,999 and $121,524 covered under FDIC loss share agreements, respectively)	47,793	122,826
FDIC loss share receivable	108,267	236,400
Goodwill	11,740	10,028
Other intagible assets	8,554	9,391
Bank owned life insurance	58,999	57,561
Other assets	47,848	33,186
Total assets	$ 2,805,020	$ 2,578,519
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing	$ 279,795	$ 244,437
Interest-bearing	1,960,159	1,764,963
Total deposits	2,239,954	2,009,400
Other borrowings	95,183	111,806
Other liabilities	46,048	43,677
Total liabilities	2,381,185	2,164,883
Shareholders' equity		
Common stock ($0.01 par value; 100,000,000 shares authorized; 36,949,266 shares issued and outstanding as of December 31, 2013 and 2012, respectively)	369	369
Additional paid-in capital	370,139	366,642
Retained earnings	52,617	39,427
Accumulated other comprehensive income	710	7,198
Total shareholders' equity	423,835	413,636
Total liabilities and shareholders' equity	$ 2,805,020	$ 2,578,519

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

Community & Southern Holdings, Inc.
Consolidated Statements of Income
For the Years Ended December 31, 2013 and 2012

(In thousands of dollars)

	2013	2012
Interest income		
Interest and fees on loans	$ 124,485	$ 125,776
Interest and dividends on investment securities	10,042	10,398
Interest on other earning assets	664	667
Total interest income	135,191	136,841
Interest expense		
Deposits	11,572	13,653
Other borrowings	1,907	2,157
Total interest expense	13,479	15,810
Net interest income	121,712	121,031
Provision for credit losses for acquired loans	(7,837)	4,665
Provision for credit losses for originated loans	9,043	9,854
Net interest income after provision for credit losses	120,506	106,512
Noninterest income		
Service charges on deposit accounts	10,996	10,614
Securities gains, net	2,532	1,440
Gain on acquisitions	—	6,860
FDIC loss share receivable gain (loss)	(7,138)	4,796
Other	10,514	12,722
Total noninterest income	16,904	36,432
Noninterest expense		
Salaries and employee benefits	45,375	47,637
Occupancy and equipment expense	11,340	10,541
Expense on loans and other real estate owned	6,135	7,140
Other real estate owned and repossession losses, net	4,715	10,041
Amortization expense	2,309	2,137
FDIC accretion expense	28,222	27,126
Other	22,312	25,847
Total noninterest expense	120,408	130,469
Income before income taxes	17,002	12,475
Income tax expense (benefit)	3,812	(103)
Net income	$ 13,190	$ 12,578

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

Community & Southern Holdings, Inc.
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2013 and 2012

(In thousands of dollars)

	2013	2012
Net Income	$ 13,190	$ 12,578
Components of other comprehensive income / (loss):		
Unrealized gains / (losses) on available-for-sale securities arising during period (net of $2,566 and $783 tax, respectively)	(4,691)	1,224
Reclassification adjustment for net gains realized in earnings (net of $861 and $490 tax, respectively)	(1,671)	(950)
Amortization of unrealized gains on investment securities transferred from available-for-sale to held-to-maturity	(126)	(123)
Total other comprehensive income / (loss)	(6,488)	151
Comprehensive income	$ 6,702	$ 12,729

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

Community & Southern Holdings, Inc.
Consolidated Statements of Shareholders' Equity
For the Years Ended December 31, 2013 and 2012

(In thousands of dollars)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at January 1, 2012	$ 369	$ 363,390	$ 26,849	$ 7,047	$ 397,655
Net income	—	—	12,578	—	12,578
Change in accumulated other comprehensive income	—	—	—	151	151
Stock-based compensation expense	—	3,252	—	—	3,252
Balance at December 31, 2012	369	366,642	39,427	7,198	413,636
Net income	—	—	13,190	—	13,190
Change in accumulated other comprehensive income	—	—	—	(6,488)	(6,488)
Stock-based compensation expense	—	3,497	—	—	3,497
Balance at December 31, 2013	$ 369	$ 370,139	$ 52,617	$ 710	$ 423,835

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

Community & Southern Holdings, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012

(In thousands of dollars)

	2013	2012
Cash flows from operating activities		
Net income	$ 13,190	$ 12,578
Adjustments to reconcile net income to cash provided by operating activities		
Net amortization/accretion of premiums and discounts	(55,731)	(80,349)
Provision for credit losses	(1,206)	14,519
Other real estate owned and repossession losses, net	4,715	10,041
Stock-based compensation expense	3,497	3,252
Deferred income tax expense (benefit)	(17,305)	6,636
Depreciation, amortization and accretion	3,109	1,665
Gain on acquisitions	—	(6,860)
Securities gains, net	(2,532)	(1,440)
Net change in loans held for sale	22,179	(21,767)
Net change in FDIC loss share receivable	128,133	126,051
Increase in cash surrender value of bank owned life insurance	(1,437)	(16,700)
Net change in other assets	(14,420)	7,742
Net change in other liabilities	23,025	(11,922)
Net cash provided by operating activities	105,217	43,446
Cash flows from investing activities		
Net change in loans held for investment (originations, net of principal repayments)	(317,407)	(323,060)
Purchases of investment securities available-for-sale	(225,698)	(87,992)
Proceeds from maturities and calls of investment securities available-for-sale	99,950	121,166
Proceeds from sales of securities available-for-sale	44,272	93,677
Proceeds from calls and maturities of securities held-to-maturity	1,472	2,082
Purchases of securities held-to-maturity	(10,940)	(6,272)
Purchases of premises and equipment	(3,667)	(9,024)
Disposals of premises and equipment	2,500	631
Other adjustments in other real estate owned	15,734	36,963
Proceeds from sales of other real estate owned	91,857	61,046
Net cash acquired from acquisitions	201,313	86,370
Net cash provided by (used in) investing activities	(100,614)	(24,413)
Cash flows from financing activities		
Net change in deposits	12,979	97,917
Proceeds from other borrowings	215,000	—
Repayment of other borrowings	(230,000)	(40,000)
Net cash provided by (used in) financing activities	(2,021)	57,917
Change in cash and due from banks	2,582	76,950
Beginning of period	214,489	137,539
End of period	$ 217,071	$ 214,489
Supplemental disclosure of cash flow information		
Transfers of loans to other real estate owned	$ 37,273	$ 90,530
Cash paid for interest	13,516	16,087
Cash paid for income taxes	15,742	—
Change in unrealized gain on securities available-for-sale	(9,788)	567

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

1. Summary of Significant Accounting Policies and Nature of Business

Community & Southern Holdings, Inc. (the "Company"), headquartered in Atlanta, Georgia, is a registered bank holding company with one banking subsidiary: Community & Southern Bank ("CSB") which operates branches throughout the Atlanta, Georgia metro area and northern Georgia. CSB is the parent company of CSB Investments, Inc. ("CSB Investments") and Acru Wealth, LLC ("Acru"). CSB Investments is a Nevada corporation which owns all of the investment securities of the Company. Acru is a Georgia limited liability company acquired on July 20, 2012 in connection with the acquisition of First Cherokee State Bank ("FCSB"). Community & Southern Holdings, Inc. was organized on September 18, 2009, as a Delaware corporation, with no activity until January 29, 2010. CSB was organized as a Georgia-state chartered bank and opened on January 29, 2010. As used herein, "the Company" refers to Community & Southern Holdings, Inc., except where the context requires otherwise.

Nature of Business

CSB offers full-service banking services designed to meet the needs of retail and commercial customers in the markets in which it operates, with a focus on the resolution of assets acquired from the Federal Deposit Insurance Corporation ("FDIC"). The services offered include transaction and savings deposit accounts, commercial and consumer lending, asset management and full-service securities brokerage through a third-party provider and other activities related to commercial banking. Acru historically provided insurance products, trust services and access to various other investment products and services through non-bank affiliated, registered third parties. During 2013, the Company discontinued offering these products and services through Acru and transferred all custody accounts to an outside third party. The Company and CSB are subject to the regulations of certain federal and state agencies and are periodically examined by those regulatory agencies.

Basis of Presentation and Consolidation

The accounting and reporting policies of the Company and its subsidiary are in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and, with regard to the banking subsidiary, conform to general industry practices. All intercompany accounts and transactions have been eliminated in consolidation. Assets and liabilities of purchased companies are stated at estimated fair values at the date of acquisition. Results of operations of companies purchased are included from the date of acquisition. Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

Use of Estimates in the Preparation of Financial Statements

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change include:

- Determination of the allowance for loan losses, reserve for unfunded lending commitments, and provision for credit losses
- Income taxes
- Determination of fair values of acquired assets and liabilities

- Loss estimates related to acquired loans and other real estate owned (“OREO”)
- Goodwill and other intangible assets, including assessment of impairment
- Valuation of OREO

Cash and Due from Banks

Cash and due from banks includes cash on hand, interest-bearing demand deposits in other banks and amounts due from banks. Cash on hand is defined as having maturities of three months or less, and accordingly, the carrying amount of these instruments is deemed to be a reasonable estimate of fair value.

The Company is required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank to meet regulatory reserve and clearing requirements.

Investment Securities

The Company classifies debt and equity securities into three categories: trading, held-to-maturity and available-for-sale.

Management determines the appropriate classification of investment securities at the time of purchase. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are carried at amortized cost.

Securities classified as trading are held principally for resale in the near term and are recorded at fair value. Gains or losses, either unrealized or realized, are reported in noninterest income. At December 31, 2013 and 2012, the Company had no investment securities classified as trading.

Investment securities not classified as either held-to-maturity or trading are classified as available-for-sale. Investment securities available-for-sale are stated at fair value, with the unrealized gains and losses, net of tax, reported as a separate component of accumulated other comprehensive income in the Consolidated Statements of Comprehensive Income.

The amortized cost of debt securities classified as either held-to-maturity or available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity, or in the case of mortgage-backed securities, over the estimated life of the security. Such amortization is considered an adjustment to yield on the security and included in interest income from investments. Interest and dividends are included in interest and dividends on investment securities in the Consolidated Statements of Income.

Gains and losses realized from the sales of investment securities are determined by specific identification and are included in noninterest income. Available-for-sale and held-to-maturity securities are reviewed quarterly for potential impairment. The Company determines whether it has the intent to sell a debt security or whether it is more likely than not it will be required to sell the debt security before the recovery of its amortized cost basis. If either condition is met, the Company will recognize an impairment loss necessary to reduce the carrying value of the debt security to fair value. For all other debt securities for which the Company does not expect to recover the entire amortized cost basis of the security and do not meet either condition, an other-than-temporary loss is considered to have occurred and the Company records the credit loss portion of impairment in earnings and the impairment related to all other factors in other comprehensive income/(loss).

Loans Held for Sale

Loans held for sale are residential mortgage loans, secured by single family residential dwellings, newly originated for the purpose of sale to third parties. Loans held for sale are measured at the lower of cost or fair value. Origination fees and costs for loans held for sale are capitalized in the basis of the loan and are included in the calculation of realized gains and losses upon sale.

Originated Loans

Loans that the Company has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at the principal balance outstanding. Loan origination and commitment fees received and certain direct loan origination costs paid are deferred and the net amount is amortized as an adjustment to the related loan's yield using the effective interest method. All loan types are placed on nonaccrual status when it is probable that principal or interest is not fully collectible, or when principal or interest becomes 90 days past due, whichever occurs first. Certain loans past due 90 days or more may remain in accrual status if management determines that it does not have a concern over the collectability of principal or interest. Loans of all types which become 90 days delinquent are reviewed for collectability. Unless such loans are in the process of modification, collection through repossession or foreclosure, those loans deemed uncollectible are charged off against the allowance for loan losses.

When a loan is placed on nonaccrual, interest income that has been accrued in the current year is reversed. Interest income on nonaccrual loans, if recognized, is recorded after principal on a loan has first been reduced to zero. If and when borrowers demonstrate the sustained ability to repay a loan in accordance with the contractual terms of a loan classified as nonaccrual, the loan may be returned to accrual status.

Acquired Loans (including loans covered under FDIC loss share agreements)

The Company accounts for its acquisitions using the acquisition method of accounting. All identifiable assets acquired, including loans, are recorded at fair value. No allowance for loan losses related to the acquired loans is recorded on the acquisition date as the fair value of the loans acquired incorporates assumptions regarding credit risk. Loans acquired are recorded at fair value, exclusive of any loss share agreements with the FDIC. The fair value assumptions associated with the loans include estimates related to expected prepayments and the amount and timing of undiscounted expected principal, interest and other cash flows.

The Company is accounting for the majority of loans acquired through FDIC assisted transactions under the guidance governing acquired loans with deteriorated credit quality except loans with revolving privileges, which are outside the scope of this guidance. For acquired loans being accounted for as acquired loans with deteriorated credit quality, interest income is recognized through accretion of the difference between the carrying value of the loan pool and the gross expected cash flows, from such pool, on a level-yield basis over the loans' estimated life. For pools that have no carrying value, income is recognized as cash is received under the cost recovery method.

Acquired loans outside the scope of acquired loans with deteriorated credit quality guidance are accounted for under the guidance related to recognizing discount accretion based upon the acquired loan's contractual cash flows. Discounts created when the loans were recorded at their estimated fair values at acquisition are ratably amortized over the remaining contractual term of the loan as an adjustment to the related loan's yield. The accrual of contractual interest income and any unamortized discounts is discontinued when the collection of a loan or interest, in whole or part, is doubtful.

Loans acquired in FDIC-assisted transactions that are initially covered under loss share agreements are referred to as covered loans.

Troubled Debt Restructuring

A restructuring of debt constitutes a troubled debt restructuring ("TDR") if the Company, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to a borrower that it would not otherwise consider. That concession either stems from an agreement between the Company and a borrower or is imposed by law or a court.

TDRs are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a TDR is considered to be a collateral-dependent loan, the loan is reported, net, at the fair value of the collateral.

Modification of loans accounted for within a pool are not subject to TDR guidance and therefore do not result in removal of these loans from the pool even if the modification would otherwise be considered a TDR. Loans accounted for individually under the acquired loans with deteriorated credit quality guidance continue to be subject to the TDR accounting provisions.

Allowance for Loan Losses for Originated Loans

The allowance for loan losses is a valuation account available to absorb probable incurred losses within the loan portfolio. The level of the allowance for loan losses is based upon management's evaluation of the loan portfolio including such factors as past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay (including the timing of future payments), the estimated value of any underlying collateral, composition of the loan portfolio, market and economic conditions, borrower's payment status, internal credit risk ratings and other relevant factors. This evaluation is inherently subjective as it requires material estimates including the amounts and timing of future cash flows expected to be received on impaired loans that may be susceptible to significant change. Loans are charged off when management believes that the ultimate collectability of the loan is unlikely. Allocation of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, is deemed to be uncollectible.

Management's determination of the adequacy of the allowance is based upon an assessment of the estimated probable incurred losses in the loan portfolio given the conditions at the time. The allowance is increased by provisions charged to expense and decreased by actual charge-offs, net of recoveries.

The allowance adequacy assessment begins with a process of estimating the probable incurred losses in the loan portfolio. These estimates are established by category and based upon the Company's internal system of credit risk ratings and historical loss data. The estimate of probable incurred losses in the loan portfolio may then be adjusted for management's estimate of additional probable incurred losses as a result of specific credit exposures, trends in delinquent and nonaccrual loans, as well as other factors such as prevailing economic conditions, lending strategies and other influencing factors.

The Company considers a loan to be impaired and placed on nonaccrual when, based upon current information and events, it believes it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Management reviews all impaired loans individually to determine if a specific allowance based upon the borrower's overall financial condition, resources and payment record, support from guarantors and the realizable value of any collateral is necessary. Specific allowances are based upon discounted cash flows using a loan's initial effective interest rate or the fair value of the collateral for collateral dependent loans. If the recorded investment in the impaired loan exceeds its fair value, a valuation allowance is required as a component of the allowance for loan losses. Interest income for impaired, nonaccruing, loans is recorded on a cash basis during the period the loans are considered impaired after recovery of principal.

Reserve for Unfunded Lending Commitments

The Company also estimates probable incurred losses related to unfunded lending commitments, such as letters of credit and binding unfunded loan commitments. Unfunded lending commitments are analyzed and segregated by risk similar to funded loans based upon the Company's internal credit risk ratings. These risk classifications, in combination with an analysis of historical loss experience, existing economic conditions, and any other pertinent information, result in the estimation of the reserve for unfunded lending commitments. The unfunded commitment reserve is reported in the Consolidated Balance Sheets within other liabilities while the change in the reserve is reported within the provision for credit losses for originated loans within the Consolidated Statements of Income.

Allowance for Loan Losses for Acquired Loans (including loans covered under FDIC loss share agreements)

The Company also maintains an allowance for loan losses on acquired loans. For purposes of applying the guidance for acquired loans with deteriorated credit quality, the Company groups acquired loans into pools based upon common risk characteristics and periodically re-estimates expected cash flows. Estimated fair values for acquired loans are based upon a discounted cash flows methodology that considers various factors including the type of loan, collateral, credit quality, fixed or variable interest rate, term of loan and whether or not the loan was amortizing, and a discount rate reflecting effective yield of the pool. These cash flow evaluations are inherently subjective as they require material estimates, all of which may be susceptible to significant change in future periods.

A decline in gross expected cash flows for a pool of loans results in impairment and is recorded as provision for credit losses on acquired loans expense on a discounted basis during the period. Improvement in gross expected cash flows for a pool of loans, once any previously recorded impairment is recaptured, is recognized prospectively as an adjustment to the yield on the loans in the pool. The estimated reimbursement on covered loan losses due from the FDIC under loss share agreements resulting from changes to loan impairment is recorded as both an FDIC loss share receivable gain and an increase to the FDIC loss share receivable at the time loan impairment is recognized.

Charge-offs on acquired loans accounted for under the guidance of acquired loans with deteriorated credit quality are first applied to purchase discount until exhausted. Subsequent charge-offs are applied to the allowance for loan losses.

For acquired loans outside the scope of acquired loans with deteriorated credit quality guidance, an allowance for loan losses is measured using a similar methodology to the originated portfolio. The allowance for loan losses is recorded once the incurred credit losses exceed remaining purchase discount.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed by the straight-line method and are expensed over the estimated useful lives of the assets, which range from 25 to 50 years for premises and 3 to 10 years for furniture, software and equipment.

Leasehold improvements are amortized over the terms of the respective leases or the useful lives of the improvements, whichever is shorter. Gains and losses on dispositions are recorded in other noninterest income. Premises and equipment are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Maintenance and repairs are charged to occupancy and equipment expense as incurred.

OREO

OREO includes assets that have been acquired in satisfaction of debt through foreclosure. OREO is recorded at the lower of cost or fair value, minus estimated costs to sell. Subsequent to foreclosure, losses resulting from the periodic revaluation of the property are charged to net income and a new carrying value is established. Any gains or losses realized at the time of disposal are reflected in the Consolidated Statements of Income.

FDIC Loss Share Receivable

The FDIC loss share receivable results from loss share agreements in FDIC-assisted transactions which are measured separately from the related covered assets as they are not contractually embedded in those assets and are not transferable should the Company choose to dispose of the covered assets. The FDIC loss share receivable represents expected reimbursements from the FDIC for losses on covered assets.

Pursuant to the terms of the loss share agreements, covered assets are subject to a stated loss threshold or loss tranches, as outlined in each loss share agreement, whereby the FDIC will reimburse the Company for certain losses in accordance with each respective loss share agreement. The Company will reimburse the FDIC for its share of recoveries with respect to losses for which the FDIC paid the Company a reimbursement under the loss share agreement. The FDIC's obligation to reimburse the Company for losses with respect to covered assets begins with the first dollar of loss incurred.

The FDIC loss share receivable was recorded at its estimated fair value at the time each FDIC-assisted transaction was consummated. Subsequent accounting for the FDIC loss share receivable is closely related to the accounting for the underlying, covered assets and is treated as an indemnification asset under the guidance for identifiable assets and liabilities in a business combination. The Company re-estimates the gross expected indemnification asset cash flows in conjunction with the periodic re-estimation of cash flows on covered loans accounted for under the guidance related to acquired loans with deteriorated credit quality. Improvements in cash flow expectations on covered loans generally result in a related decline in the expected indemnification cash flows. The resultant decrease in the value of the FDIC loss share receivable is reflected as an adjustment to its level-yield basis amortization over the lesser of the contractual term of the indemnification agreement and the remaining life of the indemnified assets. Conversely, declines in gross cash flow expectations on covered loans generally result in an increase in expected indemnification cash flows. The resultant increase in the value of the FDIC loss share receivable is reflected immediately in earnings to the extent that a previously recorded valuation allowance is reversed; otherwise, the increase in the value of the FDIC loss share receivable is reflected as an adjustment to its level-yield basis amortization over the lesser of the contractual term of the indemnification agreement and the remaining life of the indemnified assets. For covered OREO, additional FDIC loss share receivable may be established as subsequent write-downs to OREO occur or as gains and losses on sales of OREO are recognized.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. Goodwill is not amortized but tested for impairment on an annual basis, or more often, if events or circumstances indicate there may be impairment. Goodwill impairment exists when a reporting unit's carrying value of goodwill exceeds its implied fair value, which is determined through a two-step impairment test. As described in Recent Accounting Pronouncements, new guidance governing the testing of indefinite lived intangible assets for impairment allows the option to first assess Goodwill by utilizing qualitative factors in determining if it is more likely than not that carrying value exceeds fair value. If, through this analysis, it is determined that it is more likely than not that carrying value exceeds fair value, then the next step, referred to as Step 1, requires estimation of the fair value of the reporting unit. If the fair value of the reporting unit exceeds its carrying value, no further testing is required. If the carrying value exceeds the fair value, further analysis is required to determine whether an impairment charge must be recorded based upon the implied fair value of goodwill and, if so, the amount of such charge. A qualitative assessment was performed on the Company's one reporting unit as of September 30, 2013. Qualitative factors indicated that it was more likely than not that the fair value of the Company's goodwill exceeded its carrying value. As such, Step 1 testing was not required. Additionally, no triggering events were identified since the analysis performed on September 30, 2013.

As a result of the Company's acquisitions, identifiable intangible assets were recorded representing the estimated value of core deposits assumed. These intangible assets are amortized over their estimated useful lives, which are periodically reviewed for reasonableness and are evaluated for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable.

Bank Owned Life Insurance

Bank Owned Life Insurance ("BOLI") is long-term life insurance on the lives of certain employees where the insurance policy benefits and ownership are retained by the employer. To date, the Company has purchased life insurance policies on certain senior officers. BOLI is recorded at the cash surrender value that can be adjusted for charges due at settlement at the balance sheet date. The cash value accumulation on BOLI is permanently tax deferred if the policy is held to the insured person's death.

Other Assets

Other assets include investments in the Federal Home Loan Bank of Atlanta ("FHLBA") stock, prepaid expenses, net tax assets (current and deferred), and accrued interest receivable. The FHLBA requires member banks to purchase stock as a condition of membership and other criteria including the amount of advances outstanding. FHLBA stock is generally redeemable based upon guidelines established by the issuing bank. The investments in FHLBA stock are reported at cost and evaluated for impairment based upon the ultimate recoverability of the par value. Prepaid expenses are payments made by the Company for services to be received in the near future. While the Company initially records these as assets, their value is expensed, as incurred, when the benefit is received. Accrued interest represents the interest that has been earned from a borrowers' loan or investment securities but not yet received.

Other Liabilities

Other liabilities include the FDIC Clawback liability, the unfunded commitment reserve, accrued interest on deposits and other payables. The FDIC Clawback liability represents a reimbursement the Company may be required to pay the FDIC if actual losses are less than certain thresholds established in each loss share agreement. Accrued interest on deposits represents interest that has been earned and payable to depositors. Other payables are expenses incurred by the Company for services received that will be paid in the near future.

Income Taxes

Income tax expense is based upon income before income taxes and generally differs from income taxes paid due to deferred income taxes and benefits arising from income and expenses being recognized in different periods for financial and income tax reporting purposes, as well as permanent differences, such as gains on acquisitions. The Company uses the asset and liability method to account for deferred income taxes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the income tax basis of the Company's assets and liabilities at the effective rates expected to be in effect when such amounts are realized or settled. The Company evaluates the realization of deferred tax assets based upon all positive and negative evidence available at the balance sheet date. Realization of deferred tax assets is based upon the Company's judgments, including taxable income within any applicable carryback periods, future projected taxable income, reversal of taxable temporary differences and other tax-planning strategies to maximize realization of the deferred tax assets. A valuation allowance is recognized for a deferred tax asset if, based upon the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. In computing the income tax provision or benefit, the Company evaluates the technical merits of its income tax positions based upon current legislative, judicial and regulatory guidance.

The Company continually monitors and evaluates the potential impact of current events on the estimates used to establish income tax expense and income tax liabilities. The Company and its subsidiary file a consolidated federal income tax return and separate state income tax returns based upon current tax law, positions taken by various tax auditors within the jurisdictions that the Company is required to file income tax returns, as well as potential or pending audits or assessments by such tax auditors. If the Company incurs interest and/or penalties related to income tax matters it will report them as a part of income tax expense.

Pension Accounting

The Company maintains an unfunded, noncontributory, nonqualified supplemental executive retirement plan ("SERP") that covers key executives. The plan provides defined benefits based upon a fixed cash benefits schedule. The Company adopted authoritative guidance for employers' accounting for pensions which require accounting for the SERP using the actuarial model and requires the recognition of the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability on the Consolidated Balance Sheets.

Other Comprehensive Income

Other comprehensive income is defined as the change in shareholders' equity during the period from transactions and other events and circumstances from nonowner sources. Accumulated other comprehensive income includes the reclassification for realized gains and losses from securities sales during the period, the unrealized holding gains and losses from investment securities available-for-sale and the amortization of unrealized gains on investment securities transferred from available-for-sale to held-to-maturity.

Stock-based Compensation

The Company grants stock options and other equity awards to purchase its common stock to certain key officers/employees and directors. Stock options are for a fixed number of shares with an exercise price equal to the fair value of the shares at the grant date. Stock-based compensation expense is recognized in the Consolidated Statements of Income on a straight-line basis over the vesting period. In addition, the Company estimates the number of awards for which vesting is probable and adjusts compensation cost accordingly. As compensation expense is recognized, a deferred tax asset is recorded that represents an estimate of the future tax deduction from exercise. At the time that stock-based awards are exercised, cancelled, or expire, the Company may be required to recognize an adjustment to income tax expense.

Fair Values

US GAAP requires the use of fair values in determining the carrying values of certain assets and liabilities, as well as for specific disclosures. Fair value is defined as the price that would be received to sell an asset or transfer a liability in an orderly transaction between willing market participants at the measurement date. When determining the fair value measurements for assets and liabilities, the Company considers the principal or most advantageous market in which those assets or liabilities are sold and considers assumptions that market participants would use when pricing those assets or liabilities.

Individual fair value estimates are ranked on a three-tiered scale based upon the relative reliability of the inputs used in the valuation. Fair values determined using Level 1 inputs rely on active and observable markets to price identical assets or liabilities. In situations where identical assets and liabilities are not traded in active markets, fair values may be determined based upon Level 2 inputs, which are used when observable data exists for similar assets and liabilities. Fair values for assets and liabilities that are not actively traded in observable markets are based upon Level 3 inputs, which are considered to be unobservable. Certain financial assets and liabilities are eligible for measurement at fair value with changes in fair value recognized in the income statements each period. Upon inception, the Company elected not to measure any assets and liabilities at fair value other than those otherwise required to be measured at fair value.

Acquisitions

US GAAP requires that the acquisition method of accounting be used for all business combinations and an acquirer be identified. The acquirer is the entity that obtains control of one or more businesses in the business combination and the acquisition date is the date the acquirer achieved control. The acquirer recognizes the fair value of assets acquired, liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date. If the fair value of assets purchased exceeded the fair value of liabilities assumed, it results in a “gain on acquisition”. If the consideration given exceeds the fair value of the net assets received, goodwill is recognized. Generally, fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available (the “measurement period”). During the measurement period, the Company recognizes adjustments to the initial amounts recorded as if the accounting for the business combination had been completed at the acquisition date. Adjustments are typically recorded as a result of new information received after the acquisition date that is necessary to identify and measure identifiable assets acquired and liabilities assumed.

Operating Segments

Accounting standards require that information be reported about a company’s operating segments using a “management approach.” Reportable segments are identified in these standards as those revenue-producing components for which separate financial information is produced internally and which are subject to evaluation by the chief operating decision maker. While the chief operating decision maker monitors the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a Company-wide basis. Operating segments are aggregated into one as operating results for all segments are similar. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment.

Recent Accounting Pronouncements

In April 2011, the FASB issued ASU 2011-02, Receivables (Topic 310*): A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring*. The ASU provides additional guidance to assist creditors in determining whether a modification of a receivable meets the criteria to be considered a TDR, both for purposes of recognizing loan losses and additional disclosures regarding TDRs. A modification of a credit arrangement constitutes a TDR if the debtor is experiencing financial difficulties and the Company grants a concession to the debtor that it would not otherwise consider. The clarifications for classification apply to all restructurings occurring on or after January 1, 2011. The related disclosures, which were previously deferred by ASU 2011-01 are required for annual periods ending on or after December 15, 2012 with early adoption permitted and require that all restructurings occurring after the beginning of the year of adoption be evaluated under the new guidance. The adoption of this guidance did not have a material impact on the Company's financial condition or results of operations.

In April 2011, the FASB issued ASU 2011-03, Transfers and Servicing (Topic 860): *Reconsideration of Effective Control for Repurchase Agreements.* A repurchase agreement is a transaction in which a company sells financial instruments to a buyer, typically in exchange for cash and simultaneously enters into an agreement to repurchase the same or substantially the same financial instruments from the buyer at a stated price plus accrued interest at a future date. The determination of whether the transaction is accounted for as a sale or a collateralized financing is determined by assessing whether the seller retains effective control of the financial instrument. The ASU changes the assessment of effective control by removing the criterion that requires the seller to have the ability to repurchase or redeem financial assets with substantially the same terms, even in the event of default by the buyer and the collateral maintenance implementation guidance related to that criterion. The guidance is effective for annual periods beginning on or after December 15, 2011. The adoption of this guidance did not have a material impact on the Company's financial condition or results of operations.

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement (Topic 820): *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRS.* Certain provisions clarify the Board's intent about the application of existing fair value measurement and disclosure requirements, while others change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The guidance is to be applied prospectively and is effective for annual periods beginning after December 15, 2011. The adoption of this guidance did not have a material impact on the Company's financial condition or results of operations.

In June 2011, the FASB issued ASU 2011-05, Comprehensive Income (Topic 220): *Presentation of Comprehensive Income*. The ASU requires presentation of the components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. The update does not change the items presented in other comprehensive income. The guidance is effective on January 1, 2012 and must be applied retrospectively for all periods presented. The adoption of the guidance did not have a material impact on the Company's financial condition or results of operations.

In September 2011, the FASB issued ASU 2011-08, Intangibles-Goodwill and Other (Topic 350): *Testing Goodwill for Impairment*. The ASU amends interim and annual goodwill impairment testing requirements. Under the ASU, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The "more likely than not" threshold is defined as having a likelihood of more than 50 percent. The guidance is effective for annual and interim goodwill impairment tests beginning January 1, 2012 with early adoption permitted. The adoption of this guidance did not have a material impact on the Company's financial condition or results of operations.

In December 2011, the FASB issued ASU 2011-11, Balance Sheet (Topic 210): *Disclosures about Offsetting Assets and Liabilities* and then amended the scope of ASU 2011-11 in January 2013 through the issuance of ASU 2013-01, Balance Sheet (Topic 210): *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*. The update requires entities to disclose information about offsetting and related arrangements of financial instruments and derivative instruments. The amendments require enhanced disclosures by requiring improved information about financial instruments and derivative instruments that are either (1) offset in accordance with current literature or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with current literature. The guidance is effective for fiscal years beginning on or after January 1, 2013. The adoption of this guidance did not have a material impact on the Company's financial condition or results of operations.

In December 2011, the FASB issued ASU 2011-12, Comprehensive Income (Topic 220): *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*. The amendments in this update defer those changes in ASU 2011-05 that relate to the presentation of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. All other requirements in ASU 2011-05 are not affected by this update. The amendments are effective for fiscal years ending after December 15, 2012. The adoption of this guidance did not have a material impact on the Company's financial condition or results of operations.

In July 2012, the FASB issued ASU 2012-02, Intangibles – Goodwill and Other (Topic 350): *Testing Indefinite – Lived Intangible Assets for Impairment.* The ASU amends the guidance related to testing indefinite-lived intangible assets, other than goodwill, for impairment. The ASU allows for a qualitative assessment in testing an indefinite-lived intangible asset for impairment before calculating the fair value of the asset. If the qualitative assessment determines that it is more likely than not that the asset is impaired, then a quantitative assessment of the fair value of the asset is required; otherwise, the quantitative calculation is not necessary. The guidance is effective January 1, 2013; however, early adoption is permitted. The adoption of this guidance did not have a material impact on the Company's financial condition or results of operations.

In October 2012, the FASB issued ASU 2012-06, Business Combinations (Topic 805): *Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution*. The amendments in this update clarify the applicable guidance for subsequently measuring an indemnification asset recognized as a result of a government-assisted acquisition of a financial institution. The update provides that changes in cash flows expected to be collected on the indemnification asset arising subsequent to initial recognition as a result of changes in cash flows expected to be collected on the related indemnified assets should be accounted for on the same basis as the change in the assets subject to indemnification. Any amortization of changes in value should be limited to the contractual term of the indemnification agreement. The guidance is effective prospectively for fiscal years beginning on or after December 15, 2012. The adoption of this guidance did not have a material impact on the Company's financial condition or results of operations.

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. The new amendment requires companies to present information about reclassification adjustments from accumulated other comprehensive income in a single note or on the face of the financial statements. Additionally, companies are to disclose, by component, reclassifications out of accumulated other comprehensive income and their effects on the respective line items on net income and other disclosures currently required under U.S. GAAP. The guidance is effective prospectively for fiscal years beginning on or after December 15, 2012. The adoption of this guidance did not have a material impact on the Company's financial condition or results of operations.

(In thousands of dollars, except share data)

2. Acquisitions

The Company has determined that the acquisitions completed during the years ended December 31, 2013 and 2012 constitute business combinations. Accordingly, assets acquired and liabilities assumed are recorded initially at their acquisition-date fair values. In many cases, the determination of these fair values requires management to make estimates about discount rates, future expected cash flows, market conditions, and other future events that are highly subjective in nature and subject to change.

Estimated fair values are considered preliminary and, in accordance with US GAAP, are subject to change for up to one year after the acquisition date if additional information relative to acquisition-date fair values becomes available. Material adjustments to acquisition-date fair values are recorded in the period in which the acquisition occurs; therefore, previously reported results are subject to change.

On November 8, 2013, the Company purchased Essex Bank's ("Essex") Georgia banking franchise, which was comprised of four bank branches located in Loganville, Snellville, Grayson and Covington, Georgia. The table below presents a summary of the assets and liabilities purchased from Essex:

Essex	Carrying Value Acquired	Purchase Adjustments	As Recorded by CSB
Assets			
Cash and due from banks	$ 187,940	$ —	$ 187,940
Other intangible assets	—	1,214	1,214
Premises and equipment	5,174	(43)	5,131
Other assets	191	—	191
Total assets acquired	$ 193,305	$ 1,171	$ 194,476
Liabilities			
Deposits			
Noninterest-bearing	$ 15,869	$ —	$ 15,869
Interest-bearing	177,301	192	177,493
Total deposits	193,170	192	193,362
Other liabilities	135	—	135
Total liabilities assumed	$ 193,305	$ 192	$ 193,497
Net identifiable assets acquired			$ 979
Cash consideration transferred to Essex			(2,569)
Goodwill			$ (1,590)

The acquisition of the Essex branches resulted in the recognition of $1,590 in goodwill, which is fully tax-deductible for tax purposes. The goodwill arose primarily as a result of the expected synergies from combining the operations of the Essex branches with the Company.

(In thousands of dollars, except share data)

On July 20, 2012, the Company purchased substantially all of the assets and assumed substantially all of the deposits and other borrowings of Georgia Trust Bank ("GTB") from the FDIC, as Receiver of GTB, in order to expand the Company's banking presence in Georgia. GTB operated two commercial banking branches in north metro Atlanta, Georgia. GTB was placed into receivership with the FDIC upon its closure by the Georgia Department of Banking and Finance.

The Company and the FDIC entered into a loss share agreement regarding future losses incurred on loans and OREO existing at the acquisition date. The FDIC will reimburse the Company for 80 percent of total losses incurred on applicable non-single family loans. The term for loss share on non-single family loans is five years with respect to losses and eight years with respect to loss recoveries.

The Company did not acquire the real estate, banking facilities, furniture and equipment of GTB as of July 20, 2012, but retained the option to purchase these assets at fair market value from the FDIC. The Company completed a review of the former GTB locations and notified the FDIC that it did not intend to purchase any real estate, banking facilities, furniture and equipment of GTB.

During 2013, the Company made certain adjustments to the estimated fair values of the assets and liabilities acquired in connection with the GTB acquisition based upon new information that was not originally available as of the acquisition date.

The table below presents a summary of the assets and liabilities purchased in the GTB acquisition:

GTB	Carrying Value per FDIC	Purchase Adjustments	As Initially Recorded by CSB	Subsequent Adjustments	As Finally Recorded by CSB
Assets					
Cash and due from banks	$ 23,110	$ 11,381	$ 34,491	$ —	$ 34,491
Federal funds sold	4,475	—	4,475	—	4,475
Investment securities available-for-sale	9,994	(29)	9,965	—	9,965
Loans	69,108	(16,606)	52,502	—	52,502
OREO	6,446	(2,763)	3,683	—	3,683
FDIC Loss Share Receivable	—	11,245	11,245	—	11,245
Other intangible assets	—	342	342	—	342
Other assets	280	(185)	95	(57)	38
Total assets acquired	$ 113,413	$ 3,385	$ 116,798	$ (57)	$ 116,741
Liabilities					
Deposits					
Noninterest-bearing	$ 55,605	$ —	$ 55,605	$ —	$ 55,605
Interest-bearing	54,574	—	54,574	—	54,574
Total deposits	110,179	—	110,179	—	110,179
FDIC clawback liability	—	236	236	—	236
Deferred tax liability	—	2,468	2,468	(22)	2,446
Other liabilities	40	—	40	—	40
Total liabilities assumed	$ 110,219	$ 2,704	$ 112,923	$ (22)	$ 112,901
Excess of assets assumed over liabilities acquired	$ 3,194	$ 681		$ (35)	
Gain on acquisition of GTB			$ 3,875		$ 3,840

The acquisition of GTB resulted in a bargain purchase gain of $3,840, which is included in “gain on acquisitions” within the Consolidated Statements of Income. The gain represents the excess of the estimated fair value of the assets acquired (including cash payments received from the FDIC) over the estimated fair value of the liabilities assumed and is influenced significantly by the FDIC-assisted transaction process.

On July 20, 2012, the Company purchased substantially all of the assets and assumed substantially all of the deposits and other borrowings of FCSB from the FDIC, as Receiver, of FCSB, in order to expand the Company’s banking presence in Georgia. FCSB operated three commercial banking branches in north metro Atlanta, Georgia. FCSB was placed into receivership with the FDIC upon its closure by the Georgia Department of Banking and Finance.

The Company and the FDIC entered into loss share agreement regarding future losses incurred on loans and OREO existing at the acquisition date. The FDIC will reimburse the Company for 80 percent of total losses incurred on applicable non-single family loans. The term for loss share on non-single family loans is five years with respect to losses and eight years with respect to loss recoveries.

The Company did not acquire the real estate, banking facilities, furniture and equipment of FCSB as of July 20, 2012, but retained the option to purchase these assets at fair market value from the FDIC. The Company completed a review of the former FCSB locations and notified the FDIC of its intent to purchase certain real estate, banking facilities and equipment for a combined purchase price of $1,815. The purchase was completed in the second quarter of 2013.

During 2013, the Company made certain adjustments to the estimated fair values of the assets and liabilities acquired in connection with the FCSB acquisition based upon new information that was not originally available as of the acquisition date.

(In thousands of dollars, except share data)

The table below presents a summary of the assets and liabilities purchased in the FCSB acquisition:

FCSB	Carrying Value per FDIC	Purchase Adjustments	As Initially Recorded by CSB	Subsequent Adjustments	As Finally Recorded by CSB
Assets					
Cash and due from banks	$ 28,409	$ 18,889	$ 47,298	$ 105	$ 47,403
Investment securities available-for-sale	15,466	(84)	15,382	—	15,382
Loans	130,894	(25,082)	105,812	—	105,812
OREO	31,146	(21,998)	9,148	—	9,148
FDIC Loss Share Receivable	—	32,052	32,052	—	32,052
Other intangible assets	—	1,068	1,068	—	1,068
Other assets	4,680	(3,215)	1,465	—	1,465
Total assets acquired	$ 210,595	$ 1,630	$ 212,225	$ 105	$ 212,330
Liabilities					
Deposits					
Noninterest-bearing	$ 87,693	$ —	$ 87,693	$ —	$ 87,693
Interest-bearing	91,363	—	91,363	—	91,363
Total deposits	179,056	—	179,056	—	179,056
Other borrowings	25,140	1,826	26,966	—	26,966
FDIC clawback liability	—	385	385	—	385
Deferred tax liability	—	2,164	2,164	(243)	1,921
Other liabilities	253	—	253	729	982
Total liabilities assumed	$ 204,449	$ 4,375	$ 208,824	$ 486	$ 209,310
Excess of assets assumed over liabilities acquired	$ 6,146	$ (2,745)		$ (381)	
Gain on acquisition of FCSB			3,401		$ 3,020

The acquisition of FCSB resulted in a bargain purchase gain of $3,020, which is included in "gain on acquisitions" within the Consolidated Statements of Income. The gain represents the excess of the estimated fair value of the assets acquired (including cash payments received from the FDIC) over the estimated fair value of the liabilities assumed and is influenced significantly by the FDIC-assisted transaction process.

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

Cash and Due from Banks

The carrying amount of these assets is expected to reasonably approximate fair value given the short-term nature of the assets.

Federal Funds Sold

The carrying amount of federal funds sold is expected to reasonably approximate fair value based upon the short-term nature of the asset.

Investment Securities Available-for-sale

Fair values for investment securities are determined by quoted market prices at the time of acquisition.

Loans

Fair values for acquired loans are estimated upon a discounted cash flow methodology that considered factors including the type of loans and related collateral, classification status, fixed or variable interest rate, loan term and whether or not the loan was amortizing and a market discount rate reflecting risks inherent in the acquired loans. Fair values of acquired loans include both a rate-based valuation mark, representing the carrying value of discount required to establish the appropriate effective yield for acquired loans, as well as a credit-based valuation mark representing the valuation adjustment applied to acquired loans related to credit loss assumptions.

OREO

Fair values for OREO are estimated based upon the value that management expects to receive when the property is sold, net of related costs of disposal.

FDIC Loss Share Receivable

The fair value of the FDIC loss share receivable is estimated based upon a discounted cash flow methodology that considers the amount and timing of losses expected to be submitted to the FDIC for indemnification. The indemnification asset is measured separately from the related covered assets as it is not contractually embedded in the covered assets and is not transferable with the covered assets should the Company choose to dispose of them.

Other Intangible Assets

Fair values for intangible assets are estimated based upon a discounted cash flow methodology that gave appropriate consideration to expected customer attrition rates, cost of the deposit base and the net maintenance cost attributable to customer deposits.

Premises and Equipment

Fair values for premises and equipment are estimated based upon independent appraisals.

Other Assets

Other assets include accrued interest that has been earned on borrowers' loans or investment securities not yet received and prepaid expenses. The carrying value of these assets is expected to reasonably approximate fair value.

Deposits

The fair values used for the noninterest-bearing deposits that comprise the transactions accounts acquired closely approximate the amount payable on demand at the acquisition date and thus reasonably approximate fair value. The fair value of interest-bearing deposits is estimated based upon a discounted cash flow methodology. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities. For GTB and FCSB, no fair value adjustments were applied for time deposits as the Company was provided with the option, upon acquisition, to reset deposit rates to market rates currently offered.

(In thousands of dollars, except share data)

Other Borrowings

The fair values of other borrowings are estimated using a discounted cash flow methodology that considers contractual pre-payment penalties determined by the lender.

FDIC Clawback Liability

The FDIC clawback liability represents the present value of future payments to the FDIC in the event that losses fail to reach expected levels. The fair value of the FDIC clawback liability is estimated based upon a discounted cash flow methodology.

Deferred Tax Liability

Deferred tax liabilities are temporary differences between the carrying amount of a liability recognized in the Consolidated Balance Sheets and the related tax basis for the liability using enacted tax rates in effect for the year in which the difference are expected to be recovered.

Other Liabilities

Other liabilities include accrued interest on deposit accounts and additional accounts held in escrow. The carrying value of these liabilities is expected to reasonably approximate fair value.

3. Investment Securities

The aggregate values of investment securities at December 31, 2013 and 2012 along with gains and losses determined on an individual security basis are as follows:

	Held-to-Maturity As of December 31, 2013				Available-for-Sale As of December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government	$ —	$ —	$ —	$ —	$ 30,120	$ —	$ 1,750	$ 28,370
Certificates of deposit	10,777	4	174	10,607	—	—	—	—
FNMA, GNMA and FHLMC mortgage-backed securities	—	—	—	—	211,093	2,312	2,485	210,920
Asset backed securities	—	—	—	—	19,470	14	79	19,405
Collateralized mortgage obligations	—	—	—	—	157,002	2,606	559	159,049
State, county and municipal	64,903	2,394	377	66,920	—	—	—	—
Corporate bonds	—	—	—	—	15,069	268	235	15,102
Equity securities	—	—	—	—	191	—	—	191
Total investment securities	$ 75,680	$ 2,398	$ 551	$ 77,527	$ 432,945	$ 5,200	$ 5,108	$433,037

(In thousands of dollars, except share data)

	Held-to-Maturity As of December 31, 2012				Available-for-Sale As of December 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government	$ —	$ —	$ —	$ —	$ 25,143	$ 24	$ 18	$ 25,149
FNMA, GNMA and FHLMC mortgage-backed securities	—	—	—	—	117,760	4,415	—	122,175
Asset backed securities	—	—	—	—	16,747	23	83	16,687
Collateralized mortgage obligations	—	—	—	—	175,610	4,322	2	179,930
State, county and municipal	66,550	5,556	22	72,084	1,061	27	—	1,088
Corporate bonds	—	—	—	—	14,698	477	—	15,175
Certificates of deposit	—	—	—	—	—	—	—	—
Equity securities	—	—	—	—	796	696	—	1,492
Total investment securities	$ 66,550	$ 5,556	$ 22	$72,084	$ 351,815	$ 9,984	$ 103	$361,696

The following table provides contractual maturity information for investment securities as of December 31, 2013. Callable securities are assumed to mature on their earliest call date. Actual maturities may differ from contractual maturity because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Held-to-Maturity As of December 31, 2013		Available-for-Sale As of December 31, 2013	
	Cost	Fair Value	Cost	Fair Value
Maturing in				
One year or less	$ 2,112	$ 2,105	$ 6,235	$ 5,914
One through five years	26,545	27,080	327,379	330,311
Five through ten years	38,021	39,034	97,164	94,631
Over ten years	9,002	9,308	1,976	1,990
Equity securities	—	—	191	191
Total investment securities	$ 75,680	$ 77,527	$432,945	$433,037

(In thousands of dollars, except share data)

The following table provides information regarding securities with unrealized losses as of December 31, 2013 and 2012:

	As of December 31, 2013					
	Less Than 12 Months		More Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government	$ 28,370	$ 1,750	$ —	$ —	$ 28,370	$ 1,750
Certificates of deposit	9,770	174	—	—	9,770	174
FNMA, GNMA and FHLMC mortgage-backed securities	96,094	2,485	—	—	96,094	2,485
Collateralized mortgage obligation	25,552	176	8,231	383	33,783	559
Asset backed securities	8,283	46	9,133	33	17,416	79
Corporate bonds	9,850	235	—	—	9,850	235
State, county and municipal	12,490	321	666	56	13,156	377
Total investment securities	$190,409	$ 5,187	$ 18,030	$ 472	$208,439	$ 5,659

	As of December 31, 2012					
	Less Than 12 Months		More Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government	$ 10,152	$ 18	$ —	$ —	$ 10,152	$ 18
FNMA, GNMA and FHLMC mortgage-backed securities	881	2	—	—	881	2
Asset backed securities	9,676	83	—	—	9,676	83
State, county and municipal	1,284	22	—	—	1,284	22
Total investment securities	$ 21,993	$ 125	$ —	$ —	$ 21,993	$ 125

The Company held certain investment securities having unrealized loss positions. As of December 31, 2013, the Company did not intend to sell these securities nor was it more likely than not that the Company would be required to sell these securities before their anticipated recovery or maturity. The Company has reviewed its portfolio for OTTI in accordance with the accounting policies outlined in Note 1, “Summary of Significant Accounting Policies and Nature of Business,” to the Consolidated Financial Statements. Market changes in interest rates and credit spreads will result in temporary unrealized losses as the market price of securities fluctuates. As a result, the Company had no other-than-temporary impairment for the years ended December 31, 2013 and 2012.

During the years ended December 31, 2013 and 2012, the Company had investment gross gains of $2,541 and $1,531 and investment losses of $9 and $91, respectively.

During the year ended December 31, 2011, the Company elected to transfer certain debt securities from its available-for-sale portfolio to its held-to-maturity portfolio. These transfers were made at fair value at the date of transfer and the unrealized holding gain of $898 at this date is retained in accumulated other comprehensive income. Such amounts are amortized as a yield adjustment over their remaining maturities.

(In thousands of dollars, except share data)

The Company had pledged HTM and AFS securities having aggregate fair values of $64,305 and $333,062, respectively, at December 31, 2013 and $65,426 and $282,956, respectively, at December 31, 2012, to secure public funds on deposit and certain other borrowings, and for other purposes as required by law.

4. Loans

The Company's recorded investment in loans outstanding at December 31, 2013 and 2012 is summarized as follows:

	2013	2012
Commercial loans:		
Commercial & industrial	$ 274,923	$ 206,679
Commercial real estate	657,485	426,416
Commercial construction	22,628	21,719
Total commercial loans	955,036	654,814
Consumer loans:		
Residential real estate	38,259	15,393
Residential construction	42,089	27,008
Consumer purpose & other	322,867	168,722
Total consumer loans	403,215	211,123
Other acquired loans	26,460	35,151
Total non-covered loans	1,384,711	901,088
Covered loans	377,926	511,952
Total loans held for investment	$ 1,762,637	$ 1,413,040
Loans held for sale	$ 1,967	$ 24,146

Covered loans represent loans acquired from the FDIC subject to one of the loss share agreements. Other acquired loans represent primarily consumer loans purchased from the FDIC that are not subject to one of the loss share agreements.

The Company monitors the credit quality of its commercial loan portfolio using internal risk ratings. These risk ratings are based upon established regulatory guidance and are assigned upon initial approval of credit to borrowers. Ratings are updated at least annually after the initial assignment or whenever management becomes aware of information affecting the borrowers' ability to fulfill their obligations.

The Company utilizes the following categories of credit grades to evaluate its commercial loan portfolio:

Pass. Higher quality loans that do not fit any of the other categories described below.

Special Mention. The Company assigns a special mention rating to loans with potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or lease or the Company's credit position at some future date.

Substandard. The Company assigns a substandard rating to loans that are inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged, if any. Substandard loans have well-defined weaknesses that jeopardize repayment of the debt. Substandard loans are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not addressed.

(In thousands of dollars, except share data)

*Doubtful***.** The Company assigns a doubtful rating to loans with all the attributes of a substandard rating 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. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors that may work to the advantage and strengthening of the credit quality of the loan, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral and refinancing plans.

The Company monitors the credit quality of its consumer portfolio based primarily on delinquency status, which is the primary factor considered in determining whether a consumer loan should be classified as nonaccrual.

The following tables illustrate the credit quality indicators associated with the Company's originated loan portfolio as of December 31, 2013 and 2012:

	As of December 31, 2013			
	Commercial & Industrial	Commercial Real Estate	Commercial Construction	Total
Pass	$ 270,216	$ 652,354	$ 22,518	$945,088
Special Mention	1,113	3,938	34	5,085
Substandard	3,594	1,193	76	4,863
Doubtful	—	—	—	—
	$ 274,923	$ 657,485	$ 22,628	$955,036

	As of December 31, 2012			
	Commercial & Industrial	Commercial Real Estate	Commercial Construction	Total
Pass	$ 206,483	$ 422,139	$ 21,591	$650,213
Special Mention	21	1,948	—	1,969
Substandard	175	2,329	128	2,632
Doubtful	—	—	—	—
	$ 206,679	$ 426,416	$ 21,719	$654,814

	As of December 31, 2013			
	Residential Real Estate	Residential Construction	Consumer Purpose & Other	Total
Performing	$ 38,140	$ 42,048	$ 322,769	$402,957
Nonperforming	119	41	98	258
	$ 38,259	$ 42,089	$ 322,867	$403,215

	As of December 31, 2012			
	Residential Real Estate	Residential Construction	Consumer Purpose & Other	Total
Performing	$ 14,742	$ 26,893	$ 168,471	$210,106
Nonperforming	651	115	251	1,017
	$ 15,393	$ 27,008	$ 168,722	$211,123

(In thousands of dollars, except share data)

The following tables illustrate the credit quality indicators associated with the Company's acquired loan portfolio as of December 31, 2013 and 2012:

	As of December 31, 2013			
	Commercial & Industrial	Commercial Real Estate	Commercial Construction	Total
Pass	$ 6,726	$ 119,837	$ 4,842	$131,405
Special Mention	7,148	16,536	1,073	24,757
Substandard	1,143	75,971	3,877	80,991
Doubtful	1,520	2,225	1,172	4,917
	$ 16,537	$ 214,569	$ 10,964	$242,070

	As of December 31, 2012			
	Commercial & Industrial	Commercial Real Estate	Commercial Construction	Total
Pass	$ 10,000	$ 138,878	$ 6,272	$155,150
Special Mention	8,673	32,562	3,041	44,276
Substandard	3,586	107,858	17,491	128,935
Doubtful	1,732	3,996	4,982	10,710
	$ 23,991	$ 283,294	$ 31,786	$339,071

	As of December 31, 2013			
	Residential Real Estate	Residential Construction	Consumer Purpose & Other	Total
Performing	$ 91,870	$ 39,569	$ 2,746	$134,185
Nonperforming	14,923	12,687	521	28,131
	$ 106,793	$ 52,256	$ 3,267	$162,316

	As of December 31, 2012			
	Residential Real Estate	Residential Construction	Consumer Purpose & Other	Total
Performing	$ 116,160	$ 45,029	$ 3,688	$164,877
Nonperforming	22,894	19,813	448	43,155
	$ 139,054	$ 64,842	$ 4,136	$208,032

(In thousands of dollars, except share data)

The Company tracks loan payment activity for the loan portfolio. Loans are considered past due or delinquent when the contractual principal or interest due in accordance with the terms of the loan agreement or any portion thereof remains unpaid after the due date of the scheduled payment. The payment status for the loan portfolio at December 31, 2013 and 2012 is shown in the tables below. Loans acquired with deteriorated credit quality have been excluded from this delinquency analysis because interest income on such loans is recognized using the accretion method and the related allowance is determined by loan pool performance.

	As of December 31, 2013				
	Accruing Current	Accruing 30 – 89 Days Past Due	Accruing 90+ Days Past Due	Nonaccruing	Total
Commercial loans:					
Commercial & industrial	$ 274,814	$ 20	$ —	$ 89	$ 274,923
Commercial real estate	656,999	486	—	—	657,485
Commercial construction	22,569	—	—	59	22,628
Consumer loans:					
Residential real estate	38,140	—	—	119	38,259
Residential construction	42,044	4	—	41	42,089
Consumer purpose & other	322,323	439	7	98	322,867
	$1,356,889	$ 949	$ 7	$ 406	$1,358,251

	As of December 31, 2012				
	Accruing Current	Accruing 30 – 89 Days Past Due	Accruing 90+ Days Past Due	Nonaccruing	Total
Commercial loans:					
Commercial & industrial	$202,412	$ 44	$ 4,092	$ 131	$206,679
Commercial real estate	425,094	336	—	986	426,416
Commercial construction	21,619	100	—	—	21,719
Consumer loans:					
Residential real estate	15,005	—	320	68	15,393
Residential construction	26,953	—	—	55	27,008
Consumer purpose & other	168,435	105	15	167	168,722
	$859,518	$ 585	$ 4,427	$ 1,407	$865,937

The Company considers a loan to be impaired when, based upon current information and events, it believes it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans accounted for as loans acquired with deteriorated credit quality are excluded from this analysis, even though they may be contractually past due, as any nonpayment of contractual principal or interest is considered in the periodic re-estimation of expected cash flows and is included in the resulting recognition of current period covered loan loss provision or future period yield adjustment.

(In thousands of dollars, except share data)

The following table sets forth certain information regarding the Company's impaired loans as of December 31, 2013 and 2012:

	As of December 31, 2013			
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With no related allowance recorded:				
Commercial loans:				
Commercial & industrial	$ 89	$ 101	$ —	$ 110
Commercial real estate	—	—	—	—
Commercial construction	59	64	—	61
Consumer loans:				
Residential real estate	1,100	2,004	—	882
Residential construction	42	105	—	49
Consumer purpose & other	56	110	—	74
With an allowance recorded:				
Commercial loans:				
Commercial & industrial	35	35	1	37
Commercial real estate	—	—	—	—
Commercial construction	—	—	—	—
Consumer loans:				
Residential real estate	226	226	26	228
Residential construction	34	47	6	34
Consumer purpose & other	49	57	10	55
Total impaired loans	$ 1,690	$ 2,749	$ 43	$ 1,530

	As of December 31, 2012			
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With no related allowance recorded:				
Commercial loans:				
Commercial & industrial	$ 264	$ 264	$ —	$ 268
Commercial real estate	3,589	6,481	—	5,103
Commercial construction	—	—	—	—
Consumer loans:				
Residential real estate	978	1,806	—	928
Residential construction	116	218	—	142
Consumer purpose & other	167	174	—	167
With an allowance recorded:				
Commercial loans:				
Commercial & industrial	—	—	—	—
Commercial real estate	—	—	—	—
Commercial construction	—	—	—	—
Consumer loans:				
Residential real estate	—	—	—	—
Residential construction	—	—	—	—
Consumer purpose & other	—	—	—	—
Total impaired loans	$ 5,114	$ 8,943	$ —	$ 6,608

(In thousands of dollars, except share data)

Interest income recognized on impaired loans was *de minimis* for the years ended December 31, 2013 and 2012. No such income was recognized on a cash basis.

TDRs are loans in which the borrower is experiencing financial difficulty and the Company has granted an economic concession to the borrower. Prior to modifying a borrower's loan terms, the Company performs an evaluation of the borrower's financial condition and ability to service under the potential modified loan terms. The types of concessions granted are generally interest rate reductions or term extensions. If a loan is accruing at the time of modification, the loan remains on accrual status and is subject to the Company's charge-off and nonaccrual policies. If a loan is on nonaccrual before it is determined to be a TDR, then the loan remains on nonaccrual. TDRs may be returned to accrual status if there has been a sustained period of repayment performance by the borrower. Generally, once a loan becomes a TDR, it is probable that the loan will likely continue to be reported as a TDR for the life of the loan.

During the periods ended December 31, 2013 and 2012, certain loans were modified under the terms of a TDR. Modifications typically involve a reduction in the stated interest rate of the loan lower than a market rate for new debt with similar risks, an extension of the maturity date of the loan, or both.

The following table presents loans, by class, which had been modified under the terms of a TDR for the years ended December 31, 2013 and 2012:

	As of December 31, 2013		
	Number of Modifications	Unpaid Principal Balance	Recorded Investment
Commercial loans:			
Commercial & industrial	1	$ 35	$ 35
Commercial real estate	4	9,896	7,288
Commercial construction	—	—	—
Consumer loans:			
Residential real estate	15	2,229	1,326
Residential construction	3	152	76
Consumer purpose & other	3	45	44
Total	26	$ 12,357	$ 8,769

	As of December 31, 2012		
	Number of Modifications	Unpaid Principal Balance	Recorded Investment
Commercial loans:			
Commercial & industrial	3	$ 133	$ 133
Commercial real estate	2	5,495	2,603
Commercial construction	—	—	—
Consumer loans:			
Residential real estate	12	1,738	910
Residential construction	2	108	64
Consumer purpose & other	—	—	—
Total	19	$ 7,474	$ 3,710

(In thousands of dollars, except share data)

The Company is not committed to lend additional amounts as of December 31, 2013 and December 31, 2012 to customers with outstanding loans that are classified as TDRs. Charge-offs on such loans are factored into the rolling historical loss rate, which is used in the calculation of the allowance for loan losses.

The Company does not have a significant concentration of risk to any individual client except for the U.S. government and its agencies. However, a geographic concentration arises because the Company operates primarily in the state of Georgia. The Company does not engage in international banking activities.

Under a line of credit agreement with the FHLBA, at December 31, 2013 and 2012, the Company had pledged certain loans under a blanket lien as collateral for its FHLBA borrowings. The loans encumbered by the blanket lien included all qualifying 1-4 family first mortgage loans, multi-family first mortgage loans and commercial real estate loans.

Acquired Loans

The following tables reflect the recorded investment of all acquired loans as of December 31, 2013 and 2012:

	As of December 31, 2013		
	Acquired Loans		
	Credit Impaired[1]	Non-credit Impaired	Total
Covered Loans:			
Commercial loans:			
Commercial & industrial	$ 14,669	$ 593	$ 15,262
Commercial real estate	206,432	879	207,311
Commercial construction	10,513	226	10,739
Consumer loans:			
Residential real estate	76,929	14,641	91,570
Residential construction	49,095	1,792	50,887
Consumer purpose & other	1,306	851	2,157
Non-covered Loans:			
Other acquired loans	20,229	6,231	26,460
	$379,173	$ 25,213	$404,386

1 Acquired loans under the guidance governing acquired loans with deteriorated credit quality.

(In thousands of dollars, except share data)

	As of December 31, 2012		
	Acquired Loans		
	Credit Impaired[1]	Non-credit Impaired	Total
Covered Loans:			
Commercial loans:			
Commercial & industrial	$ 20,388	$ 1,161	$ 21,549
Commercial real estate	273,368	2,062	275,430
Commercial construction	31,661	83	31,744
Consumer loans:			
Residential real estate	99,950	16,875	116,825
Residential construction	62,406	1,661	64,067
Consumer purpose & other	1,882	455	2,337
Non-covered Loans:			
Other acquired loans	30,306	4,845	35,151
	$519,961	$ 27,142	$547,103

1 Acquired loans under the guidance governing acquired loans with deteriorated credit quality.

Changes in the recorded investment of acquired loans for the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
Carrying value of acquired loans:		
Balance, beginning of period	$ 547,103	$ 608,240
Additions	—	152,022
Cash basis income on loans accounted for under the cost recovery method	8,846	9,440
Accretion of fair value discounts	59,633	87,577
Reductions in principal balances from repayments, write-offs, and foreclosures	(211,196)	(310,176)
Balance, end of period	$ 404,386	$ 547,103

The outstanding unpaid principal balance for all acquired loans as of December 31, 2013 and 2012 was $642,619 and $1,020,328, respectively.

The Company purchased loans during the year ended December 31, 2012, in connection with the GTB and FCSB acquisitions, as further discussed in Note 2, “Acquisitions”. These loans were deemed to have been acquired with deteriorated credit quality due to the nature of FDIC-assisted acquisitions.

(In thousands of dollars, except share data)

Contractual loan payments receivable, estimates of amounts not expected to be collected, accretable yield, and the resulting fair values of the loans acquired in the GTB and FCSB acquisitions (as of the acquisition date) are as follows:

	2012
Contractually required payments receivable	$ 244,890
Cash flows expected to be collected	192,265
Nonaccretable difference	$ 52,625
Cash flows expected to be collected	$ 192,265
Fair value of acquired impaired loans	152,022
Accretable yield	$ 40,243

Changes in the amount of accretable yield on loans acquired with deteriorated credit quality for the years ended December 31, 2013 and 2012 were as follows:

	First National Bank of Georgia	Appalachian Community Bank	Bank of Ellijay	The Peoples' Bank	First Commerce Community Bank	Georgia Trust Bank	First Cherokee State Bank	TOTAL
Balance at January 1, 2012	$ 95,818	$ 95,820	$ 8,347	$ 19,467	$ 8,638	$ —	$ —	$228,090
Additions	—	—	—	—	—	5,457	34,786	40,243
Transfer to cost recovery	(12,276)	(7,800)	—	—	—	—	—	(20,076)
Reclassifications from / (to) nonaccretable difference	(3,175)	(20,629)	4,874	11,700	6,841	(156)	(1,373)	(1,918)
Accretion	(27,865)	(27,543)	(5,403)	(11,273)	(7,629)	(1,494)	(3,153)	(84,360)
Balance at December 31, 2012	52,502	39,848	7,818	19,894	7,850	3,807	30,260	161,979
Additions	—	—	—	—	—	—	—	—
Transfer to cost recovery	—	—	(6)	(4)	—	—	—	(10)
Reclassifications from / (to) nonaccretable difference	6,016	4,291	4,124	3,335	3,999	4,557	6,957	33,279
Accretion	(17,545)	(12,673)	(4,783)	(7,289)	(5,154)	(3,176)	(6,827)	(57,447)
Balance at December 31, 2013	$ 40,973	$ 31,466	$ 7,153	$ 15,936	$ 6,695	$ 5,188	$ 30,390	$137,801

(In thousands of dollars, except share data)

5. Allowance for Credit Losses

Activity in the allowance for credit losses for the years ended December 31, 2013 and 2012 is summarized in the table below:

	As of December 31, 2013				
	Beginning Balance	Charge-Offs	Recoveries	Provision	Ending Balance
Commercial loans:					
Commercial & industrial	$ 4,475	$ (18)	$ 3	1,817	$ 6,277
Commercial real estate	3,726	(134)	8	1,818	5,418
Commercial construction	223	—	—	(31)	192
Consumer loans:					
Residential real estate	142	(12)	—	538	668
Residential construction	241	—	—	(2)	239
Consumer purpose & other	2,395	(798)	47	4,012	5,656
Covered and other acquired	18,753	(3,749)	4,918	(7,837)	12,085
Unallocated	590	—	—	(590)	—
Allowance for loan losses	30,545	(4,711)	4,976	(275)	30,535
Reserve for unfunded lending commitments	4,724	—	—	1,481	6,205
Allowance for credit losses	$ 35,269	$ (4,711)	$ 4,976	$ 1,206	$36,740

	As of December 31, 2012				
	Beginning Balance	Charge-Offs	Recoveries	Provision	Ending Balance
Commercial loans:					
Commercial & industrial	$ 2,069	$ (50)	$ —	$ 2,456	$ 4,475
Commercial real estate	1,790	—	—	1,936	3,726
Commercial construction	323	(14)	—	(86)	223
Consumer loans:					
Residential real estate	35	—	—	107	142
Residential construction	88	(57)	—	210	241
Consumer purpose & other	533	(183)	4	2,041	2,395
Covered and other acquired	37,717	(23,799)	170	4,665	18,753
Unallocated	255	—	—	335	590
Allowance for loan losses	42,810	(24,103)	174	11,664	30,545
Reserve for unfunded lending commitments	1,869	—	—	2,855	4,724
Allowance for credit losses	$ 44,679	$ (24,103)	$ 174	$ 14,519	$35,269

(In thousands of dollars, except share data)

The following tables present the Company's allowance for loan losses and the carrying value of the associated loans based upon the method for determining the allowance as of December 31, 2013 and 2012:

	As of December 31, 2013							
	Commercial		Consumer		Acquired		Total	
	Recorded Investment	Associated Allowance	Recorded Investment	Associated Allowance	Recorded Investment	Associated Allowance	Recorded Investment	Associated Allowance
Loans individually evaluated for impairment	$ 148	$ —	$ 101	$ 13	$ —	$ —	$ 249	$ 13
Loans collectively evaluated for impairment	954,888	11,887	403,114	6,550	25,213	344	1,383,215	18,781
Loans acquired with deteriorated credit quality	—	—	—	—	379,173	11,741	379,173	11,741
Total	$ 955,036	$ 11,887	$ 403,215	$ 6,563	$ 404,386	$ 12,085	$1,762,637	$ 30,535

	As of December 31, 2012							
	Commercial		Consumer		Acquired		Total[1]	
	Recorded Investment	Associated Allowance	Recorded Investment	Associated Allowance	Recorded Investment	Associated Allowance	Recorded Investment	Associated Allowance
Loans individually evaluated for impairment	$ 1,117	$ —	$ 287	$ —	$ —	$ —	$ 1,404	$ —
Loans collectively evaluated for impairment	653,697	8,424	210,836	2,778	27,142	5	891,675	11,207
Loans acquired with deteriorated credit quality	—	—	—	—	519,961	18,748	519,961	18,748
Total	$ 654,814	$ 8,424	$ 211,123	$ 2,778	$ 547,103	$ 18,753	$1,413,040	$ 29,955

1 Excludes $590 of unallocated allow ance that is associated with the reserve for collectively evaluated loans.

6. Premises and Equipment

Major classifications of premises and equipment at December 31, 2013 and 2012 are summarized as follows:

	2013	2012
Land	$15,989	$13,237
Premises and leasehold improvements	36,177	34,121
Furniture and equipment	22,404	20,552
	74,570	67,910
Less: Accumulated depreciation and amortization	12,608	8,159
Total premises and equipment	$61,962	$59,751

There were no premises pledged to secure borrowings at December 31, 2013 and 2012.

The Company leases certain premises and equipment under various lease agreements that provide for payment of property taxes, insurance and maintenance costs. Operating leases frequently provide for one or more renewal options on the same basis as current rental terms. However, certain leases require increased rentals under cost of living escalation clauses. Some leases also provide purchase options.

(In thousands of dollars, except share data)

Future minimum rental commitments for noncancelable operating leases with initial or remaining terms of one or more years consisted of the following at December 31, 2013:

2014	$ 2,162
2015	2,081
2016	1,839
2017	1,481
2018	1,178
Thereafter	4,264
Total minimum payments	$13,005

Total rent expense for all operating leases amounted to $2,562 and $2,601 in 2013 and 2012, respectively, net of rent income, which totaled $34 and $81 during 2013 and 2012, respectively.

7. OREO

The following table provides details of the Company's OREO covered and not covered under a loss share agreement:

	Covered OREO	Not Covered OREO	Total OREO
December 31, 2013			
Commercial construction	$ 9,073	$ 9	$ 9,082
Commercial real estate	18,978	532	19,510
Residential construction	14,781	11	14,792
Residential real estate	4,167	242	4,409
Total	$ 46,999	$ 794	$47,793

	Covered OREO	Not Covered OREO	Total OREO
December 31, 2012			
Commercial construction	$ 17,710	$ —	$ 17,710
Commercial real estate	45,650	—	45,650
Residential construction	49,622	1,302	50,924
Residential real estate	8,542	—	8,542
Total	$121,524	$ 1,302	$122,826

(In thousands of dollars, except share data)

Changes in the Company's OREO covered and not covered under a loss share agreement were as follows:

	Covered OREO	Not Covered OREO	Total OREO
Balance January 1, 2012	$127,515	$ —	$127,515
Additions through acquisitions	10,504	2,328	12,832
Additions	90,276	254	90,530
Sales	(59,766)	(1,280)	(61,046)
Losses and other adjustments	(47,005)	—	(47,005)
Balance December 31, 2012	$121,524	$ 1,302	$122,826
Additions	36,060	1,213	37,273
Sales	(90,196)	(1,661)	(91,857)
Losses and other adjustments	(20,389)	(60)	(20,449)
Balance December 31, 2013	$ 46,999	$ 794	$ 47,793

8. FDIC Loss Share Receivable

In connection with each FDIC-assisted acquisition, a FDIC loss share receivable has been established for each acquired bank's loan and OREO population that is covered by the loss sharing agreement. The FDIC loss share receivable represents the present value of the estimated losses on covered assets to be reimbursed by the FDIC. Pursuant to the terms of our loss share agreements, the FDIC is obligated to reimburse the Bank based on its loss share agreement percentage of all eligible losses with respect to covered assets, beginning with the first dollar of loss incurred. The Bank has a corresponding obligation to reimburse the FDIC based on its loss share agreement percentage of eligible recoveries with respect to covered assets.

(In thousands of dollars, except share data)

The following table shows changes in the carrying value of the FDIC loss share receivable for loss share agreements relating to covered loans and OREO for the years ended December 31, 2013 and 2012:

	First National Bank of Georgia	Appalachain Community Bank	Bank of Ellijay	The Peoples Bank of Winder	First Commerce Community Bank	Georgia Trust Bank	First Cherokee State Bank	Total
Carrying value of FDIC loss share receivable, at January 1, 2012	$ 86,307	$ 147,133	$ 20,699	$ 28,733	$ 36,282	$ —	$ —	$ 319,154
Additions resulting from:								
Charge-offs, write-downs, and other losses	9,729	18,690	350	2,198	2,905	11,212	32,003	77,087
Allowable external expenses	5,578	7,566	1,414	2,077	1,603	200	406	18,844
Decreases in expected loan cash flows	(573)	1,354	581	787	899	—	—	3,048
Reductions resulting from:								
Amortization	(7,884)	(8,327)	(2,530)	(3,413)	(3,924)	114	328	(25,636)
Payments received	(35,336)	(78,165)	(7,981)	(19,352)	(15,263)	—	—	(156,097)
Carrying value of FDIC loss share receivable, at December 31, 2012	$ 57,821	$ 88,251	$ 12,533	$ 11,030	$ 22,502	$ 11,526	$ 32,737	$ 236,400
Carrying value of FDIC loss share receivable, at January 1, 2012	$ 57,821	$ 88,251	$ 12,533	$ 11,030	$ 22,502	$ 11,526	$ 32,737	$ 236,400
Additions resulting from:								—
Charge-offs, write-downs, and other losses	1,751	4,485	2,673	81	1,753	449	(217)	10,975
Allowable external expenses	2,758	2,915	211	414	422	391	190	7,301
Decreases in expected loan cash flows	(4,127)	(1,658)	(229)	(310)	(354)	199	567	(5,912)
Reductions resulting from:								—
Amortization	(10,502)	(7,870)	(2,103)	(2,794)	(3,186)	(454)	(1,292)	(28,201)
Payments received	(16,779)	(45,840)	(7,033)	(5,972)	(8,522)	(6,359)	(21,791)	(112,296)
Carrying value of FDIC loss share receivable, at December 31, 2013	$ 30,922	$ 40,283	$ 6,052	$ 2,449	$ 12,615	$ 5,752	$ 10,194	$ 108,267

9. Goodwill and Other Intangible Assets

The following table provides details of the Company’s goodwill by acquisition for the years ended December 31, 2013 and 2012:

	2013	2012
First National Bank of Georgia	$ 7,801	$ 7,801
The People’s Bank of Winder	2,227	2,227
Ameris Woodstock Branch	122	—
Essex Branches	1,590	—
Total Goodwill	$11,740	$10,028

Other intangible assets consist of core deposit intangibles and are amortized straight-line over a range of seven to ten years. At December 31, 2013 and 2012, other intangibles consisted of the following:

	As of December 31, 2013		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
Core deposit intangible	$ 16,154	$ (7,600)	$ 8,554

(In thousands of dollars, except share data)

	As of December 31, 2012		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
Core deposit intangible	$ 14,820	$ (5,429)	$ 9,391

Amortization expense recognized on intangible assets for 2013 and 2012 was $2,172 and $2,000, respectively.

The estimated amortization expense of other intangible assets is as follows:

	Amortization Expense
2014	$ 2,256
2015	2,256
2016	2,256
2017	743
2018	340
Thereafter	703
	$ 8,554

10. Deposits

Deposits at December 31, 2013 and 2012 are summarized as follows:

	2013	2012
Noninterest-bearing demand	$ 279,795	$ 244,437
Interest-bearing demand	378,382	402,358
Money market	484,749	499,003
Savings	78,454	63,567
Time	1,018,574	800,035
Total deposits	$ 2,239,954	$ 2,009,400

Time deposits with a minimum denomination of $100 totaled $532,412 and $409,773 at December 31, 2013 and 2012, respectively.

At December 31, 2013, the scheduled maturities of time deposits were:

2014	$ 585,204
2015	315,973
2016	80,100
2017	24,642
2018 and thereafter	12,655
Total time deposits	$ 1,018,574

(In thousands of dollars, except share data)

11. Other Borrowings

Other borrowings include securities sold under a Repurchase Agreement and advances from the FHLBA. The Company had unused credit lines allowing access to overnight borrowings of up to $80,000 on an unsecured basis from three correspondent banks, at December 31, 2013 and 2012.

The Company has a borrowing capacity with the FHLBA in the amount of $400,560 and $376,740 at December 31, 2013 and 2012, respectively. This is 15 percent of total qualified assets as measured by the FHLBA.

The Repurchase Agreement in the principal amount of $10,000 at December 31, 2013 and 2012 is secured by investment securities with a carrying value of $12,669 and $12,607 at December 31, 2013 and 2012, respectively.

At December 31, 2013 and 2012, the Company had advances outstanding to the FHLBA in the principal amount of $82,000 and $97,000, respectively, secured by the Company's stock in the FHLBA and a blanket lien on the loan portfolio. At December 31, 2013 and 2012, the Company had FHLBA stock in the amount of $6,785 and $7,981, respectively, pledged to the FHLBA.

Other borrowings at December 31, 2013 and 2012 are as follows:

	2013	2012
Repurchase agreement (inclusive of unamortized premium of $256 and $616, for December 31, 2013 and 2012, respectively)	$10,256	$ 10,616
Advances payable to the FHLBA with contractual rates ranging from 2.88 percent to 4.39 percent and maturities ranging from February 2014 to March 2018 (inclusive of unamortized premium of $2,927 and $4,190 for December 31, 2013 and 2012)	84,927	101,190
Total other borrowings	$95,183	$111,806

Other borrowings maturing in each of the five years subsequent to December 31, 2013 include:

Maturity	Amount	Weighted-Average Interest Rate
2014	$ 30,353	3.79%
2015	7,281	3.85%
2016	15,420	4.35%
2017	16,127	3.40%
2018	26,002	3.07%
Thereafter	—	0.00%
Total other borrowings	$ 95,183	3.62%

12. Estimated Fair Values

Fair value measurements are determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, US GAAP establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 and 2 of the hierarchy) and reporting entity's own assumptions developed based on the best information available in the circumstances (unobservable inputs classified within Level 3 of the hierarchy).

Fair Value Hierarchy

Level 1

Valuation is based on inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2

Valuation is based on inputs, other than quoted prices included within Level 1, that are observable for the asset and liability, either directly or indirectly, such as interest rates, yield curves observable at commonly quoted intervals, and other market-corroborated inputs.

Level 3

Valuation inputs are unobservable inputs for the asset or liability, which shall be used to measure fair value to the extent that observable inputs are not available. The inputs shall reflect the Company's own assumptions that market participants would use in pricing the asset or liability.

Fair value estimates are made at a specific point in time based upon relevant market information and information about each asset and liability. Where information regarding the fair value of an asset or liability is available, those values are used, as is the case with investment securities and residential mortgage loans. In these cases, an open market exists in which these assets are actively traded.

Because no market exists for many assets and liabilities, fair value estimates are based upon judgments regarding future expected loss experience, current economic conditions, risk characteristics and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. For those assets or liabilities with a fixed interest rate, an analysis of the related cash flows was the basis for estimating fair values. The expected cash flows were then discounted to the valuation date using an appropriate discount rate. The discount rates used represent the rates under which similar transactions would be currently negotiated. For assets or liabilities with fixed and variable rates, fair value estimates also consider the impact of liquidity discounts appropriate as of the measurement date.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The Company evaluates fair value measurement inputs on an ongoing basis in order to determine if there is a change of sufficient significance to warrant a transfer between levels. Transfers between levels of the fair value hierarchy are recognized on the actual date of the event or circumstances that caused the transfer, which generally coincides with the Company's valuation process. There were no transfers between levels during 2013 and 2012.

(In thousands of dollars, except share data)

Fair Value of Financial Instruments Measured on a Recurring Basis

The following methods and assumptions were used by the Company in estimating the fair value of its financial assets on a recurring basis:

Investment Securities

Investment securities classified as available-for-sale are recorded at fair value on a recurring basis. The Company's investment portfolio primarily consists of U.S. government agency mortgage-backed securities, non-agency mortgage-backed securities, U.S. government securities, corporate bonds and municipal securities. The fair values for equity securities are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1). The fair value of other securities classified as available-for-sale are determined using widely accepted valuation techniques including matrix pricing and broker-quote-based applications (Level 2). Inputs may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other relevant items. The Company reviews the prices supplied by the independent pricing service, as well as their underlying pricing methodologies, for reasonableness and to ensure such prices are aligned with traditional pricing matrices. From time to time, the Company validates the appropriateness of the valuations provided by the independent pricing service to prices obtained from an additional third party or prices derived using internal models.

The following tables summarize the financial assets and liabilities measured at fair value on a recurring basis at December 31, 2013 and 2012:

	As of December 31, 2013			
Description	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1) Inputs**	**Quoted Prices for Similar Assets and Liabilities (Level 2) Inputs**	**Significant Unobservable Inputs (Level 3) Inputs**
Investment securities available-for-sale				
U.S. government	$ 28,370	$ —	$ 28,370	$ —
FNMA, GNMA, FHLMC mortgage-backed securities	210,920	—	210,920	—
Asset backed securities	19,405	—	19,405	—
Collateralized mortgage obligations	159,049	—	159,049	—
Corporate bonds	15,102	—	15,102	—
Equity securities	191	—	191	—
	$ 433,037	$ —	$ 433,037	$ —

(In thousands of dollars, except share data)

	As of December 31, 2012			
Description	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1) Inputs**	**Quoted Prices for Similar Assets and Liabilities (Level 2) Inputs**	**Significant Unobservable Inputs (Level 3) Inputs**
Investment securities available-for-sale				
U.S. government	$ 25,149	$ —	$ 25,149	$ —
FNMA, GNMA, FHLMC mortgage-backed securities	122,175	—	122,175	—
Asset backed securities	16,687	—	16,687	—
Collateralized mortgage obligations	179,930	—	179,930	—
State, county and municipal	1,088	—	1,088	—
Corporate bonds	15,175	—	15,175	—
Equity securities	1,492	1,492	—	—
	$ 361,696	$ 1,492	$ 360,204	$ —

Fair Value of Financial Instruments Measured on a Nonrecurring Basis

The following methods and assumptions were used by the Company in estimating the fair value of its financial assets on a nonrecurring basis:

Impaired Loans

Loans are considered impaired when it is determined to be probable that all amounts due under the contractual terms of the loans will not be collected when due. Loans considered individually impaired are evaluated and a specific allowance is established if required based on the underlying collateral value of the impaired loans or the estimated discounted cash flows for such loans. A specific allowance is required if the fair value of the expected repayments or the fair value of the collateral is less than the recorded investment in the loan. The Company records impaired loans as nonrecurring level 3.

Loans Held for Sale

Level 1 loans held for sale consist of conforming residential mortgage loans accounted for at lower of cost or market. Fair value is determined based upon pricing assigned on a loan-by-loan basis, at the time a loan is locked with the borrower, through correspondent relationships that the Company maintains in order to sell loans held for sale.

OREO

The fair value of OREO is determined when the asset is transferred to foreclosed assets. The assets are carried at the lower of the carrying value or fair value less estimated costs to sell. Fair value is based upon appraised values of the collateral or management’s estimation of the value of the collateral. Management requires a new appraisal at the time of foreclosure or repossession of the underlying collateral. Updated appraisals are obtained on at least an annual basis on all OREO and are considered to contain Level 3 inputs. Management has also determined, in some cases, that fair value of collateral is further impaired based upon real estate market trends and declining foreclosed property pricing. Therefore, all OREO is recorded as a nonrecurring Level 3 hierarchy.

(In thousands of dollars, except share data)

For assets and liabilities carried at fair value on a nonrecurring basis, the following table provides fair value information as of December 31, 2013 and 2012:

	As of December 31, 2013			
Description	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1) Inputs**	**Quoted Prices for Similar Assets and Liabilities (Level 2) Inputs**	**Significant Unobservable Inputs (Level 3) Inputs**
Impaired loans	$ 1,690	$ —	$ —	$ 1,690
Loans held for sale	1,967	1,967	—	—
OREO	47,793	—	—	47,793

	As of December 31, 2012			
Description	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1) Inputs**	**Quoted Prices for Similar Assets and Liabilities (Level 2) Inputs**	**Significant Unobservable Inputs (Level 3) Inputs**
Impaired loans	$ 5,114	$ —	$ —	$ 5,114
Loans held for sale	24,146	24,146	—	—
OREO	122,826	—	—	122,826

The following table provides information describing the unobservable inputs used in Level 3 fair value measurements at December 31, 2013:

		As of December 31, 2013		
Financial Instrument	**Fair Value**	**Valuation Technique**	**Unobservable Input**	**Range of Inputs**
Impaired loans	$ 1,690	Discounted cash flow analysis and/or third party appraisal	1) Loss given default 2) Probability of default 3) Management discount for property type and recent market volatility	1) 20% – 50% 2) 19% – 50% 3) 0% – 90%
OREO	$ 47,793	Third party appraisal	Management discount for property type, recent market volatility and time on the market	0% – 40%

		As of December 31, 2012		
Financial Instrument	**Fair Value**	**Valuation Technique**	**Unobservable Input**	**Range of Inputs**
Impaired loans	$ 5,114	Discounted cash flow analysis and/or third party appraisal	1) Loss given default 2) Probability of default 3) Management discount for property type and recent market volatility	1) 1% – 14% 2) 10% – 15% 3) 0% – 54%
OREO	$ 122,826	Third party appraisal	Management discount for property type and recent market volatility	0% – 40%

(In thousands of dollars, except share data)

Fair Value of Financial Instruments

The following table includes the estimated fair value of the Company's financial assets and financial liabilities. The methodologies for estimating the fair value of financial assets and financial liabilities measured on a recurring and nonrecurring basis are discussed above. The methodologies for estimating the fair value for other financial assets and financial liabilities are discussed below. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data in order to develop the estimates of fair value. Accordingly, the estimates presented below are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation techniques may have a material effect on the estimated fair value amounts at December 31, 2013 and December 31, 2012.

	2013		2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and due from banks	$ 217,071	$ 217,071	$ 214,489	$ 214,489
Investment securities available-for-sale	433,037	433,037	361,696	361,696
Investment securities held-to-maturity	75,680	77,527	66,550	72,084
Loans held for sale	1,967	2,017	24,146	24,571
Originated loans, net	1,339,801	1,366,837	854,145	851,930
Acquired loans, net	392,301	392,301	528,350	528,350
FDIC loss share receivable	108,267	108,267	236,400	236,400
BOLI	58,999	58,999	57,561	57,561
FHLBA stock	6,785	6,785	7,981	7,981
Accrued interest receivable	6,914	6,914	6,092	6,092
Deposits	2,239,954	2,233,237	2,009,400	2,008,028
Other borrowings	95,183	97,831	111,806	114,359
Accrued interest payable	1,265	1,265	1,303	1,303

Cash and Due From Banks

The carrying amount approximates fair value for these instruments.

Loans Held For Sale

Loans held for sale are carried at the lower of cost or fair value. These loans currently consist of one-to-four family residential real estate loans originated for sale to qualified third parties. Fair value is based upon the contractual price to be received from these third parties, which may be different than cost (Level 2).

Originated Loans

Fair values are estimated for portfolios of loans with similar financial characteristics if collateral-dependent. Loans are segregated by type. The fair value of performing loans is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect observable market information incorporating the credit, liquidity, yield and other risks inherent in the loan. The estimate of maturity is based upon the Company's historical experience with repayments for each loan classification, modified, as required, by an estimate of the effect of the current economic and lending conditions.

Fair value for significant non-performing loans is generally based upon recent external appraisals. If appraisals are not available, estimated cash flows are discounted using a rate commensurate with the risk associated with the estimated cash flows. Assumptions regarding credit risk, cash flows and discount rates are judgmentally determined using available market information and specific borrower information.

Acquired Loans

Fair values for acquired loans are valued based upon a discounted expected cash flow methodology that considers various factors including the type of loan and related collateral, credit quality, fixed or variable interest rate, term of loan and whether or not the loan was amortizing and a discount rate reflecting the Company's assessment of risk inherent in the cash flow estimates. Acquired loans are grouped together according to common risk characteristics and are evaluated in aggregated pools when applying various valuation techniques. The Company estimated the gross cash flows expected to be collected on these loans based upon the expected remaining life of the underlying loans, which includes the effects of estimated prepayments. The carrying amounts of acquired loans approximate fair value.

FDIC Loss Share Receivable

The fair value of the FDIC loss share receivable is estimated using projected cash flows related to the loss sharing agreements based on the expected reimbursements for losses and the applicable loss sharing percentages. The cash flows are discounted to reflect the uncertainty of the time of receipt of the loss-sharing reimbursements from the FDIC. The carrying amount of the FDIC loss share receivable approximates fair value.

FHLBA

FHLBA stock is carried at its original cost basis, as cost approximates fair value and there is no ready market for such investments.

Deposits

The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, savings and money market and checking accounts, is equal to the amount payable on demand. The fair value of time deposits is based upon the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

Other Borrowings

The fair value of the Company's FHLBA advances is estimated based upon the discounted value of contractual cash flows. The fair value of securities sold under agreements to repurchase approximates the carrying amount because of the short maturity of these borrowings. The discount rate is estimated using rates quoted for the same or similar issues or the current rates offered to the Company for debt of the same remaining maturities.

Commitments and Contingencies

For off-balance sheets commitments and contingencies, carrying amounts are reasonable estimates of the fair values for such financial instruments. Carrying amounts include unamortized fee income and, in some cases, reserves for any credit losses from those financial instruments. These amounts are not material to the Company's financial position.

(In thousands of dollars, except share data)

13. Employee Benefit Plans

The Company sponsors a defined contribution 401(k) profit sharing plan which covers substantially all employees. This plan is qualified under the Internal Revenue Code and employees are eligible to participate in the 401(k) profit sharing plan after 3 months of service through deferral of portions of their salary. Based upon the employee's contribution, the Company matches up to 50 percent of the employee contribution up to 6 percent. The Company contributions to the 401(k) profit sharing plan are at the discretion of the Board of Directors. The Company made matching contributions of $454 and $328 during 2013 and 2012, respectively.

The Company also maintains an unfunded, noncontributory, nonqualified SERP that covers key executives of the Company. The plan provides defined benefits based upon a fixed payment schedule. The Company expensed $490 and $645 during 2013 and 2012 for the accrual of the retirement benefits, respectively.

14. Noninterest Expense

Other noninterest expense for the years ended December 31, 2013 and 2012 included the following:

	2013	2012
Technology and data processing	$ 7,896	$ 7,971
Legal and professional services	3,988	5,017
Printing and supplies	827	1,083
Advertising	1,355	2,510
Insurance expense	1,155	1,124
Postage	594	886
FDIC deposit insurance expense	2,193	1,909
Other	4,304	5,347
Total other noninterest expense	$22,312	$25,847

(In thousands of dollars, except share data)

15. Accumulated Other Comprehensive Income (AOCI)

In addition to presenting the Consolidated Statements of Comprehensive Income herein, the following table shows the tax effects allocated to each component of AOCI for the years ended December 31, 2013 and 2012:

	December 31, 2013			December 31, 2012		
	Before-Tax Amount	Tax	Net-of-Tax Amount	Before-Tax Amount	Tax	Net-of-Tax Amount
AOCI, beginning balance	$ 11,074	$(3,876)	$ 7,198	10,675	$(3,628)	$ 7,047
Unrealized gains / (losses) on securities:						
Net unrealized gains / (losses) arising during the period	(7,257)	2,566	(4,691)	2,007	(783)	1,224
Less: reclassification adjustment for gains included in net income	(2,532)	861	(1,671)	(1,440)	490	(950)
Amortization of unrealized gains on investment securities transferred from available-for-sale to held-to-maturity	(191)	65	(126)	(168)	45	(123)
AOCI, ending balance	1,094	(384)	710	11,074	(3,876)	7,198

Reclassifications out of AOCI consisted of the following:

Details about components of AOCI	December 31 2013	December 31 2012	Affected line item in the Consolidated Financial Statements
Realized gains on AFS securities:	$(2,532)	$(1,440)	Securities gains
	861	490	Income tax
	$(1,671)	$ (950)	
Amortization of unrealized gains on investment securities transferred from available-for-sale to held-to-maturity:	$ (191)	$ (168)	Investment securities available-for-sale
	65	45	Income tax
	$ (126)	$ (123)	

(In thousands of dollars, except share data)

16. Income Taxes

At December 31, 2013 and 2012, the income tax expense and benefit consisted of the following components:

	2013	2012
Current tax expense (benefit)		
Federal	$ 21,636	$(6,739)
State	(519)	—
Total current tax expense (benefit)	21,117	(6,739)
Deferred tax expense (benefit)		
Federal	(17,167)	7,764
State	(138)	(1,128)
Total deferred tax expense (benefit)	(17,305)	6,636
Total income tax expense (benefit)	$ 3,812	$ (103)

The Company's effective tax rate for the years ended December 31, 2013 and 2012 was 22.42% and -0.83%, respectively which differed from the statutory rate of 35% and 35%, respectively, primarily as a result of the nontaxable bargain purchase gain and state income tax benefit.

The difference between the federal income tax rates, applied to income before income taxes and the effective rates were due to the following:

	2013	2012
Income taxes at statutory rates (35% and 35%, respectively)	$ 5,951	$ 4,512
Increase (reduction) in income taxes resulting from		
Nontaxable income on loans and investments, net of nondeductible expenses	(593)	(578)
Gain on acquisition	—	(2,547)
State income taxes, net of federal benefit	(427)	(734)
Tax exempt income – BOLI	(1,063)	(595)
Tax credits	(166)	(166)
Meals and entertainment	36	29
Other, net	74	(24)
Total income tax expense (benefit)	$ 3,812	$ (103)

(In thousands of dollars, except share data)

The major components of the temporary differences that give rise to deferred tax assets and liabilities at December 31, 2013 and 2012 were as follows:

	2013	**2012**
Deferred tax assets:		
Covered assets	$ 32,803	$ 241,925
Goodwill	5,098	5,017
FDIC clawback liability	10,458	10,131
State carryforwards	226	2,000
Stock -based compensation	4,564	3,203
Allowance for loan loss	7,177	4,587
Nonaccrual loan interest	7,416	
Other	4,138	3,028
Total deferred tax asset	71,880	269,891
Deferred tax liabilities:		
Acquired subsidiary assets	—	(5,495)
FDIC Loss Share Receivable	(42,116)	(245,652)
Deposit premiums	(2,477)	(4,179)
Available-for-sale securities	(382)	(3,876)
Tax gain on acquisitions	(7,324)	(9,839)
Other	(6,454)	(8,787)
Total deferred tax (liability)	(58,753)	(277,828)
Net deferred tax asset (liability)	$ 13,127	$ (7,937)

The Company has state tax credit carryforwards of $347 which expire in 2018.

At December 31, 2013 and 2012, the Company had no unrecognized tax benefits recorded. The Company does not expect the total amount of unrecognized tax benefits to significantly increase within the next twelve months.

The Company did not have any amounts accrued for interest and penalties at December 31, 2013 and 2012.

The Company and its subsidiaries are subject to U.S. federal income tax as well as state and local tax in several jurisdictions. Tax years since inception are still open to examinations by taxing authorities.

17. Transactions with Related Persons

In the ordinary course of business, loans may be made to officers, directors and affiliated companies at substantially the same terms as comparable transactions with other borrowers. At December 31, 2013 and 2012, related party loans were approximately $2,317 and $2,379, respectively. Repayments of loans made by the related parties were $62 and $58 for the years ended December 31, 2013 and 2012, respectively.

The Company held deposits of $1,974 and $1,241 from key officers, directors and affiliated companies at December 31, 2013 and 2012, respectively.

(In thousands of dollars, except share data)

18. Regulatory Requirements and Other Restrictions

The Company (on a consolidated basis) and CSB are subject to various regulatory capital requirements administered by federal and state banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations involve quantitative measures of assets, liabilities and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet minimum capital requirements results in certain discretionary and required actions by regulators that could have an effect on the Company's operations.

Quantitative measures established by regulation to ensure capital adequacy require the Company and CSB to maintain minimum amounts and ratios (as defined by regulations and set forth in the table below) of Total and Tier 1 capital to risk-weighted assets and to average assets, respectively. Management believes, as of December 31, 2013, the Company and CSB meet all capital adequacy requirements to which it is subject. At December 31, 2013 and 2012, regulatory notifications categorized CSB as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the Company and CSB must maintain minimum Total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table. There have been no conditions or events that would affect the Company's and CSB's well-capitalized status.

	As of December 31, 2013					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital to risk-weighted assets						
Consolidated	$426,773	22.42%	$ 152,284	8.00%	N/A	N/A
CSB	$359,517	18.89%	$ 152,261	8.00%	$ 190,326	10.00%
Tier 1 capital to risk-weighted assets						
Consolidated	$402,819	21.16%	$ 76,142	4.00%	N/A	N/A
CSB	$335,566	17.63%	$ 76,131	4.00%	$ 114,196	6.00%
Tier 1 capital to average assets						
Consolidated	$402,819	14.71%	$ 109,568	4.00%	N/A	N/A
CSB	$335,566	12.25%	$ 109,568	4.00%	$ 136,960	5.00%

	As of December 31, 2012					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital to risk-weighted assets						
Consolidated	$405,621	29.02%	$ 111,791	8.00%	N/A	N/A
CSB	$337,978	24.19%	$ 111,807	8.00%	$ 139,738	10.00%
Tier 1 capital to risk-weighted assets						
Consolidated	$387,677	27.74%	$ 55,895	4.00%	N/A	N/A
CSB	$320,036	22.90%	$ 55,904	4.00%	$ 83,843	6.00%
Tier 1 capital to average assets						
Consolidated	$387,677	15.31%	$ 101,273	4.00%	N/A	N/A
CSB	$320,036	12.64%	$ 101,273	4.00%	$ 126,591	5.00%

As a condition to the Department of Banking and Finance of the State of Georgia's approval of CSB's Article of Incorporation, CSB must maintain a Tier 1 capital to average assets of not less than 10 percent, a total capital to risk-weighted assets of not less than 12 percent and a Prompt Corrective Action category rating, as defined by regulators, of "Well Capitalized" for the later of the first three years of operations or until cumulative profitability is achieved. CSB is also required to comply with the provisions of the FDIC's *Statement of Policy on Qualifications for Failed Bank Acquisitions* that requires CSB to maintain Tier 1 capital to average assets of at least 10 percent throughout the first three years following the commencement of banking operations.

The Company and CSB are subject to various requirements imposed by state and federal banking statutes and regulations, including regulations requiring the maintenance of noninterest-bearing reserve balances at the Federal Reserve Bank. Banks are allowed to reduce the required balances by the amount of vault cash. As of December 31, 2013 and 2012, the requirement for the Company was $6,736 and $19,128, respectively.

19. Stock-Based Compensation

The Company has a nonqualified stock option plan for certain key officers/employees and nonemployee directors. The 2010 Long-Term Incentive Plan provides stock awards up to 4,135,582 common shares of the Company and as of December 31, 2013 and 2012, there were 1,034,764 and 1,171,034 shares available for future grants under this plan, respectively. The Company initially had two types of options that were granted under this plan. The first set of granted options ("Type A") were to certain key officers and nonemployee directors and vest monthly at a rate of 25% per year, except that key officers do not begin vesting until they have completed one year of service, at which time they immediately become 25% vested. Each option remains outstanding for 10 years after the initial grant date. There were 290,388 options granted during 2013 and no options granted in 2012 under this plan. The second set of granted options ("Type B"), were to certain key employees and the vesting of these options would depend on the performance of the Company's equity at the end of the vesting performance period, which is measured at September 17, 2015 or a liquidity event, whichever is earlier. There were 92,500 options granted during 2013 and no options granted in 2012 under this plan. During 2013, there were 76,618 forfeited Type A options and 170,000 forfeited Type B options and during 2012, there were 130,000 forfeited Type B options.

Under a Board of Directors resolution, all options granted as Type B were converted to Type A in August of 2013 with credit given for time served to the 18 employees affected. As a result of this modification, the Company had to determine the additional incremental cost for the converted options in order to recognize this cost over the remaining vesting term of the options. This incremental value for the 1,534,000 options that were converted was $1,078 and will be recognized over the remaining vesting term, which was extended from 4 to 6 years for certain officers.

Annual stock option awards are recognized over the vesting period and reflected as salaries and employee benefits within the Consolidated Statements of Income, which was $3,497 and $3,252 for the years ending December 31, 2013 and 2012, respectively. Total unrecognized salaries and employee benefit expense related to nonvested share-based compensation was $3,517 and $4,680 at December 31, 2013 and 2012, respectively, and is expected to all be recognized by December 11, 2017 with a weighted-average period of 2.46 years.

(In thousands of dollars, except share data)

Activity in the stock option plan for the years ended December 31, 2013 and 2012 is summarized as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)
Outstanding – January 1, 2012	3,094,548	$ 10.09	8.57
Granted	—	—	—
Exercised	—	—	—
Forfeited	(130,000)	10.25	—
Outstanding – December 31, 2012	2,964,548	10.07	7.03
Granted	382,888	11.00	—
Exercised	—	—	—
Forfeited	(246,618)	10.50	—
Outstanding – December 31, 2013	3,100,818	$ 10.15	5.77

The following table presents information on stock options that were excercisable as of December 31, 2013 and 2012:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)
December 31, 2013	2,317,375	$ 10.04	6.33
December 31, 2012	1,427,500	$ 10.04	7.26

The Company has utilized the Black-Scholes valuation method to determine the fair value of its stock options for Type A. The valuation method require the use of the following assumptions: the stock price as of the grant date, the expected dividend yield and the expected stock price volatility based upon the historical volatility for a group of comparable publicly-traded companies as defined by the Company. Also, for a period approximating the expected life of the options, the risk-free rate based upon the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the options and the expected option life presented by the period of time the options are expected to be outstanding is based upon historical trends.

The estimated fair value of the options granted, as well as the weighted average and ranged assumptions used in the computations are as follows:

	Type A
Fair value of options granted	$ 2.93 - $4.33
Expected dividend yield	—
Expected volatility	32% - 40%
Risk-free interest rate	0.83% - 0.99%
Expected life (in years)	4.0 - 6.1

(In thousands of dollars, except share data)

20. Commitments and Contingencies

In order to meet the financing needs of its customers, the Company has financial instruments with off-balance sheet risk. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve elements of credit, interest rate and/or liquidity risk.

Commitments to extend credit are legally binding agreements to lend to customers. Commitments generally have fixed expiration dates or other termination clauses and may require payment of fees. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future liquidity requirements. Established credit standards control the credit-risk exposure associated with these commitments. The amount of collateral obtained, if deemed necessary upon extension of credit, is determined on a case by case basis by management through credit evaluation of the customer.

Standby letters of credit are commitments guaranteeing performance of a customer to a third party. These guarantees are issued primarily to support public and private borrowing arrangements. In order to minimize its exposure, the Company credit policies govern the issuance of standby letters of credit.

At December 31, 2013 and 2012, the Company had unused loan commitments and standby letters of credit amounting to the following:

	As of December 31, 2013			As of December 31, 2012		
	Fixed Rate	Variable Rate	Total	Fixed Rate	Variable Rate	Total
Unused loan commitments	$ 22,405	$ 439,703	$ 462,108	$ 104,004	$ 308,037	$ 412,041
Standby letters of credit	3,664	23,937	27,601	3,650	2,260	5,910
	$ 26,069	$ 463,640	$ 489,709	$ 107,654	$ 310,297	$ 417,951

The Company, on a case-by-case basis, establishes reserves for those legal claims in which it is probable that a loss will be incurred and the amount of such loss can be reasonably estimated. Based on current knowledge, management does not believe that loss contingencies, if any, arising from pending litigation and regulatory matters will have a material adverse effect on the consolidated financial position, results or liquidity of the Company.

21. Subsequent Events

Management has evaluated the effects of subsequent events that have occurred after December 31, 2013 and through March 25, 2014, the date the financial statements were issued. During this period, management has determined that no events occurred that require disclosure.

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Section 5: EX-99.3 (EX-99.3)

Exhibit 99.3

COMMUNITY & SOUTHERN HOLDINGS, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Community & Southern Holdings, Inc.
Consolidated Balance Sheets (Unaudited)

(In thousands of dollars, except share data)

	September 30, 2015	December 31, 2014
Assets		
Cash and due from banks	$ 118,456	$ 203,956
Investment securities available-for-sale (amortized cost of $512,542 and $441,728, respectively)	517,669	444,883
Investment securities held-to-maturity (market value of $85,223 and $86,460, respectively)	81,825	82,903
Loans held for sale	1,026	1,981
Loans held for investment (including $169,535 and $304,877 covered under FDIC loss share agreements, respectively)	2,872,862	2,422,287
Allowance for loan losses	(45,513)	(37,910)
Loans, net of allowance for loan losses	2,827,349	2,384,377
Premises and equipment	59,523	64,617
Other real estate owned (including $4,589 and $12,817 covered under FDIC loss share agreements, respectively)	8,142	14,363
FDIC loss share receivable	18,838	34,464
Goodwill	33,187	23,084
Other intangible assets	9,037	9,738
Bank owned life insurance	84,355	62,424
Other assets	100,129	73,784
Total assets	$ 3,859,536	$ 3,400,574
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing	$ 439,316	$ 365,084
Interest-bearing	2,695,939	2,470,942
Total deposits	3,135,255	2,836,026
Other borrowings	215,095	78,905
Other liabilities	52,310	50,573
Total liabilities	3,402,660	2,965,504
Shareholders' equity		
Common stock ($0.01 par value; 100,000,000 shares authorized; 36,949,266 shares issued and outstanding, respectively)	369	369
Additional paid-in capital	374,362	372,670
Retained earnings	78,371	59,461
Accumulated other comprehensive income	3,774	2,570
Total shareholders' equity	456,876	435,070
Total liabilities and shareholders' equity	$ 3,859,536	$ 3,400,574

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

Community & Southern Holdings, Inc.
Consolidated Statements of Income (Unaudited)

(In thousands of dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Interest income				
Interest and fees on loans	$ 36,940	$ 35,969	$107,206	$104,317
Interest and dividends on investment securities	3,484	3,319	9,874	9,976
Interest on other earning assets	92	86	254	191
Total interest income	40,516	39,374	117,334	114,484
Interest expense				
Deposits	4,283	3,435	11,634	9,082
Other borrowings	454	405	1,237	1,229
Total interest expense	4,737	3,840	12,871	10,311
Net interest income	35,779	35,534	104,463	104,173
Provision for credit losses	1,060	4,201	11,406	5,470
Net interest income after provision for credit losses	34,719	31,333	93,057	98,703
Noninterest income				
Service charges on deposit accounts	2,998	2,923	8,648	8,325
Securities gains, net	136	132	136	211
Gain on acquisition	—	2,278	—	2,278
Other	2,451	2,008	7,397	5,015
Total noninterest income	5,585	7,341	16,181	15,829
Noninterest expense				
Salaries and employee benefits	12,837	11,762	37,612	33,955
Occupancy and equipment expense	2,987	2,919	8,999	8,348
Expense on loans and other real estate owned	1,061	981	2,534	3,027
Other real estate owned and repossession losses, net	585	44	529	1,198
Amortization expense	924	834	2,675	2,167
FDIC loss share receivable valuation adjustments	960	1,001	2,431	3,722
FDIC loss share receivable amortization	1,342	9,935	6,218	36,671
Other	7,376	8,331	20,317	21,189
Total noninterest expense	28,072	35,807	81,315	110,277
Income before income taxes	12,232	2,867	27,923	4,255
Income tax expense (benefit)	4,355	(1,050)	9,013	(657)
Net income	$ 7,877	$ 3,917	$ 18,910	$ 4,912

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

Community & Southern Holdings, Inc.
Consolidated Statements of Comprehensive Income (Unaudited)

(In thousands of dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Net Income	$ 7,877	$ 3,917	$18,910	$4,912
Components of other comprehensive income / (loss):				
Unrealized gains / (losses) on available-for-sale investment securities arising during period	2,402	(855)	1,373	1,941
Reclassification adjustment for net investment securities gains realized in earnings	(90)	(87)	(90)	(139)
Amortization of unrealized gains on investment securities transferred from available-for-sale to held-to-maturity	(25)	(27)	(79)	(103)
Total other comprehensive income / (loss)	2,287	(969)	1,204	1,699
Comprehensive income	$ 10,164	$ 2,948	$20,114	$6,611

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

Community & Southern Holdings, Inc.
Consolidated Statements of Shareholders' Equity (Unaudited)

(In thousands of dollars)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2013	$ 369	$ 370,139	$ 52,617	$ 710	$ 423,835
Net income	—	—	4,912	—	4,912
Change in accumulated other comprehensive income	—	—	—	1,699	1,699
Stock-based compensation expense	—	1,938	—	—	1,938
Balance at September 30, 2014	$ 369	$ 372,077	$ 57,529	$ 2,409	$ 432,384
Balance at December 31, 2014	$ 369	$ 372,670	$ 59,461	$ 2,570	$ 435,070
Net income	—	—	18,910	—	18,910
Change in accumulated other comprehensive income	—	—	—	1,204	1,204
Stock-based compensation expense	—	1,692	—	—	1,692
Balance at September 30, 2015	$ 369	$ 374,362	$ 78,371	$ 3,774	$ 456,876

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

Community & Southern Holdings, Inc.
Consolidated Statements of Cash Flows (Unaudited)

(In thousands of dollars)

	Nine Months Ended September 30	
	2015	**2014**
Cash flows from operating activities		
Net income	$ 18,910	$ 4,912
Adjustments to reconcile net income to cash provided by operating activities:		
Net amortization/accretion of premiums and discounts	(23,709)	(33,745)
Provision for credit losses	11,406	5,470
Other real estate owned and repossession losses, net	529	1,198
Stock-based compensation expense	1,692	1,938
Deferred income tax benefit	(2,174)	(5,675)
Depreciation, amortization and accretion	3,163	2,498
Gain on acquisitions	—	(2,278)
Securities gains, net	(136)	(211)
Net change in loans held for sale	955	(769)
Net change in FDIC loss share receivable	15,626	62,242
Increase in cash surrender value of bank owned life insurance	(1,931)	(1,464)
Net change in other assets	(20,883)	(15,529)
Net change in other liabilities	1,577	(11,278)
Net cash provided by operating activities	5,025	7,309
Cash flows from investing activities		
Net change in loans held for investment (originations, net of principal repayments)	(339,152)	(330,356)
Purchases of investment securities available-for-sale	(152,442)	(72,896)
Proceeds from maturities and calls of investment securities available-for-sale	60,168	55,563
Proceeds from sales of investment securities available-for-sale	40,779	72,855
Proceeds from calls and maturities of investment securities held-to-maturity	7,890	2,803
Purchases of investment securities held-to-maturity	(7,069)	(6,134)
Purchases of premises and equipment	(2,391)	(1,085)
Disposals of premises and equipment	4,040	1,483
Other adjustments in other real estate owned	2,761	3,752
Proceeds from sales of other real estate owned	11,770	28,123
Net cash (paid) acquired from acquisitions	(333)	74,890
Purchases of bank owned life insurance	(20,000)	—
Net cash used in investing activities	(393,979)	(171,002)
Cash flows from financing activities		
Net change in deposits	174,266	106,989
Proceeds from other borrowings	174,384	70,000
Repayment of other borrowings	(45,196)	(60,000)
Net cash provided by financing activities	303,454	116,989
Change in cash and due from banks	(85,500)	(46,704)
Beginning of period	203,956	217,071
End of period	$ 118,456	$ 170,367
Supplemental disclosure of cash flow information		
Transfers of loans to other real estate owned	$ 8,839	$ 10,321
Cash paid for interest	12,393	9,778
Cash paid for income taxes	21,902	18,514
Change in unrealized gain on investment securities available-for-sale	1,972	2,772

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

1. Significant Accounting Policies

Community & Southern Holdings, Inc. (the "Company"), headquartered in Atlanta, Georgia, is a financial holding company that was incorporated under the laws of the State of Delaware on September 18, 2009 to serve as the holding company for Community & Southern Bank ("C&S Bank"). The Company operates two subsidiaries: (1) C&S Bank, a Georgia-state chartered bank that was incorporated on January 29, 2010, which provides traditional credit and depository banking services to its retail and commercial customers through 47 branches in northern and central Georgia, including metro Atlanta, as well as Jacksonville, Florida, and (2) CSB Risk Management, Inc., a captive insurance company established with the specific objective of insuring risks for the Company, its subsidiaries, and a group of unaffiliated member banks. C&S Bank is the parent company of CSB Investments, Inc., a Nevada corporation that owns all of the investment securities of C&S.

Principles of Consolidation and Basis of Presentation

The unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial information. Accordingly, certain information normally presented for complete consolidated financial statements required by US GAAP has been omitted. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair presentation of the results of operations in these financial statements, have been made.

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could vary from these estimates. Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

These financial statements should be read in conjunction with the 2014 Consolidated Financial Statements of Community & Southern Holdings, Inc. (the "Company"). There have been no significant changes to the Company's accounting policies as disclosed in the 2014 Consolidated Financial Statements.

Recent Accounting Pronouncements

The following relevant accounting pronouncements, issued during 2015, could have a material effect on the Company's financial statements. The 2014 Consolidated Financial Statements summarize relevant pronouncements issued prior to 2015.

In February 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-02, Consolidation (Topic 810): *Amendments to the Consolidation Analysis*. The ASU rescinds the indefinite deferral of previous amendments to ASC Topic 810 for certain entities and amends components of the consolidation analysis under ASC Topic 810, including evaluating limited partnerships and similar legal entities, evaluating fees paid to a decision maker or service provider as a variable interest, the effects of fee arrangements and/or related parties on the primary beneficiary determination and investment fund specific matters. The ASU may be adopted either retrospectively or on a modified retrospective basis and early adoption is permitted. The ASU is effective prospectively for fiscal years beginning on or after December 15, 2015. This ASU is not expected to have a significant impact on the Company's financial conditions or results of operations.

In September 2015, the FASB issued ASU 2015-16 Business Combinations (Topic 805): *Simplifying the Accounting for Measurement-Period Adjustments*. The new guidance requires acquirers to recognize adjustments to provisional amounts (that are identified during the measurement period) in the reporting period in which the adjustment amounts are determined. The new guidance also requires such amounts to be disclosed in the consolidated financial statements. The ASU is effective prospectively for fiscal years beginning on after December 15, 2016. This ASU is not expected to have a significant impact on the Company's financial conditions or results of operations.

2. Acquisitions

Community Business Bank

On May 6, 2015, the Company acquired 100% of the outstanding shares of Community Business Bank ("CBB"), a Georgia state-chartered banking institution headquartered in Cumming, Georgia, for cash consideration of $27.9 million. The acquisition provided the Company with an opportunity to expand its banking presence in north metro Georgia.

Upon consummation of the acquisition, CBB was merged with and into the Company, with the Company as the surviving entity in the merger. CBB had a total of two banking locations located in north metro Georgia. The table below presents a summary of the assets acquired and liabilities assumed as a result of the CBB acquisition (*dollars in thousands*):

	Carrying Value Acquired	Purchase Adjustments	As Recorded by CSB
Assets			
Cash and due from banks	$ 27,545	$ —	$ 27,545
Investment securities	21,403	(20)	21,383
Loans, net	97,458	(1,938)	95,520
Premises and equipment	2,521	(2,154)	367
Intangible assets	—	1,800	1,800
Deferred tax assets	1,383	1,742	3,125
Other assets	821	(11)	810
Total assets acquired	$ 151,131	$ (581)	$ 150,550
Liabilities			
Deposits			
Noninterest-bearing	$ 33,648	$ —	$ 33,648
Interest-bearing	91,000	315	91,315
Total deposits	124,648	315	124,963
Other borrowings	7,652	—	7,652
Other liabilities	160	—	160
Total liabilities assumed	$ 132,460	$ 315	$ 132,775
Net identifiable assets acquired			$ 17,775
Cash consideration transferred to CBB			27,878
Goodwill			$ 10,103

The acquisition of CBB resulted in the recognition of $10.1 million in goodwill, none of which is deductible for tax purposes. The goodwill arose primarily as a result of the expected synergies from combining the operations of CBB with the Company.

The loans acquired had gross contractual amounts receivable of $116.7 million. At the acquisition date, the Company's current estimate of expected cash flows to be collected was $111.4 million.

3. Investment Securities

The aggregate values of investment securities at September 30, 2015 and December 31, 2014, along with unrealized gains and losses determined on an individual security basis are as follows (*dollars in thousands*):

	Held-to-Maturity As of September 30, 2015				Available-for-Sale As of September 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government	$ —	$ —	$ —	$ —	$ 40,093	$ 36	$ 222	$ 39,907
Certificates of deposit	23,249	45	125	23,169	—	—	—	—
FNMA, GNMA and FHLMC mortgage-backed securities	—	—	—	—	250,342	4,076	370	254,048
Asset backed securities	—	—	—	—	16,997	5	279	16,723
Collateralized mortgage obligations	—	—	—	—	157,377	1,832	261	158,948
State, county and municipal	58,576	3,490	12	62,054	8,852	163	6	9,009
Corporate bonds	—	—	—	—	35,555	159	6	35,708
Equity securities	—	—	—	—	3,326	—	—	3,326
Total investment securities	$ 81,825	$ 3,535	$ 137	$85,223	$ 512,542	$ 6,271	$ 1,144	$517,669

	Held-to-Maturity As of December 31, 2014				Available-for-Sale As of December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government	$ —	$ —	$ —	$ —	$ 39,822	$ 89	$ 745	$ 39,166
Certificates of deposit	17,974	39	98	17,915	—	—	—	—
FNMA, GNMA and FHLMC mortgage-backed securities	—	—	—	—	208,915	3,608	547	211,976
Asset backed securities	—	—	—	—	18,791	3	72	18,722
Collateralized mortgage obligations	—	—	—	—	142,107	1,430	827	142,710
State, county and municipal	64,929	3,643	27	68,545	7,016	99	3	7,112
Corporate bonds	—	—	—	—	21,255	206	86	21,375
Equity securities	—	—	—	—	3,822	—	—	3,822
Total investment securities	$ 82,903	$ 3,682	$ 125	$86,460	$ 441,728	$ 5,435	$ 2,280	$444,883

The following table provides contractual maturity information for investment securities as of September 30, 2015 (*dollars in thousands*). Callable investment securities are assumed to mature on their earliest call date. Actual maturities may differ from contractual maturity because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Held-to-Maturity As of September 30, 2015		Available-for-Sale As of September 30, 2015	
	Cost	Fair Value	Cost	Fair Value
Maturing in				
One year or less	$ 2,046	$ 2,050	$ 11,056	$ 11,203
One through five years	28,715	29,383	273,520	278,058
Five through ten years	43,490	45,771	205,178	205,577
Over ten years	7,574	8,019	19,462	19,505
Equity securities	—	—	3,326	3,326
Total investment securities	$81,825	$ 85,223	$512,542	$517,669

The following table provides information regarding investment securities with unrealized losses as of September 30, 2015 and December 31, 2014 (*dollars in thousands*):

	As of September 30, 2015								
	Less Than 12 Months			More Than 12 Months			Total		
	Investment Positions	Fair Value	Unrealized Losses	Investment Positions	Fair Value	Unrealized Losses	Investment Positions	Fair Value	Unrealized Losses
U.S. government	2	$ 10,072	$ 26	2	$ 9,786	$ 196	4	$ 19,858	$ 222
Certificates of deposit	40	8,344	75	11	2,428	50	51	10,772	125
FNMA, GNMA and FHLMC mortgage-backed securities	8	47,481	230	5	18,855	140	13	66,336	370
Asset backed securities	2	7,357	176	2	6,751	103	4	14,108	279
Collateralized mortgage obligations	2	17,512	54	3	10,953	207	5	28,465	261
State, county and municipal	5	3,813	12	1	700	6	6	4,513	18
Corporate bonds	2	13,055	6	—	—	—	2	13,055	6
Total investment securities	61	$ 107,634	$ 579	24	$ 49,473	$ 702	85	$ 157,107	$ 1,281

	As of December 31, 2014								
	Less Than 12 Months			More Than 12 Months			Total		
	Investment Positions	Fair Value	Unrealized Losses	Investment Positions	Fair Value	Unrealized Losses	Investment Positions	Fair Value	Unrealized Losses
U.S. government	10	$ 4,952	$ 15	5	$ 24,368	$ 730	15	$ 29,320	$ 745
Certificates of deposit	20	4,480	26	19	4,194	72	39	8,674	98
FNMA, GNMA and FHLMC mortgage-backed securities	1	10,167	35	9	36,944	512	10	47,111	547
Asset backed securities	3	10,211	35	1	4,825	37	4	15,036	72
Collateralized mortgage obligations	6	48,245	484	2	9,633	343	8	57,878	827
State, county and municipal	4	1,487	3	3	1,812	27	7	3,299	30
Corporate bonds	1	5,100	82	1	4,997	4	2	10,097	86
Total investment securities	45	$ 84,642	$ 680	40	$ 86,773	$ 1,725	85	$ 171,415	$ 2,405

The Company held certain investment securities having unrealized loss positions. As of September 30, 2015, the Company did not intend to sell these investment securities nor was it more likely than not that the Company would be required to sell these investment securities before their anticipated recovery or maturity. The Company has reviewed its portfolio for OTTI in accordance with the accounting policies outlined in Note 1, “Summary of Significant Accounting Policies and Nature of Business”, to the 2014 Consolidated Financial Statements. Market changes in interest rates and credit spreads will result in temporary unrealized losses as the market price of investment securities fluctuates. As a result, the Company had no other-than-temporary impairment for the nine months ended September 30, 2015 and the year ended December 31, 2014.

The Company had pledged held-to-maturity and available-for-sale investment securities having aggregate fair values of $21.1 million and $270.7 million, respectively at September 30, 2015, and $28.0 million and $304.5 million, respectively at December 31, 2014 to secure public funds on deposit and certain other borrowings, and for other purposes as required by law.

4. Loans Held for Investment

Composition of Loan Portfolio

The Company's recorded investment in loans outstanding at September 30, 2015 and December 31, 2014, is summarized as follows (*dollars in thousands*):

	Sept. 30, 2015	Dec. 31, 2014
Commercial loans:		
Construction	$ 248,434	$ 283,528
Commercial real estate	1,115,837	835,163
Commercial & industrial	361,837	335,853
Total commercial loans	1,726,108	1,454,544
Consumer loans:		
Residential real estate	163,669	121,912
Automobile	352,692	230,576
Marine and recreational vehicle	364,017	298,740
Other consumer purpose	10,503	11,274
Total consumer loans	890,881	662,502
Purchased credit-impaired loans:		
Construction	14,301	16,382
Commercial real estate	145,433	172,733
Commercial & industrial	9,007	10,556
Residential real estate	86,208	104,256
Other consumer purpose	924	1,314
Total purchased credit-impaired loans	255,873	305,241
Loans held for investment	$ 2,872,862	$ 2,422,287
Loans held for sale	$ 1,026	$ 1,981

Under a line of credit agreement with the Federal Home Loan Bank of Atlanta ("FHLBA"), at September 30, 2015, the Company had pledged certain loans under a blanket lien as collateral for its FHLBA borrowings. The loans encumbered by the blanket lien included all qualifying 1-4 family first mortgage loans, multi-family first mortgage loans, and commercial real estate loans. Loans pledged as collateral for FHLBA borrowings totaled $2.56 billion and $2.06 billion at September 30, 2015 and December 31, 2014, respectively.

Covered Loans

Included in loans held for investment are loans acquired in Federal Deposit Insurance Corporation ("FDIC") assisted transactions that are initially covered under loss share agreements ("covered loans"). The Company's recorded investment in covered loans at September 30, 2015 and December 31, 2014 is summarized as follows (*dollars in thousands*):

	Sept. 30, 2015	Dec. 31, 2014
Commercial loans	$ 1,178	$ 2,127
Consumer loans	12,243	15,030
Purchased credit-impaired loans:	156,114	287,720
Total covered loans	$ 169,535	$ 304,877

Credit Quality

The Company monitors the credit quality of its commercial loan portfolio using internal credit risk ratings. These credit risk ratings are based upon established regulatory guidance and are assigned upon initial approval of credit to borrowers. Credit risk ratings are updated at least annually after the initial assignment or whenever management becomes aware of information affecting the borrowers' ability to fulfill their obligations. The Company utilizes the following categories of credit grades to evaluate its commercial loan portfolio:

Pass. Higher quality loans that do not fit any of the other categories described below.

Special Mention. The Company assigns a special mention rating to loans with potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or lease or the Company's credit position at some future date.

Substandard. The Company assigns a substandard rating to loans that are inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged, if any. Substandard loans have well-defined weaknesses that jeopardize repayment of the debt. Substandard loans are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not addressed.

*Doubtful***.** The Company assigns a doubtful rating to loans with all the attributes of a substandard rating 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. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors that may work to the advantage and strengthening of the credit quality of the loan, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral and refinancing plans.

The following tables show the credit quality indicators associated with the Company's commercial loan portfolio (excluding purchased credit impaired ("PCI") loans) as of September 30, 2015 and December 31, 2014 (*dollars in thousands*):

	As of September 30, 2015			
	Construction	Commercial Real Estate	Commercial & Industrial	Total
Pass	$ 244,014	$ 1,056,130	$ 332,062	$1,632,206
Special Mention	2,902	19,226	8,769	30,897
Substandard	1,518	40,481	10,544	52,543
Doubtful	—	—	10,462	10,462
	$ 248,434	$ 1,115,837	$ 361,837	$1,726,108

	As of December 31, 2014			
	Construction	Commercial Real Estate	Commercial & Industrial	Total
Pass	$ 283,011	$ 783,889	$ 312,756	$1,379,656
Special Mention	172	36,015	3,540	39,727
Substandard	345	15,259	4,925	20,529
Doubtful	—	—	14,632	14,632
	$ 283,528	$ 835,163	$ 335,853	$1,454,544

The Company monitors the credit quality of its consumer portfolio based primarily on payment activity and credit scores. Payment activity is the primary factor considered in determining whether a consumer loan should be classified as nonperforming.

The following tables show the credit quality indicators associated with the Company's consumer loan portfolio (excluding PCI loans) as of September 30, 2015 and December 31, 2014 (*dollars in thousands*):

	As of September 30, 2015				
	Residential Real Estate	Automobile	Marine & RV	Other Consumer	Total
Performing	$ 163,306	$ 352,393	$ 363,989	$ 10,500	$890,188
Nonperforming	363	299	28	3	693
	$ 163,669	$ 352,692	$ 364,017	$ 10,503	$890,881

	As of December 31, 2014				
	Residential Real Estate	Automobile	Marine & RV	Other Consumer	Total
Performing	$ 120,511	$ 230,283	$ 298,671	$ 11,264	$660,729
Nonperforming	1,401	293	69	10	1,773
	$ 121,912	$ 230,576	$ 298,740	$ 11,274	$662,502

The following tables show the credit quality indicators associated with the Company's commercial PCI loans as of September 30, 2015 and December 31, 2014 (*dollars in thousands*):

	As of September 30, 2015			
	Construction	Commercial Real Estate	Commercial & Industrial	Total
Pass	$ 5,337	$ 90,718	$ 6,949	$103,004
Special Mention	1,466	16,410	1,671	19,547
Substandard	7,214	36,533	381	44,128
Doubtful	284	1,772	6	2,062
	$ 14,301	$ 145,433	$ 9,007	$168,741

	As of December 31, 2014			
	Construction	Commercial Real Estate	Commercial & Industrial	Total
Pass	$ 5,958	$ 99,498	$ 9,293	$114,749
Special Mention	1,296	22,071	284	23,651
Substandard	7,865	49,065	972	57,902
Doubtful	1,263	2,099	7	3,369
	$ 16,382	$ 172,733	$ 10,556	$199,671

The following tables show the credit quality indicators associated with the Company's consumer PCI loans as of September 30, 2015 and December 31, 2014 (*dollars in thousands*):

	As of September 30, 2015		
	Residential Real Estate	Other Consumer	Total
Performing	$ 82,247	$ 909	$83,156
Nonperforming	3,961	15	3,976
	$ 86,208	$ 924	$87,132

	As of December 31, 2014		
	Residential Real Estate	Other Consumer	Total
Performing	$ 89,984	$ 1,287	$ 91,271
Nonperforming	14,272	27	14,299
	$ 104,256	$ 1,314	$105,570

Delinquency

An aging analysis for the Company's loan portfolio (excluding PCI loans) at September 30, 2015 and December 31, 2014, is shown in the tables below (*dollars in thousands*):

	As of September 30, 2015					
	Current	30 – 89 Days Past Due	90+ Days Past Due	Total	90+ Days Accruing	Nonaccrual
Commercial loans:						
Construction	$ 247,054	$ 1,380	$ —	$ 248,434	$ —	$ 590
Commercial real estate	1,113,183	1,476	1,178	1,115,837	—	5,497
Commercial & industrial	350,632	737	10,468	361,837	—	18,910
Consumer loans:						
Residential real estate	162,374	932	363	163,669	—	2,229
Automobile	350,184	2,209	299	352,692	11	632
Marine & RV	363,872	117	28	364,017	—	117
Other consumer purpose	10,425	75	3	10,503	—	3
	$2,597,724	$ 6,926	$ 12,339	$2,616,989	$ 11	$ 27,978

	As of December 31, 2014					
	Current	30 – 89 Days Past Due	90+ Days Past Due	Total	90+ Days Accruing	Nonaccrual
Commercial loans:						
Construction	$ 283,487	$ —	$ 41	$ 283,528	$ —	$ 233
Commercial real estate	830,162	4,663	338	835,163	—	5,507
Commercial & industrial	329,305	333	6,215	335,853	164	14,722
Consumer loans:						
Residential real estate	120,464	1,104	344	121,912	113	1,401
Automobile	229,404	1,002	170	230,576	30	293
Marine & RV	298,312	413	15	298,740	—	69
Other consumer purpose	11,138	136	—	11,274	—	10
	$2,102,272	$ 7,651	$ 7,123	$2,117,046	$ 307	$ 22,235

For PCI loans, if the Company has a reasonable expectation about the timing and amount of cash flows expected to be collected, the loans meet the criteria for the recognition of income and are considered to be accruing loans.

An aging analysis for the Company's PCI loans at September 30, 2015 and December 31, 2014 is shown in the tables below (*dollars in thousands*):

	As of September 30, 2015					
	Current	30 – 89 Days Past Due	90+ Days Past Due	Total	90+ Days Accruing	Nonaccrual
PCI loans:						
Construction	$ 13,369	$ 93	$ 839	$ 14,301	$ 839	$ —
Commercial real estate	135,711	1,397	8,325	145,433	8,325	—
Commercial & industrial	8,844	27	136	9,007	136	—
Residential real estate	80,682	1,565	3,961	86,208	3,961	—
Other consumer purpose	895	13	16	924	16	—
	$239,501	$ 3,095	$ 13,277	$255,873	$ 13,277	$ —

	As of December 31, 2014					
	Current	30 – 89 Days Past Due	90+ Days Past Due	Total	90+ Days Accruing	Nonaccrual
PCI loans:						
Construction	$ 14,423	$ 147	$ 1,812	$ 16,382	$ 1,812	$ —
Commercial real estate	156,696	2,700	13,337	172,733	13,337	—
Commercial & industrial	9,903	134	519	10,556	519	—
Residential real estate	95,194	4,155	4,907	104,256	4,907	—
Other consumer purpose	1,247	63	4	1,314	4	—
	$277,463	$ 7,199	$ 20,579	$305,241	$ 20,579	$ —

5. Allowance for Loan Losses

Activity in the Allowance for Loan Losses ("ALL") for the nine months ended September 30, 2015 and the year ended December 31, 2014, respectively, is summarized in the tables below (*dollars in thousands*):

	For the Period Ended September 30, 2015			
	Commercial	Consumer	PCI	Total
Beginning Balance	$ 23,675	$ 9,059	$ 5,176	$ 37,910
Charge-offs	(1,310)	(1,723)	(2,260)	(5,293)
Recoveries	505	614	1,821	2,940
Provision[1]	4,951	3,416	1,589	9,956
Ending Balance	$ 27,821	$ 11,366	$ 6,326	$ 45,513
September 30, 2015 ALL allocated to:				
Loans individually evaluated for impairment	$ 6,840	$ 88	$ —	$ 6,928
Loans collectively evaluated for impairment	20,981	11,278	—	32,259
Loans acquired with deteriorated credit quality	—	—	6,326	6,326
Ending Balance	$ 27,821	$ 11,366	$ 6,326	$ 45,513
September 30, 2015 recorded investment in loans:				
Individually evaluated for impairment	$ 24,997	$ 2,981	$ —	$ 27,978
Collectively evaluated for impairment	1,701,111	887,900	—	2,589,011
Acquired with deteriorated credit quality	—	—	255,873	255,873
Ending Balance	$ 1,726,108	$ 890,881	$ 255,873	$ 2,872,862

	For the Year Ended December 31, 2014			
	Commercial	Consumer	PCI	Total
Beginning Balance	$ 12,186	$ 6,608	$ 11,741	$ 30,535
Charge-offs	(5,160)	(924)	(2,557)	(8,641)
Recoveries	74	392	3,936	4,402
Provision / (Release)[2]	16,575	2,983	(7,944)	11,614
Ending Balance	$ 23,675	$ 9,059	$ 5,176	$ 37,910
December 31, 2014 ALL allocated to:				
Loans individually evaluated for impairment	$ 5,146	$ 27	$ —	$ 5,173
Loans collectively evaluated for impairment	18,529	9,032	—	27,561
Loans acquired with deteriorated credit quality	—	—	5,176	5,176
Ending Balance	$ 23,675	$ 9,059	$ 5,176	$ 37,910
December 31, 2014 recorded investment in loans:				
Individually evaluated for impairment	$ 20,487	$ 2,014	$ —	$ 22,501
Collectively evaluated for impairment	1,434,057	660,488	—	2,094,545
Acquired with deteriorated credit quality	—	—	305,241	305,241
Ending Balance	$ 1,454,544	$ 662,502	$ 305,241	$ 2,422,287

1 Does not include $1,450 in provision for unfunded commitments.
2 Does not include ($2,660) in release for unfunded commitments.

In addition to the ALL, the Company also estimates probable and reasonably estimable credit losses related to unfunded lending commitments, such as letters of credit and binding unfunded loan commitments. This reserve for unfunded lending commitments totaled $5.0 million and $3.5 million at September 30, 2015 and December 31, 2014, respectively and is included within the other liabilities section of the Consolidated Balance Sheet.

6. FDIC Loss Share Receivable

The following table shows changes in the carrying value of the FDIC loss share receivable for loss share agreements and the related recorded investment of the covered assets for the nine months ended September 30, 2015 and the year ended December 31, 2014, respectively (*dollars in thousands*):

	Nine Months Ended September 30, 2015							
	FNBGA	ACB	BOE	TPB	FCCB	GTB	FCSB	Total
Carrying value of FDIC loss share receivable, at December 31, 2014	$ 5,485	$14,589	$ 1,086	$ 1,450	$ 1,792	$ 3,847	$ 6,215	$ 34,464
Additions resulting from:								
Charge-offs, writedowns, and other losses	599	764	(9)	(14)	(16)	82	235	1,641
Allowable external expenses	282	(14)	110	148	170	51	145	892
Effect of valuation adjustment on covered assets	559	(103)	15	21	24	1	2	519
Reductions resulting from:								
Amortization	(1,105)	(1,630)	(462)	(624)	(714)	(437)	(1,246)	(6,218)
Payments received	(2,485)	(4,931)	(445)	(602)	(688)	(860)	(2,449)	(12,460)
Carrying value of FDIC loss share receivable, at September 30, 2015	$ 3,335	$ 8,675	$ 295	$ 379	$ 568	$ 2,684	$ 2,902	$ 18,838
Covered Assets:								
Loans	29,336	29,089	16,093	29,597	14,830	16,720	33,870	169,535
OREO	248	558	1,203	871	1,135	565	455	5,035
Total covered assets	$29,584	$29,647	$17,296	$30,468	$15,965	$17,285	$34,325	$174,570

	Year Ended December 31, 2014							
	FNBGA	ACB	BOE	TPB	FCCB	GTB	FCSB	Total
Carrying value of FDIC loss share receivable, at December 31, 2013	$ 30,922	$ 40,283	$ 6,052	$ 2,449	$12,615	$ 5,752	$10,194	$108,267
Additions resulting from:								
Charge-offs, writedowns, and other losses	(605)	1,408	225	305	349	14	40	1,736
Allowable external expenses	1,120	1,102	(36)	(50)	(56)	119	338	2,537
Reductions resulting from:								
Effect of valuation adjustment on covered assets	(2,508)	(2,115)	(604)	(818)	(935)	(204)	(582)	(7,766)
Amortization	(20,803)	(12,481)	(1,440)	1,844	(7,056)	(745)	(2,125)	(42,806)
Payments received	(2,641)	(13,608)	(3,111)	(2,280)	(3,125)	(1,089)	(1,650)	(27,504)
Carrying value of FDIC loss share receivable, at December 31, 2014	$ 5,485	$ 14,589	$ 1,086	$ 1,450	$ 1,792	$ 3,847	$ 6,215	$ 34,464
Covered Assets:								
Loans	93,916	73,938	19,207	37,542	20,119	20,029	40,126	304,877
OREO	3,109	4,366	1,272	1,558	935	—	1,577	12,817
Total covered assets	$ 97,025	$ 78,304	$20,479	$39,100	$21,054	$20,029	$41,703	$317,694

7. Deposits

Deposits at September 30, 2015 and December 31, 2014, are summarized as follows (*dollars in thousands*):

	September 30, 2015	December 31, 2014
Noninterest-bearing demand	$ 439,316	$ 365,084
Interest-bearing demand	456,260	426,406
Money market	676,602	687,025
Savings	99,776	91,329
Time	1,463,301	1,266,182
Total deposits	$ 3,135,255	$ 2,836,026

Time deposits with a minimum denomination of $100 thousand totaled $937.8 million and $750.9 million at September 30, 2015 and December 31, 2014, respectively.

At September 30, 2015, the scheduled maturities of time deposits were (*dollars in thousands*):

2015	$ 347,328
2016	754,645
2017	134,352
2018	49,956
2019 and thereafter	177,020
Total time deposits	$ 1,463,301

8. Other Borrowings

Other borrowings at September 30, 2015 and December 31, 2014, are as follows *(dollars in thousands)*:

	September 30, 2015	December 31, 2014
Advances payable to the FHLBA with contractual rates ranging from 0.20 percent to 4.39 percent and maturities ranging from October 2015 to May 2019 (inclusive of unamortized premium of $1,256 and $1,905 for September 30, 2015 and December 31, 2014, respectively)	$ 215,095	$ 78,905
Total other borrowings	$ 215,095	$ 78,905

9. Fair Values Measurements

Fair value measurements are determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, US GAAP establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 and 2 of the hierarchy) and reporting entity's own assumptions developed based on the best information available in the circumstances (unobservable inputs classified within Level 3 of the hierarchy).

Fair Value Hierarchy

Level 1

Valuation is based on inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2

Valuation is based on inputs, other than quoted prices included within Level 1, that are observable for the asset and liability, either directly or indirectly, such as interest rates, yield curves observable at commonly quoted intervals, and other market-corroborated inputs.

Level 3

Valuation inputs are unobservable inputs for the asset or liability, which shall be used to measure fair value to the extent that observable inputs are not available. The inputs shall reflect the Company’s own assessment regarding assumptions that market participants would use in pricing the asset or liability.

Fair value estimates are made at a specific point in time based upon relevant market information and information about each asset and liability. Where information regarding the fair value of an asset or liability is available, those values are used, as is the case with investment securities and residential mortgage loans. In these cases, an open market exists in which these assets are actively traded.

Because no market exists for many assets and liabilities, fair value estimates are based upon judgments regarding future expected loss experience, current economic conditions, risk characteristics and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. For those assets or liabilities with a fixed interest rate, an analysis of the related cash flows was the basis for estimating fair values. The expected cash flows were then discounted to the valuation date using an appropriate discount rate. The discount rates used represent the rates under which similar transactions would be currently negotiated. For assets or liabilities with fixed and variable rates, fair value estimates also consider the impact of liquidity discounts appropriate as of the measurement date.

The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The Company evaluates fair value measurement inputs on an ongoing basis in order to determine if there is a change of sufficient significance to warrant a transfer between levels. Transfers between levels of the fair value hierarchy are recognized on the actual date of the event or circumstances that caused the transfer, which generally coincides with the Company’s valuation process. There were no significant transfers between levels during the nine months ended September 30, 2015 or year ended December 31, 2014.

Fair Value of Financial Instruments Measured on a Recurring Basis

The following methods and assumptions were used by the Company in estimating the fair value of its financial assets on a recurring basis:

Investment Securities

Investment securities classified as available-for-sale are recorded at fair value on a recurring basis. The Company’s investment portfolio primarily consists of U.S. government agency mortgage-backed securities, non-agency mortgage-backed securities, U.S. government securities, corporate bonds and municipal securities. The fair value of investment securities classified as available-for-sale are generally determined using widely accepted valuation techniques including matrix pricing and broker-quote-based applications. Inputs may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond’s terms and conditions, among other relevant items. The Company reviews the prices supplied by the independent pricing service, as well as their underlying pricing methodologies, for reasonableness and to ensure such prices are aligned with traditional pricing matrices. From time to time, the Company validates the appropriateness of the valuations provided by the independent pricing service to prices obtained from an additional third party or prices derived using internal models.

The following tables summarize the financial assets and liabilities measured at fair value on a recurring basis at September 30, 2015 and December 31, 2014 *(dollars in thousands)*:

	As of September 30, 2015			
Description	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1) Inputs**	**Quoted Prices for Similar Assets and Liabilities (Level 2) Inputs**	**Significant Unobservable Inputs (Level 3) Inputs**
Investment securities available-for-sale				
U.S. government	$ 39,907	$ —	$ 39,907	$ —
FNMA, GNMA, FHLMC mortgage-backed securities	254,048	—	254,048	—
Asset backed securities	16,723	—	16,723	—
Collateralized mortgage obligations	158,948	—	158,948	—
State, county and municipal	9,009	—	9,009	—
Corporate bonds	35,708	—	35,708	—
Equity securities	3,326	—	—	3,326
	$ 517,669	$ —	$ 514,343	$ 3,326

	As of December 31, 2014			
Description	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1) Inputs**	**Quoted Prices for Similar Assets and Liabilities (Level 2) Inputs**	**Significant Unobservable Inputs (Level 3) Inputs**
Investment securities available-for-sale				
U.S. government	$ 39,166	$ —	$ 39,166	$ —
FNMA, GNMA, FHLMC mortgage-backed securities	211,976	—	211,976	— —
Asset backed securities	18,722	—	18,722	—
Collateralized mortgage obligations	142,710	—	142,710	—
State, county and municipal	7,112	—	7,112	—
Corporate bonds	21,375	—	21,375	—
Equity securities	3,822	—	—	3,822
	$ 444,883	$ —	$ 441,061	$ 3,822

During 2015, the Company purchased level 3 investment securities of $736 thousand, received settlements of $1.2 million and recognized no gains or losses in earnings or other comprehensive income.

Fair Value of Financial Instruments Measured on a Nonrecurring Basis

The following methods and assumptions were used by the Company in estimating the fair value of its financial assets on a nonrecurring basis:

Impaired Loans

Loans are considered impaired when it is determined to be probable that all amounts due under the contractual terms of the loans will not be collected when due. Loans considered individually impaired are evaluated and a specific allowance is established if required based on the underlying collateral value of the impaired loans or the estimated discounted cash flows for such loans. A specific allowance is required if the fair value of the expected repayments or the fair value of the collateral is less than the recorded investment in the loan. The Company records impaired loans as nonrecurring level 3.

Loans Held for Sale

Level 1 loans held for sale consist of conforming residential mortgage loans accounted for at lower of cost or market. Fair value is determined based upon pricing assigned on a loan-by-loan basis, at the time a loan is locked with the borrower, through correspondent relationships that the Company maintains in order to sell loans held for sale.

OREO

The fair value of OREO is determined when the asset is transferred to foreclosed assets. The assets are carried at the lower of the carrying value or fair value less estimated costs to sell. Fair value is based upon appraised values of the collateral or management's estimation of the value of the collateral. Management requires a new appraisal at the time of foreclosure or repossession of the underlying collateral. Updated appraisals are obtained on at least an annual basis on all OREO and are considered to contain Level 3 inputs. Management has also determined, in some cases, that fair value of collateral is further impaired based upon real estate market trends and declining foreclosed property pricing. Therefore, all OREO is recorded as a nonrecurring Level 3 hierarchy.

For assets and liabilities carried at fair value on a nonrecurring basis, the following table provides fair value information as of September 30, 2015 and December 31, 2014 *(dollars in thousands)*:

	As of September 30, 2015			
Description	**Net Carrying Value**	**Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1) Inputs**	**Quoted Prices for Similar Assets and Liabilities (Level 2) Inputs**	**Significant Unobservable Inputs (Level 3) Inputs**
Impaired loans	$ 28,752	$ —	$ —	$ 28,752
Loans held for sale	1,026	1,026	—	—
OREO	8,142	—	—	8,142

	As of December 31, 2014			
Description	**Net Carrying Value**	**Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1) Inputs**	**Quoted Prices for Similar Assets and Liabilities (Level 2) Inputs**	**Significant Unobservable Inputs (Level 3) Inputs**
Impaired loans	$ 22,635	$ —	$ —	$ 22,635
Loans held for sale	1,981	1,981	—	—
OREO	14,363	—	—	14,363

The following table provides information describing the unobservable inputs used in Level 3 fair value measurements at September 30, 2015 and December 31, 2014 *(dollars in thousands)*:

As of September 30, 2015

Financial Instrument	Net Carrying Value	Valuation Technique	Unobservable Input	Range of Inputs
Impaired loans	$ 28,752	1) Non-Collateral Dependent: Discounted cash flow analysis	1) a) Loss given default b) Probability of default c) Discount rate	1) a) 0% – 64% b) 100% c) 4% – 9%
		2) Collateral Dependent: Third party appraisal	2) Management discount for property type, recent market volatility, lien position, and costs to sell.	2) 0% – 95%
OREO	$ 8,142	Third party appraisal	Management discount for property type, recent market volatility and time on the market	0% – 40%

As of December 31, 2014

Financial Instrument	Net Carrying Value	Valuation Technique	Unobservable Input	Range of Inputs
Impaired loans	$ 22,635	1) Non-Collateral Dependent: Discounted cash flow analysis	1) a) Loss given default b) Probability of default c) Discount rate	1) a) 0% – 73% b) 35% – 100% c) 3% – 8%
		2) Collateral Dependent: Third party appraisal	2) Management discount for property type, recent market volatility, lien position, and costs to sell.	2) 0% – 83%
OREO	$ 14,363	Third party appraisal	Management discount for property type, recent market volatility and time on the market	0% – 40%

Fair Value of Financial Instruments

The following table includes the estimated fair value of the Company's financial assets and financial liabilities *(dollars in thousands)*. The methodologies for estimating the fair value of financial assets and financial liabilities measured on a recurring and nonrecurring basis are discussed above. The methodologies for estimating the fair value for other financial assets and financial liabilities are discussed below. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data in order to develop the estimates of fair value. Accordingly, the estimates presented below are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation techniques may have a material effect on the estimated fair value amounts at September 30, 2015 and December 31, 2014.

	September 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and due from banks	$ 118,456	$ 118,456	$ 203,956	$ 203,956
Investment securities available-for-sale	517,669	517,669	444,883	444,883
Investment securities held-to-maturity	81,825	85,223	82,903	86,460
Loans held for sale	1,026	1,053	1,981	2,035
Loans held for investment, net	2,827,349	2,897,729	2,384,377	2,443,694
FDIC loss share receivable	18,838	18,838	34,464	34,464
Bank owned life insurance ("BOLI")	84,355	84,355	62,424	62,424
FHLBA stock	12,283	12,283	6,429	6,429
Deposits	3,135,255	3,113,723	2,836,026	2,808,630
Other borrowings	215,095	216,195	78,905	80,047

Cash and Due From Banks

The carrying amount approximates fair value for these instruments.

Investment Securities

The fair value of investment securities are generally determined using widely accepted valuation techniques including matrix pricing and broker-quote-based applications.

Loans Held For Sale

Loans held for sale are carried at the lower of cost or fair value. These loans currently consist of one-to-four family residential real estate loans originated for sale to qualified third parties. Fair value is based upon the contractual price to be received from these third parties, which may be different than cost.

Loans Held for Investment

Fair values are estimated for portfolios of loans with similar financial characteristics if collateral-dependent. Loans are segregated by type. The fair value of performing loans is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect observable market information incorporating the credit, liquidity, yield and other risks inherent in the loan. The estimate of maturity is based upon the Company's historical experience with repayments for each loan classification, modified, as required, by an estimate of the effect of the current economic and lending conditions.

Fair value for significant non-performing loans is generally based upon recent external appraisals. If appraisals are not available, estimated cash flows are discounted using a rate commensurate with the risk associated with the estimated cash flows. Assumptions regarding credit risk, cash flows and discount rates are judgmentally determined using available market information and specific borrower information.

Fair values for PCI loans are valued based upon a discounted expected cash flow methodology that considers various factors including the type of loan and related collateral, credit quality, fixed or variable interest rate, term of loan and whether or not the loan was amortizing and a discount rate reflecting the Company's assessment of risk inherent in the cash flow estimates. PCI loans are grouped together according to common risk characteristics and are evaluated in aggregated pools when applying various valuation techniques. The Company estimated the gross cash flows expected to be collected on these loans based upon the expected remaining life of the underlying loans, which includes the effects of estimated prepayments. The carrying amounts of PCI loans approximate fair value.

FDIC Loss Share Receivable

The fair value of the FDIC loss share receivable is estimated using projected cash flows related to the loss sharing agreements based on the expected reimbursements for losses and the applicable loss sharing percentages. The cash flows are discounted to reflect the uncertainty of the time of receipt of the loss-sharing reimbursements from the FDIC. The carrying amount of the FDIC loss share receivable approximates fair value.

BOLI

The carrying amount approximates fair value for these instruments.

FHLBA Stock

FHLBA stock is carried at its original cost basis, as cost approximates fair value and there is no ready market for such investments.

Deposits

The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, savings and money market and checking accounts, is based on the discounted value of estimated cash flows. The fair value of time deposits is based upon the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

Other Borrowings

The fair value of the Company's FHLBA advances is estimated based upon the discounted value of contractual cash flows. The fair value of investment securities sold under agreements to repurchase approximates the carrying amount because of the short maturity of these borrowings. The discount rate is estimated using rates quoted for the same or similar issues or the current rates offered to the Company for debt of the same remaining maturities.

Commitments and Contingencies

For off-balance sheets commitments and contingencies, carrying amounts are reasonable estimates of the fair values for such financial instruments. Carrying amounts include unamortized fee income and, in some cases, reserves for any credit losses from those financial instruments. These amounts are not material to the Company's financial position.

10. Other noninterest expense

Other noninterest expense for the three months and nine months ended September 30, 2015 and 2014 included the following (*dollars in thousands*):

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Technology and data processing	$ 2,743	$ 2,687	$ 8,650	$ 6,606
Legal and professional services	1,177	1,759	3,958	3,847
Printing, posage and supplies	450	433	1,201	1,201
Advertising	614	569	1,440	1,121
FDIC deposit insurance expense	662	687	1,881	1,896
Clawback (income) expense	271	632	(747)	2,338
Other	1,459	1,564	3,934	4,180
Total other noninterest expense	$ 7,376	$ 8,331	$20,317	$21,189

11. Accumulated Other Comprehensive Income (AOCI)

In addition to presenting the Consolidated Statements of Comprehensive Income herein, the following table shows the tax effects allocated to each component of AOCI for the three and nine month periods ending September 30, 2015 and September 30, 2014, respectively *(dollars in thousands)*:

	Three Months Ended					
	September 30, 2015			September 30, 2014		
	Before -Tax Amount	Tax	Net-of-Tax Amount	Before -Tax Amount	Tax	Net-of-Tax Amount
AOCI, beginning balance	$ 2,321	$ (834)	$ 1,487	$ 5,134	$(1,756)	$ 3,378
Unrealized gains / (losses) on securities:						
Net unrealized gains / (losses) arising during the period	3,639	(1,237)	2,402	(1,295)	440	(855)
Less: reclassification adjustment for gains included in net income	(136)	46	(90)	(132)	45	(87)
Amortization of unrealized gains on investment securities transferred from available-for-sale to held-to-maturity	(38)	13	(25)	(41)	14	(27)
AOCI, ending balance	$ 5,786	$(2,012)	$ 3,774	$ 3,666	$(1,257)	$ 2,409

	Nine Months Ended					
	September 30, 2015			September 30, 2014		
	Before-Tax Amount	Tax	Net-of-Tax Amount	Before-Tax Amount	Tax	Net-of-Tax Amount
AOCI, beginning balance	$ 3,961	$(1,391)	$ 2,570	$ 1,094	$ (384)	$ 710
Unrealized gains / (losses) on securities:						
Net unrealized gains / (losses) arising during the period	2,081	(708)	1,373	2,939	(998)	1,941
Less: reclassification adjustment for gains included in net income	(136)	46	(90)	(211)	72	(139)
Amortization of unrealized gains on investment securities transferred from available-for-sale to held-to-maturity	(120)	41	(79)	(156)	53	(103)
AOCI, ending balance	$ 5,786	$(2,012)	$ 3,774	$ 3,666	$(1,257)	$ 2,409

Reclassifications out of AOCI consisted of the following (*dollars in thousands*)::

Details about components of AOCI	Three Months Ended September 30 2015	2014	Affected line item in the Consolidated Financial Statements
Realized gains on AFS securities:	$ (136)	$ (132)	Securities gains
	46	45	Income tax expense
	$ (90)	$ (87)	
Amortization of unrealized gains on investment securities transferred from available-for-sale to held-to-maturity:	$ (38)	$ (41)	Investment securities held-to-maturity
	13	14	Income tax expense
	$ (25)	$ (27)	

Details about components of AOCI	Nine Months Ended September 30 2015	2014	Affected line item in the Consolidated Financial Statements
Realized gains on AFS securities:	$(136)	$(211)	Securities gains
	46	72	Income tax expense
	$ (90)	$(139)	
Amortization of unrealized gains on investment securities transferred from available-for-sale to held-to-maturity:	$(120)	$(156)	Investment securities held-to-maturity
	41	53	Income tax expense
	$ (79)	$(103)	

12. Income Taxes

For the three months ended September 30, 2015 and 2014, income tax expense (benefit) was $4,355 and $(1,050) representing effective tax rates of 35.6% and (36.6)%, respectively. For the nine months ended September 30, 2015 and 2014, income tax expense (benefit) was $9,013 and $(657), representing effective tax rates of 32.3%

and (15.4)%, respectively. The higher effective tax rates for the three months and nine months ended September 30, 2015, compared to the three months and nine months ended September 30, 2014, were primarily due to higher pre-tax income.

The provision for income taxes includes both federal and state income taxes and differs from the provision using statutory rates primarily due to favorable permanent tax items such as income from nontaxable loans and investments and tax exempt income on Bank owned life insurance. The Company calculated provision for income taxes for the three and nine months ended September 30, 2015 by applying the estimated annual effective tax rate to year-to-date pretax income, and calculated provision for income taxes for the three and nine months ended September 30, 2014 by using the actual effective tax rate.

13. Subsequent Events

Management has evaluated the effects of subsequent events through December 2, 2015 and has determined that the following events require disclosure:

Certus Bank

On October 9, 2015, the Company successfully completed the acquisition of certain loans and deposits related to fourteen Certus Bank branches throughout Georgia and Florida. The purchase included $575.2 million in deposits and $181.2 million in loans. The Company is currently in the process of calculating purchase accounting adjustments associated with this acquisition.

Acquisition by Bank of the Ozarks, Inc.

On October 19, 2015, the Company entered into a definitive merger agreement with Bank of the Ozarks, Inc. (“OZRK”). The Company and OZRK jointly announced the signing of a definitive agreement and plan of merger (“Agreement”) whereby OZRK will acquire the Company and its wholly owned bank subsidiary, Community & Southern Bank (“CSB”), in an all-stock transaction valued at approximately $799.6 million, or approximately $20.50 per fully diluted Company share, subject to potential adjustments as described in the Agreement.

Under the terms of the agreement, which has been approved by the boards of directors of both companies, each holder of outstanding shares of common stock of the Company will receive shares of common stock of OZRK. The number of OZRK shares to be issued will be determined based on the fifteen day volume weighted average stock price of OZRK’s common stock as of the second business day prior to the closing date, subject to a minimum and maximum price of $34.10 and $56.84, respectively.

Upon the closing of the transaction, the Company will merge into OZRK and CSB will merge into OZRK’s wholly-owned bank subsidiary, Bank of the Ozarks. Completion of the transaction is subject to certain closing conditions, including customary regulatory and shareholder approvals. The transaction is expected to close during the first quarter of 2016.

Legal Contingencies

C&S Bank recorded a litigation loss of $1.0 million in December of 2015 related to an acquired loan participation. In this legal matter, participant bank on a defaulted loan filed suit against C&S Bank for full loan recovery liquidation proceeds based on a negotiated contract with C&S Bank’s predecessor in interest. The judgment against C&S Bank was upheld on appeal; C&S Bank continues to evaluate the merits of additional appeal. Amounts paid to satisfy the judgment, to the extent the matter is not appealed, will be offset by proceeds from disposition of underlying collateral as well as with any amounts collected as a result of final judgment obtained by C&S Bank against underlying borrowers and guarantors on the subject loan.

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Section 6: EX-99.4 (EX-99.4)

Exhibit 99.4

UNAUDITED PRO FORMA COMBINED CONSOLIDATED FINANCIAL INFORMATION

On October 19, 2015, Bank of the Ozarks, Inc. (“Ozarks”) and its wholly-owned bank subsidiary, Bank of the Ozarks, entered into a definitive agreement and plan of merger (the “merger agreement”) with Community & Southern Holdings, Inc. (“C&S”) and its wholly-owned bank subsidiary, Community & Southern Bank (“C&S Bank”). The merger agreement provides that, upon the terms and subject to the conditions set forth therein, (i) C&S will merge with and into Ozarks, with Ozarks continuing as the surviving corporation (the “merger”), and (ii) C&S Bank will merge with and into Bank of the Ozarks, with Bank of the Ozarks continuing as the surviving bank. The merger is expected to be completed late in the first quarter of 2016 or in the second quarter of 2016, subject to approvals by C&S stockholders and Ozarks shareholders, respectively, receipt of required regulatory and other approvals and satisfaction of closing conditions.

Subject to the terms and conditions of the merger agreement, at the effective time of the merger, each share of issued and outstanding C&S common stock and each outstanding C&S stock option, warrant, restricted stock unit and deferred stock unit will be converted into the right to receive shares of Ozarks common stock (plus cash in lieu of any fractional shares) based on the aggregate purchase price of $799,595,013, or approximately $20.50 per fully diluted C&S share, subject to certain purchase price adjustments set forth in the merger agreement. The number of shares of Ozarks common stock to be delivered at closing in satisfaction of the purchase price will be based on a floating exchange ratio based upon the volume weighted average price of Ozarks common stock for the fifteen trading days ending on the second business day prior to closing (the “Ozarks average stock price”), subject to a minimum and maximum price of $34.10 and $56.84, respectively.

The following unaudited pro forma combined consolidated financial information is based on the historical financial data of Ozarks and C&S, and has been prepared to illustrate the effects of the proposed C&S merger. The unaudited pro forma combined consolidated financial information and explanatory notes are based upon the assumptions that (i) C&S’ closing consolidated net book value is at least $437 million on the determination date, (ii) the total number of shares of C&S common stock outstanding immediately prior to the effective time of the merger will be 36,949,266, (iii) immediately prior to the effective time of the merger there will be 169,300 outstanding C&S restricted stock units, 30,926 outstanding C&S deferred stock units, 3,450,818 outstanding C&S stock options with a weighted average exercise price of $10.37 per share, and 285,970 outstanding C&S warrants with an exercise price of $10.00 per share, and (iv) the Ozarks average stock price is $53.75 (which was the closing price of Ozarks common stock on December 2, 2015).

The following unaudited pro forma combined consolidated financial statements have been prepared using the acquisition method of accounting, giving effect to Ozarks’ completed acquisitions of Summit Bancorp, Inc. (“Summit”), which closed on May 16, 2014, and Intervest Bancshares Corporation (“Intervest”), which closed on February 10, 2015, and the proposed acquisition of C&S, including pro forma assumptions and adjustments related to the Summit and Intervest acquisitions and the proposed acquisition of C&S, as described in the accompanying notes to the unaudited pro forma combined consolidated financial statements. The unaudited pro forma combined consolidated financial statements and related pro forma adjustments for C&S have been adjusted to give effect to C&S’ acquisition of certain branches, cash, deposits and loans from CertusBank, N.A. (“CertusBank”), which acquisition closed on October 9, 2015. All other acquisitions made by C&S during 2014 and the first nine months of 2015 do not have a material impact, either individually or in the aggregate, on the unaudited pro forma combined consolidated financial statements. The unaudited pro forma combined consolidated balance sheet combines the historical financial information of Ozarks and C&S (including the effects of the CertusBank acquisition) as of September 30, 2015, and assumes that the C&S merger was completed on that date. This balance sheet includes the assets and liabilities of Summit and Intervest in Ozarks' historical information because these acquisitions closed on May 16, 2014 and February 10, 2015, respectively. The unaudited pro forma combined consolidated statements of income for the nine months ended September 30, 2015 and the twelve months ended December 31, 2014 give effect to the Summit, Intervest and C&S acquisitions (including the effects of the CertusBank acquisition) as if all of these transactions (including the CertusBank acquisition) had been completed on January 1, 2014.

The following unaudited pro forma combined consolidated financial statements are provided for informational purposes only. The unaudited pro forma combined consolidated financial statements are not necessarily, and should not be assumed to be, an indication of the results that would have been achieved had the transaction been completed as of the dates indicated or that may be achieved in the future. The preparation of the unaudited pro forma combined consolidated financial statements and related adjustments require management to make certain assumptions and estimates. The unaudited pro forma combined consolidated financial statements should be read together with:

- the accompanying notes to the unaudited pro forma combined consolidated financial statements;
- Ozarks' separate audited historical consolidated financial statements and accompanying notes as of and for the year ended December 31, 2014, included in Ozarks' Annual Report on Form 10-K for the year ended December 31, 2014, incorporated by reference herein and C&S' separate audited historical consolidated financial statements and accompanying notes as of and for the years ended December 31, 2014 and 2013, included in Exhibits 99.1 and 99.2 of Ozarks' Current Report on Form 8-K filed on the date hereof; and
- Ozarks' separate unaudited historical consolidated financial statements and accompanying notes as of and for the nine months ended September 30, 2015 included in Ozarks' Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, incorporated by reference herein, and C&S' separate unaudited historical consolidated financial statements and accompanying notes as of and for the nine months ended September 30, 2015, included in Exhibit 99.3 of Ozarks' Current Report on Form 8-K filed on the date hereof.

Unaudited Pro Forma Combined Consolidated Balance Sheet
As of September 30, 2015

	Ozarks Historical	C&S Historical	CertusBank Pro forma Adjustments(A)	C&S Pro forma Adjustments		Pro forma Combined
			(Dollars in thousands)			
Assets						
Cash and due from banks	$ 279,111	$ 118,456	$ 373,571	$ —		$ 771,138
Federal funds sold and interest earning assets	2,513	—	—			2,513
Cash and cash equivalents	281,624	118,456	373,571	—		773,651
Investment securities	796,373	599,494	—	3,397	(b)	1,399,264
Non-purchased loans and leases	5,447,278	2,351,609	—	(2,351,609)	(c)	5,447,278
Purchased loans	1,959,502	522,279	161,462	2,351,609	(c)	4,904,699
				(90,153)	(d)	
Allowance for loan and lease losses	(59,017)	(45,513)	—	45,513	(e)	(59,017)
Net loans	7,347,763	2,828,375	161,462	(44,640)		10,292,960
Premises and equipment, net	296,433	59,523	22,975	(15,008)	(f)	363,923
Foreclosed assets	24,397	8,142	—	(2,499)	(d)	30,040
Accrued interest receivable	28,095	8,951	—	—		37,046
Bank owned life insurance	283,016	84,355	—	—		367,371
Goodwill	128,132	33,187	11,460	(44,647)	(g)	565,368
				437,236	(g)	
Other intangible assets, net	28,624	9,037	6,580	(15,617)	(h)	70,529
				41,905	(h)	
Current and deferred income taxes	83,611	67,642	—	21,082	(i)	172,335
Other, net	31,148	42,374	446	(1,700)	(j)	72,268
Total assets	$9,329,216	$3,859,536	$ 576,494	$ 379,509		$14,144,755
Liabilities and Stockholders' Equity						
Deposits:						
Demand non-interest bearing	$1,413,892	$ 439,316	$ 66,438	$ —		$ 1,919,646
Savings and interest bearing transaction	4,010,103	1,232,638	352,329	—		5,595,070
Time	2,182,795	1,463,301	157,320	13,700	(k)	3,817,116
Total deposits	7,606,790	3,135,255	576,087	13,700		11,331,832
Repurchase agreements	80,040	—	—	—		80,040
Other borrowings	161,861	215,095	—	2,623	(l)	379,579
Subordinated debentures	117,544	—	—	—		117,544
Accrued interest payable and other liabilities	45,307	52,310	407	20,467	(m)	118,492
Total liabilities	8,011,542	3,402,660	576,494	36,790		12,027,486
Stockholders' equity:						
Common stock	883	369	—	149	(a)	1,032
				(369)	(n)	
Additional paid-in capital	633,941	374,362	—	799,446	(a)	1,433,387
				(374,362)	(n)	
Retained earnings	667,972	78,371	—	(78,371)	(n)	667,972
Accumulated other comprehensive income	11,721	3,774	—	(3,774)	(n)	11,721
Total stockholders' equity before noncontrolling interest	1,314,517	456,876	—	342,719		2,114,112
Noncontrolling interest	3,157	—	—	—		3,157
Total stockholders' equity	1,317,674	456,876	—	342,719		2,117,269
Total liabilities and stockholders' equity	$9,329,216	$3,859,536	$ 576,494	$ 379,509		$14,144,755

Unaudited Pro Forma Combined Consolidated Income Statement
For the Nine Months Ended September 30, 2015

	Ozarks Historical	Intervest Historical(1)	Intervest Pro forma Adjustments		Ozarks and Intervest Pro forma Combined	C&S Historical	C&S Pro forma Adjustments		Pro forma Combined
	(Dollars in thousands, except per share data)								
Interest income:									
Loans and leases, including purchased loans	$ 271,634	$ 6,324	$ 890	**(3)**	$ 278,848	$ 107,206	$ 20,113	**(o)**	$ 406,167
Investment securities	23,373	221	—		23,594	9,874	—		33,468
Other	35	1	—		36	254	699	**(p)**	989
Total interest income	295,042	6,546	890		302,478	117,334	20,812		440,624
Interest expense:									
Deposits	12,088	2,022	(1,022)	**(4)**	13,088	11,634	(57)	**(q)**	24,665
Repurchase agreements	56	—	—		56	—	—		56
Other borrowings	4,605	—	—		4,605	1,237	(843)	**(r)**	4,999
Subordinated debentures	2,660	178	63	**(5)**	2,901	—	—		2,901
Total interest expense	19,409	2,200	(959)		20,650	12,871	(900)		32,621
Net interest income	275,633	4,346	1,849		281,828	104,463	21,712		408,003
Provision for loan and lease losses	14,205	—	—		14,205	11,406	—		25,611
Net interest income after provision	261,428	4,346	1,849		267,623	93,057	21,712		382,392
Non-interest income									
Service charges on deposit accounts	21,140	15	—		21,155	8,648	—		29,803
Mortgage lending income	5,104	88	—		5,192	3,158	—		8,350
Trust income	4,395	—	—		4,395	—	—		4,395
Bank owned life insurance income	7,672	—	—		7,672	1,931	—		9,603
Other income from purchased loans	21,335	—	—		21,335	—	—		21,335
Net gains (losses) on investment securities	2,619	(395)	—		2,224	—	—		2,224
Gains (losses) on sales of other assets	7,290	—	—		7,290	136	—		7,426
Gain on merger and acquisition transaction	—	—	—		—	—	—		—
Other	4,920	318	—		5,238	2,308	—		7,546
Total non-interest income	74,475	26	—		74,501	16,181	—		90,682
Non-interest expense:									
Salaries and employee benefits	66,450	2,836	—		69,286	37,612	—		106,898
Net occupancy and equipment	22,711	360	—		23,071	8,999	—		32,070
Other operating expenses	50,175	2,854	110	**(6)**	53,139	34,704	4,490	**(s)**	92,333
Total non-interest expenses	139,336	6,050	110		145,496	81,315	4,490		231,301
Income before taxes	196,567	(1,678)	1,739		196,628	27,923	17,222		241,774
Provision for income taxes	65,714	(432)	663	**(7)**	65,945	9,013	6,562	**(t)**	81,520
Net income (loss)	130,853	(1,246)	1,076		130,683	18,910	10,660		160,253
Net income attributable to noncontrolling interest	(55)	—	—		(55)	—	—		(55)
Net income available to common stockholders	$ 130,798	$ (1,246)	$ 1,076		$ 130,628	$ 18,910	$ 10,660		$ 160,198
Basic earnings per common share:									
Earnings (loss) per share	$ 1.52				$ 1.50	$ 0.51			$ 1.57
Weighted average shares outstanding (thousands)	86,070				87,067	36,949			102,012
Diluted earnings per common share:									
Earnings (loss) per share	$ 1.51				$ 1.49	$ 0.46			$ 1.56
Weighted average shares outstanding (thousands)	86,839				87,835	40,892			102,780

Unaudited Pro Forma Combined Consolidated Income Statement
For the Year Ended December 31, 2014

	Ozarks Historical	Summit Historical(2)	Summit Pro forma Adjustments		Intervest Historical(1)	Intervest Pro forma Adjustments		Ozarks, Summit and Intervest Pro forma Combined	C&S Historical	C&S Pro forma Adjustments		Pro forma Combined
	(Dollars in thousands, except per share data)											
Interest income:												
Loans and leases, including purchased non-covered loans	$ 260,779	$ 13,685	$ 3,089	**(8)**	$ 58,327	$ 7,923	**(3)**	$ 343,803	$ 141,958	$ 39,467	**(o)**	$ 525,228
Investment securities	30,614	2,757	—		4,373	—		37,744	13,045	—		50,789
Other	56	76	—		59	—		191	343	934	**(p)**	1,468
Total interest income	291,449	16,518	3,089		62,759	7,923		381,738	155,346	40,401		577,485
Interest expense:												
Deposits	8,566	1,842	(975)	**(9)**	18,369	(9,095)	**(4)**	18,707	13,035	(5,069)	**(q)**	26,673
Repurchase agreements	54	11	—		—	—		65	—	—		65
Other borrowings	10,642	3,539	(394)	**(10)**	—	—		13,787	1,602	(1,124)	**(r)**	14,265
Subordinated debentures	1,693	—	—		1,578	560	**(5)**	3,831	—	—		3,831
Total interest expense	20,955	5,392	(1,369)		19,947	(8,535)		36,390	14,637	(6,193)		44,834
Net interest income	270,494	11,126	4,458		42,812	16,458		345,348	140,709	46,594		532,651
Provision for loan and lease losses	16,915	—	—		(2,500)	—		14,415	8,954	—		23,369
Net interest income after provision	253,579	11,126	4,458		45,312	16,458		330,933	131,755	46,594		509,282
Non-interest income												
Service charges on deposit accounts	26,609	1,389	—		385	—		28,383	11,185	—		39,568
Mortgage lending income	5,187	—	—		—	—		5,187	—	—		5,187
Trust income	5,592	151	—		—	—		5,743	—	—		5,743
Bank owned life insurance income	5,184	332	—		—	—		5,516	—	—		5,516
Accretion of FDIC loss share payable, net of amortization of FDIC clawback payable	(611)	—	—		—	—		(611)	—	—		(611)
Other income from purchased loans	14,803	—	—		—	—		14,803	—	—		14,803
Net gains (losses) on investment securities	144	348	—		301	—		793	1,341	—		2,134
Gains (losses) on sales of other assets	6,023	(1)	—		—	—		6,022	—	—		6,022
Gain on merger and acquisition transaction	4,667	—	—		—	—		4,667	2,278	—		6,945
Other	17,285	376	—		5,437	—		23,098	7,068	—		30,166
Total non-interest income	84,883	2,595	—		6,123	—		93,601	21,872	—		115,473
Non-interest expense:												
Salaries and employee benefits	76,884	10,799	—		10,358	—		98,041	46,784	—		144,825
Net occupancy and equipment	24,102	2,054	(75)	**(11)**	2,134	—		28,215	11,345	—		39,560
Other operating expenses	65,029	5,040	959	**(12)**	7,069	976	**(6)**	79,073	90,305	5,986	**(s)**	175,364
Total non-interest expenses	166,015	17,893	884		19,561	976		205,329	148,434	5,986		359,749

Income before taxes	172,447	(4,172)	3,574		31,874	15,482		219,205	5,193	40,608		265,006
Provision for income taxes	53,859	(2,367)	1,362	**(7)**	14,199	5,899	**(7)**	72,952	(1,651)	15,472	**(t)**	86,773
Net income (loss)	118,588	(1,805)	2,212		17,675	9,583		146,253	6,844	25,136		178,233
Net income attributable to noncontrolling interest	18	—	—		—	—		18	—	—		18
Net income available to common stockholders	$ 118,606	$ (1,805)	$ 2,212		$ 17,675	$ 9,583		$ 146,271	$ 6,844	$ 25,136		$ 178,251
Basic earnings per common share:												
Earnings (loss) per share	$ 1.53	$ (0.29)			$ 0.80			$ 1.69	$ 0.19			$ 1.76
Weighted average shares outstanding (thousands)	77,538	6,138			22,016			86,337	36,949			101,283
Diluted earnings per common share:												
Earnings (loss) per share	$ 1.52	$ (0.29)			$ 0.80			$ 1.68	$ 0.17			$ 1.75
Weighted average shares outstanding (thousands)	78,060	6,138			22,231			86,859	40,758			101,805

(A) This represents the estimated impact of C&S' acquisition of certain CertusBank branches, cash, loans and deposits on October 9, 2015.

(a) This represents the estimated C&S merger consideration of $799.6 million, consisting of 100% common stock. It is assumed that 14,876,186 shares of Ozarks $0.01 par value common stock are issued based on the closing price of $53.75 per share which was the closing price of Ozarks common stock on December 2, 2015, the latest practicable trading day before filing of this proxy statement/prospectus. The following table is a sensitivity analysis of the potential merger consideration based on changes in the price of Ozarks common stock for purposes of determining the exchange ratio for this transaction.

Change in Average Closing Price	Average Closing Price	Exchange Ratio	No. shares to be Issued	Approximate Transaction Value
40%	$ 75.25(1)	0.3607(1)	14,067,470(1)	$1,058,577,000
30%	$ 69.88(1)	0.3607(1)	14,067,470(1)	$ 983,035,000
20%	$ 64.50(1)	0.3607(1)	14,067,470(1)	$ 907,352,000
10%	$ 59.13(1)	0.3607(1)	14,067,470(1)	$ 831,810,000
0%	$ 53.75	0.3814	14,876,186	$ 799,595,000
-10%	$ 48.38	0.4237	16,527,387	$ 799,595,000
-20%	$ 43.00	0.4767	18,595,232	$ 799,595,000
-30%	$ 37.63	0.5448	21,248,870	$ 799,595,000
-40%	$ 32.25(1)	0.6012(1)	23,448,533(1)	$ 756,215,000

(1) The C&S merger agreement stipulates a minimum price of $34.10 per share and a maximum price of $56.84 per share to be used for purposes of calculating the exchange ratio. Accordingly, to the extent the volume-weighted average price of Ozarks common stock exceeds $56.84 per share, the total transaction value will increase although the aggregate number of shares issued will remain fixed, based on that volume-weighted average price. Conversely, to the extent the volume-weighted average price of Ozarks common stock is less than $34.10 per share, the total transaction value will decrease although the aggregate number of shares issued will remain fixed, based on that volume-weighted average price.

(b) This adjustment represents Ozarks' estimate to adjust C&S' held-to-maturity investment securities portfolio to estimated fair value.

(c) This adjustment is to reclassify the non-purchased loans and leases to purchased loans and leases.

(d) This adjustment represents Ozarks' estimate of the necessary write-down of C&S' loan portfolio and foreclosed assets to estimated fair value. The estimated purchase accounting adjustment for the acquired loan portfolio is comprised of approximately $65.3 million of non-accretable credit adjustments, approximately $92.9 million of accretable interest rate adjustments and $68.1 million of reversals of C&S discounts and net deferred fees. The estimated purchase accounting adjustment of approximately $2.5 million for the acquired foreclosed assets consists entirely of non-accretable adjustments. Subsequent to the completion of the C&S merger transaction, Ozarks will finalize its determination of the fair values of the acquired loans and the acquired foreclosed assets which could significantly change both the amount and the composition of these estimated purchase accounting adjustments.

(e) This adjustment represents the elimination of C&S' allowance for loan losses.

(f) This adjustment represents the estimated fair value adjustment of C&S' premises and equipment, including the write-down of certain leasehold improvements. Prior to the completion of the C&S merger transaction, Ozarks will obtain independent third party appraisals of all significant premises and equipment owned by C&S. Such appraisals could result in further adjustments to the carrying values of the acquired premises and equipment.

(g) This adjustment represents the estimated purchase price allocation for C&S, assuming the transaction closed on September 30, 2015, and is calculated as follows (in thousands):

Total purchase price	$ 799,595
Less: equity at book value	(456,876)
Elimination of allowance for loan losses	(45,513)
Current and deferred taxes	(21,082)
Estimated transaction costs and contract buyouts	20,467
Elimination of previously recorded core deposit intangible	15,617
Elimination of previously recorded goodwill	44,647
Allocated to:	
Investment securities – HTM	(3,397)
Loans and foreclosed assets	92,652
Premises and equipment	15,008
Core deposit intangible	(41,905)
Other assets	1,700
Time deposits	13,700
Other borrowings	2,623
Goodwill	$ 437,236

(h) This adjustment represents Ozarks' estimate of the core deposit intangible asset to be recorded, net of the reversal of previously recorded core deposit intangible. The actual amount of such core deposit intangible asset will be determined at the completion of the C&S merger transaction.

(i) This adjustment includes current and deferred income tax assets and liabilities recorded to reflect the differences in the carrying values of the acquired assets and the assumed liabilities for financial reporting purposes and the cost basis for federal income tax purposes.

(j) This adjustment represents the write-off of certain other assets to estimated fair value.

(k) This adjustment represents the estimated write-up of assumed time deposits to reflect a current market rate of interest.

(l) This adjustment represents the estimated write-up of assumed other borrowings to reflect a current market rate of interest.

(m) This adjustment represents the accrual of certain costs and contract buyouts expected to be incurred in connection with the merger transaction. The details of such costs and contract buyouts are as follows (in thousands):

Financial advisor fee	$ 8,500
Estimated employment contract costs	6,850
Estimated contract termination costs	2,500
Estimated attorneys and accountants fees	1,300
Other transaction costs	1,317
Total costs	$20,467

(n) This adjustment represents the elimination of the historical equity of C&S.

(o) Upon completion of the C&S merger transaction, Ozarks will evaluate the acquired loan portfolio to finalize the necessary credit and interest rate fair value adjustments. This adjustment includes Ozarks' estimate of the expected accretion that would have been recorded in 2014 and the first nine months of 2015 assuming the C&S merger transaction closed on January 1, 2014 and using a weighted average maturity of approximately 6.5 years. The estimated accretion adjustments are approximately $31.1 million in year 1, approximately $18.5 million in year 2, approximately $12.5 million in year 3, approximately $8.9 million in year 4, approximately $5.7 million in year 5 and approximately $16.2 million thereafter. Subsequent to the closing of the C&S merger transaction, the amount and timing of the estimated accretion of this purchase accounting adjustment could be revised significantly. This adjustment also includes the estimated pro forma impact of C&S' acquisition of certain CertusBank loans on October 9, 2015 that would have been recorded in 2014 and the first nine months of 2015 assuming the CertusBank transaction closed on January 1, 2014. The increase in interest income is estimated to be $8.3 million and $6.2 million in 2014 and the first nine months of 2015, respectively.

(p) This adjustment represents the estimated pro forma impact of C&S' acquisition of certain CertusBank cash on October 9, 2015 that would have been recorded in 2014 and the first nine months of 2015 assuming the CertusBank transaction closed on January 1, 2014. The increase in interest income is estimated to be $0.9 million and $0.7 million in 2014 and the first nine months of 2015, respectively.

(q) Upon completion of the C&S merger transaction, Ozarks will evaluate the assumed time deposits to finalize the necessary fair value adjustment to reflect current interest rates for comparable deposits. This fair value adjustment will then be accreted into earnings as a reduction of the cost of such time deposits. This adjustment includes Ozarks' estimate of the expected accretion that would have been recorded in 2014 and the first nine months of 2015 assuming the C&S merger transaction closed on January 1, 2014 and using a weighted-average maturity of approximately 1.0 years. The estimated accretion adjustments are approximately $7.7 million in year 1, approximately $2.7 million in year 2, approximately $1.6 million in year 3, approximately $1.2 million in year 4, and approximately $0.5 million in year 5. Subsequent to the closing of the C&S merger transaction, the amount and timing of the estimated accretion of this purchase accounting adjustment could be revised significantly. This adjustment also includes the estimated pro forma impact of C&S' assumption of certain CertusBank deposits on October 9, 2015 that would have been recorded in 2014 and the first nine months of 2015 assuming the CertusBank transaction closed on January 1, 2014. The increase in interest expense is estimated to be $2.6 million and $2.0 million in 2014 and the first nine months of 2015, respectively.

(r) This adjustment represents the amount of accretion on other borrowings assumed from C&S that would have been recorded in 2014 and the first nine months of 2015 assuming the transaction closed on January 1, 2014.

(s) This represents the expected amortization during 2014 and the first nine months of 2015 of the core deposit intangible expected to be acquired in the C&S merger transaction, assuming the transaction closed on January 1, 2014. The estimated useful lives of the acquired intangible asset is estimated to be seven years.

(t) This represents income tax expense on the pro forma adjustments at Ozarks' statutory federal and state income tax rate of 38.1%.

(1) The historical results of operations for Intervest for the period of January 1, 2015 through February 10, 2015 (the date the Intervest merger transaction closed) are included in the unaudited pro forma combined consolidated income statement for the nine months ended September 30, 2015. The historical results of operations for Intervest for the period of January 1, 2014 through December 31, 2014 are included in the unaudited pro forma combined consolidated income statement for the year ended December 31, 2014.

(2) The historical results of operations for Summit for the period of January 1, 2014 through May 16, 2014 (the date the Summit merger transaction closed) are included in the unaudited pro forma combined consolidated income statement for the year ended December 31, 2014.

(3) This adjustment represents Ozarks' estimate of the accretion on the acquired loan portfolio of Intervest that would have been recorded during 2014 and the first nine months of 2015 assuming the Intervest merger transaction closed on January 1, 2014.

(4) This adjustment represents Ozarks' estimate of the accretion on the assumed time deposits from Intervest that would have been recorded during 2014 and the first nine months of 2015 assuming the Intervest merger transaction closed on January 1, 2014.

(5) This adjustment represents the estimated amount of amortization on subordinated debentures assumed from Intervest that would have been recorded in 2014 and the first nine months of 2015 assuming the Intervest merger transaction closed on January 1, 2014.

(6) This represents the amortization of the core deposit intangible during 2014 and the first nine months of 2015 assuming the Intervest merger transaction closed on January 1, 2014. The estimated useful life of the acquired intangible assets is six years.

(7) This represents income tax expense on the pro forma adjustments at Ozarks' statutory federal and state income tax rate of 38.1%.

(8) This adjustment represents Ozarks' estimate of the accretion on the acquired loan portfolio of Summit that would have been recorded during 2014 assuming the Summit merger transaction closed on January 1, 2014.

(9) This adjustment represents Ozarks' estimate of the accretion on the assumed time deposits from Summit that would have been recorded during 2014 assuming the Summit merger transaction closed on January 1, 2014.

(10) This adjustment represents the estimated amount of accretion on Federal Home Loan Bank of Dallas advances assumed from Summit that would have been recorded in 2014 assuming the Summit merger transaction closed on January 1, 2014.

(11) This adjustment represents the estimated decrease in depreciation and amortization expense that would have been recorded during 2014 assuming the Summit merger transaction closed on January 1, 2014.

(12) This represents the additional amount of amortization of the core deposit intangible that would have been recorded during 2014 assuming the Summit merger transaction closed January 1, 2014.

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