FCB FINANCIAL HOLDINGS, INC.
Form 10-Q
November 07, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 001-36586

FCB FINANCIAL HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

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

2500 Weston Road, Suite 300
Weston, Florida 33331
(Address of principal executive offices)
(954) 984-3313
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ý Yes ¨ No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes ¨ No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.
Large accelerated filer ý Accelerated filer¨ Smaller reporting company¨

Non-accelerated filer (Do not check if a smaller reporting company) ¨ Emerging growth company¨
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) ¨ Yes ý No
As of November 1, 2018, the registrant had 46,827,114 shares of Class A Common Stock outstanding.

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FCB FINANCIAL HOLDINGS, INC.
FORM 10-Q
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PART I. FINANCIAL INFORMATION
FCB FINANCIAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in thousands, except share and per share data)

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| Assets: | | |
| Cash and due from banks | $76,633 | $60,787 |
| Interest-earning deposits in other banks | 123,876 | 55,134 |
| Cash and cash equivalents | 200,509 | 115,921 |
| Investment securities: | | |
| Available for sale debt securities, at fair value | 2,275,703 | 2,030,696 |
| Preferred stock and other equity securities, at fair value | 71,015 | 90,107 |
| Federal Home Loan Bank and other bank stock, at cost | 65,847 | 56,881 |
| Total investment securities | 2,412,565 | 2,177,684 |
| Loans held for sale | 980 | 12,736 |
| Loans: | | |
| New loans | 8,629,402 | 7,661,385 |
| Acquired loans | 687,406 | 316,399 |
| Allowance for loan losses | (53,148) | (47,145) |
| Loans, net | 9,263,660 | 7,930,639 |
| Premises and equipment, net | 42,645 | 36,144 |
| Other real estate owned | 10,534 | 14,906 |
| Goodwill | 139,529 | 81,204 |
| Core deposit intangible | 7,213 | 3,668 |
| Deferred tax assets, net | 40,743 | 27,043 |
| Bank-owned life insurance | 215,421 | 201,069 |
| Other assets | 99,557 | 76,065 |
| Total assets | $12,433,356 | $10,677,079 |
| Liabilities and Stockholders' Equity | | |
| Liabilities: | | |
| Deposits: | | |
| Transaction accounts: | | |
| Noninterest-bearing | $1,577,741 | $1,236,685 |
| Interest-bearing | 4,225,178 | 4,830,525 |
| Total transaction accounts | 5,802,919 | 6,067,210 |
| Time deposits | 4,353,196 | 2,606,717 |
| Total deposits | 10,156,115 | 8,673,927 |
| Borrowings (including FHLB advances of $750,000 and $670,000, respectively) | 825,558 | 749,113 |
| Other liabilities | 74,197 | 74,867 |
| Total liabilities | 11,055,870 | 9,497,907 |
| Commitments and contingencies (Note 13) | | |
| Stockholders' Equity: | | |
| Class A common stock, par value $0.001 per share; 100 million shares authorized; 49,537,170; 47,065,593 issued and 46,809,305; 44,371,104 outstanding | 50 | 47 |
| Class B common stock, par value $0.001 per share; 50 million shares authorized; 192,132; 192,132 issued and 0; 0 outstanding | — | — |
| Additional paid-in capital | 1,040,358 | 933,960 |
| Retained earnings | 439,233 | 313,645 |

| | | |
|---|---|---|
| Accumulated other comprehensive income (loss) | (24,782 ) | 8,893 |
| Treasury stock, at cost; 2,727,865; 2,694,489 Class A and 192,132; 192,132 Class B common shares | (77,373 ) | (77,373 ) |
| Total stockholders' equity | 1,377,486 | 1,179,172 |
| Total liabilities and stockholders' equity | $12,433,356 | $10,677,079 |

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

FCB FINANCIAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(Dollars in thousands, except share and per share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Interest income: | | | | |
| Interest and fees on loans | $104,137 | $ 76,465 | $290,352 | $214,570 |
| Interest and dividends on investment securities | 24,425 | 20,215 | 68,722 | 57,697 |
| Other interest income | 448 | 136 | 1,052 | 344 |
| Total interest income | 129,010 | 96,816 | 360,126 | 272,611 |
| Interest expense: | | | | |
| Interest on deposits | 33,300 | 17,134 | 85,397 | 46,277 |
| Interest on borrowings | 3,072 | 3,901 | 9,089 | 8,996 |
| Total interest expense | 36,372 | 21,035 | 94,486 | 55,273 |
| Net interest income | 92,638 | 75,781 | 265,640 | 217,338 |
| Provision for loan losses | 2,220 | 2,871 | 5,801 | 6,629 |
| Net interest income after provision for loan losses | 90,418 | 72,910 | 259,839 | 210,709 |
| Noninterest income: | | | | |
| Service charges and fees | 1,266 | 941 | 3,503 | 2,758 |
| Loan and other fees | 5,043 | 2,831 | 13,261 | 8,374 |
| Bank-owned life insurance income | 1,439 | 1,422 | 4,228 | 4,250 |
| Income from resolution of acquired assets | 202 | 466 | 603 | 1,548 |
| Gain (loss) on sales of other real estate owned | (70) | (143) | 43 | (121) |
| Gain (loss) on investment securities | (184) | 690 | (1,472) | 1,722 |
| Other noninterest income | 1,068 | 2,218 | 3,775 | 8,754 |
| Total noninterest income | 8,764 | 8,425 | 23,941 | 27,285 |
| Noninterest expense: | | | | |
| Salaries and employee benefits | 23,023 | 20,860 | 68,700 | 62,843 |
| Occupancy and equipment expenses | 4,012 | 3,283 | 11,872 | 10,016 |
| Loan and other real estate related expenses | 545 | 837 | 2,950 | 3,252 |
| Professional services | 3,929 | 1,390 | 7,335 | 4,250 |
| Data processing and network | 3,911 | 3,397 | 11,494 | 9,452 |
| Regulatory assessments and insurance | 2,564 | 2,330 | 7,257 | 6,691 |
| Amortization of intangibles | 371 | 256 | 1,035 | 768 |
| Marketing and promotions | 1,768 | 1,130 | 4,930 | 3,423 |
| Other operating expenses | 2,205 | 1,756 | 6,842 | 4,880 |
| Total noninterest expense | 42,328 | 35,239 | 122,415 | 105,575 |
| Income before income tax expense | 56,854 | 46,096 | 161,365 | 132,419 |
| Income tax expense | 13,374 | 13,936 | 35,052 | 26,189 |
| Net income | $43,480 | $ 32,160 | $126,313 | $106,230 |
| Earnings per share: | | | | |
| Basic | $0.93 | $ 0.74 | $2.73 | $2.49 |
| Diluted | $0.89 | $ 0.70 | $2.61 | $2.31 |
| Weighted average shares outstanding: | | | | |
| Basic | 46,693,707 | 43,333,947 | 46,213,176 | 42,580,426 |
| Diluted | 48,804,871 | 46,189,468 | 48,472,657 | 45,960,595 |

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

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FCB FINANCIAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(Dollars in thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Net income | $43,480 | $32,160 | $126,313 | $106,230 |
| Other comprehensive income (loss): | | | | |
| Unrealized gains (losses) on available for sale debt securities: | | | | |
| Net unrealized holding gains (losses) on investment securities available for sale, net of taxes of $2,768, $369, $12,017, and $(12,131) respectively | (8,327) | (598) | (36,146) | 19,519 |
| Reclassification adjustment for realized (gains) losses on investment securities available for sale included in net income, net of taxes of $(418), $540, $(144), and $787, respectively | 1,259 | (869) | 433 | (1,267) |
| Cumulative adjustment from adoption of new accounting standards (1) | — | — | 725 | — |
| Net change in unrealized gains (losses) on available for sale debt securities | (7,068) | (1,467) | (34,988) | 18,252 |
| Unrealized gains (losses) on derivative instruments: | | | | |
| Net unrealized holding gains (losses) on derivative instruments, net of taxes of $(406), $0, $(437), and $0, respectively | 1,220 | — | 1,313 | — |
| Net change in unrealized gains (losses) on derivative instruments | 1,220 | — | 1,313 | — |
| Net change in accumulated other comprehensive income (loss) | (5,848) | (1,467) | (33,675) | 18,252 |
| Total comprehensive income (loss) | $37,632 | $30,693 | $92,638 | $124,482 |

(1) Includes adjustments from adoption of ASU 2016-01 and ASU 2018-02. See Note 1 for additional information.
The accompanying notes are an integral part of these consolidated financial statements

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FCB FINANCIAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)
(Dollars in thousands, except for share data)

| | Common Stock Shares Outstanding | | Common Stock Issued | | Additional Paid-in Capital | Retained Earnings | Treasury Stock | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|---|
| | Class A | Class B | Class A | Class B | | | | | |
| Balance as of January 1, 2017 | 40,969,097 | 197,950 | $ 44 | $ — | $875,314 | $188,451 | $(77,373) | $ (3,995) | $982,441 |
| Net income | — | — | — | — | — | 106,230 | — | — | 106,230 |
| Exchange of B shares to A shares | 197,950 | (197,950) | — | — | — | — | — | — | — |
| Stock-based compensation and warrant expense | — | — | — | — | 5,970 | — | — | — | 5,970 |
| Stock issued in connection with equity awards and warrants | 2,561,255 | — | 2 | — | 43,221 | — | — | — | 43,223 |
| Other | — | — | — | — | (43) | — | — | — | (43) |
| Other comprehensive income (loss) | — | — | — | — | — | — | — | 18,252 | 18,252 |
| Balance as of September 30, 2017 | 43,728,302 | — | $ 46 | $ — | $924,462 | $294,681 | $(77,373) | $ 14,257 | $1,156,073 |
| Balance as of January 1, 2018 | 44,371,104 | — | $ 47 | $ — | $933,960 | $313,645 | $(77,373) | $ 8,893 | $1,179,172 |
| Net income | — | — | — | — | — | 126,313 | — | — | 126,313 |
| Cumulative adjustment from adoption of new accounting standards (1) | — | — | — | — | — | (725) | — | 725 | — |
| Stock issued in connection with acquisition | 1,754,362 | — | 2 | — | 94,120 | — | — | — | 94,122 |
| Stock-based compensation and warrant expense | — | — | — | — | 6,635 | — | — | — | 6,635 |
| Stock issued in connection with equity awards and warrants | 724,486 | — | 1 | — | 8,059 | — | — | — | 8,060 |
| Shares surrendered for tax withholding obligations | (40,647) | — | — | — | (2,066) | — | — | — | (2,066) |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Other | — | — | — | — | (350) | — | — | — | (350) |
| Other comprehensive income (loss) | — | — | — | — | — | — | — | (34,400) | (34,400) |
| Balance as of September 30, 2018 | 46,809,305 | — | $ 50 | $ — | $1,040,358 | $439,233 | $(77,373) | $(24,782) | $1,377,486 |

(1) Includes $1.0 million from adoption of ASU 2016-01 and $(1.7) million from adoption of ASU 2018-02. See Note 1 for additional information.

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

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FCB FINANCIAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2018 | 2017 |
| Cash Flows From Operating Activities: | | |
| Net income | $126,313 | $106,230 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Provision for loan losses | 5,801 | 6,629 |
| Amortization of intangible assets | 1,035 | 768 |
| Depreciation and amortization of premises and equipment | 2,811 | 2,674 |
| Accretion of discount on loans | (2,051) | (693) |
| Net amortization (accretion) of premium (discount) on investment securities | 1,802 | 1,547 |
| Net amortization (accretion) of premium (discount) on time deposits | (207) | — |
| Net amortization (accretion) on FHLB advances and other borrowings | — | (846) |
| Impairment of other real estate owned | 1,097 | 437 |
| Impairment of fixed assets HFS | 110 | — |
| (Gain) loss on available for sale debt securities | 355 | (1,722) |
| (Gain) loss on sale of loans | (660) | (3,835) |
| (Gain) loss on sale of other real estate owned | (43) | 121 |
| (Gain) loss on sale of premises and equipment | 13 | (7) |
| Unrealized (gain) loss on preferred stock and other equity securities | 1,117 | — |
| Stock-based compensation | 6,635 | 5,970 |
| Increase in cash surrender value of BOLI | (4,228) | (4,250) |
| Net change in operating assets and liabilities: | | |
| Net change in loans held for sale | 1,641 | 8,353 |
| Net change in other assets | (39) | (10,164) |
| Net change in other liabilities | 7,017 | 25,094 |
| Net cash provided by operating activities | 148,519 | 136,306 |
| Cash Flows From Investing Activities: | | |
| Purchase of equity securities | (42) | — |
| Purchase of available for sale debt securities | (635,501) | (656,982) |
| Sale of equity securities | 18,016 | — |
| Sales of available for sale debt securities | 77,705 | 113,862 |
| Paydown and maturities of available for sale debt securities | 259,925 | 336,303 |
| Purchase of FHLB and other bank stock | (95,966) | (121,995) |
| Sales of FHLB and other bank stock | 90,441 | 111,813 |
| Cash received in acquisition | 16,656 | — |
| Net change in loans | (919,001) | (1,094,190) |
| Purchase of loans | (7,382) | (2,782) |
| Proceeds from sale of loans | 26,015 | 234,518 |
| Proceeds from sale of other real estate owned | 3,686 | 2,871 |
| Purchase of premises and equipment | (7,064) | (1,790) |
| Proceeds from the sale of premises and equipment | 1,054 | 34 |
| Proceeds from life insurance | 365 | 3,016 |
| Net cash used in investing activities | (1,171,093) | (1,075,322) |
| Cash Flows From Financing Activities: | | |
| Net change in deposits | 1,100,062 | 800,422 |

| | | |
|---|---|---|
| Net change in FHLB advances | 8,596 | 195,750 |
| Net change in repurchase agreements | (5,540 ) | (71,785 ) |
| Cash paid for withholding taxes on share based payments | (3,666 ) | — |
| Exercise of stock options and warrants | 8,060 | 43,223 |
| Other financing costs | (350 ) | (43 ) |
| Net cash provided by financing activities | 1,107,162 | 967,567 |
| Net Change in Cash and Cash Equivalents | 84,588 | 28,551 |
| Cash and Cash Equivalents at Beginning of Period | 115,921 | 83,876 |
| Cash and Cash Equivalents at End of Period | $200,509 | $112,427 |
| | | |
| Supplemental Disclosures of Cash Flow Information: | | |
| Interest paid | $92,427 | $55,177 |
| Income taxes paid | 24,159 | 6,122 |
| Supplemental disclosure of noncash investing and financing activities: | | |
| Transfer/adjustments of loans to other real estate owned | $266 | $1,800 |
| Transfers from loans held for sale to portfolio loans | 10,683 | — |
| (Purchase) sale of investment securities settled in subsequent period, net | (63,756 ) | 6,214 |

See Note 2 regarding non-cash transactions included in the acquisition

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

FCB FINANCIAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
General
The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all information and notes to the consolidated financial statements necessary for a complete presentation of financial position, results of operations, comprehensive income and cash flows in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) and should be read in conjunction with the audited consolidated financial statements and the notes thereto for FCB Financial Holdings, Inc. (the “Company”) previously filed with the SEC in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation, have been included. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year or any other interim period.
Nature of Operations
The Company is a national bank holding company with two wholly-owned subsidiaries: (i) Florida Community Bank, N.A., a national bank (“Florida Community Bank” or the “Bank”); and (ii) Floridian Custody Services, Inc. ("Custody Services"). Florida Community Bank, headquartered in Weston, Florida, offers a comprehensive range of traditional banking products and services to individual and corporate customers through 51 banking centers located in Florida as of September 30, 2018. Custody Services, headquartered in Davie, Florida, provides clearing and custodian services to deposit brokers and their clients.
Principles of Consolidation
The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, Custody Services and Florida Community Bank, and the Bank’s subsidiaries, which consist of a group of real estate holding companies. Intercompany transactions and balances have been eliminated in consolidation.
Use of Estimates
The Company’s financial reporting and accounting policies conform to U.S. GAAP. The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
Material estimates subject to significant change include the allowance for loan losses, valuation of and accounting for acquired loans, the carrying value of OREO, the fair value of financial instruments, the valuation of goodwill and other intangible assets, acquisition-related fair value computations, stock-based compensation and deferred taxes.
Recently Adopted Accounting Pronouncements
In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)”, which superseded the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific revenue recognition guidance throughout the Accounting Standards Codification. Under ASU No. 2014-09, revenue should be recognized to depict the transfer of 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 or services. In applying the guidance, an entity should 1) identify the contract(s) with a customer, 2) identify the performance obligations in the contract, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract, and 5) recognize revenue when the entity satisfies a performance obligation. This guidance should be applied to all contracts with customers except those that are within the scope of other standards. This ASU became effective for the quarter ended March 31, 2018. The Company elected to adopt the new guidance under the modified retrospective approach. Since the Company's revenue is comprised primarily of net interest income from financial instruments that are within the scope of other standards, including loans and securities, the new guidance did not have a material impact upon adoption. In addition, the adoption of this guidance did not result in any material changes to the method of revenue recognition on the components of noninterest income. Accordingly, the adoption of this

guidance did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In May 2016, the FASB issued ASU No. 2016-10, “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing.” The amendments in this ASU do not change the core principle of the guidance in Topic 606. Rather, the amendments in this ASU clarify the following two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. The amendments in this ASU affect the guidance in ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)”. This ASU became effective for the quarter ended March 31, 2018. The adoption of this guidance did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In May 2016, the FASB issued ASU No. 2016-12, “Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients.” The amendments in this ASU do not change the core principle of the guidance in Topic 606. Rather, the amendments in this ASU clarify the guidance on assessing collectability, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition. The amendments in this ASU affect the guidance in ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". This ASU became effective for the quarter ended March 31, 2018. The adoption of this guidance did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

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

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

An entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption of the ASU. This ASU became effective the for the quarter ended March 31, 2018. As of January 1, 2018, the Company had equity securities in a net pre-tax unrealized gain position of $1.6 million for which $1.0 million, the tax effected balance, was reclassified from other comprehensive income to beginning retained earnings at adoption.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of cash flows (Topic 230): Classification of certain cash receipts and cash payments." The objective of this guidance is to reduce the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics. This ASU addresses the following eight specific cash flow issues: Debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (COLIs) (including bank-owned life insurance policies (BOLIs)); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. This ASU became effective for the quarter ended March 31, 2018. The adoption of this guidance did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In October 2016, the FASB issued ASU No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." The objective of issuing this ASU is to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. Current GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This prohibition on recognition is an exception to the principle of comprehensive recognition of current and deferred income taxes in GAAP. As such, the Board decided that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Consequently, the amendments in this guidance eliminate the exception for an intra-entity transfer of an asset other than inventory. This ASU became effective for the quarter ended March 31, 2018. The adoption of this guidance did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)." The amendments in this ASU require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this ASU do not provide a definition of restricted cash or restricted cash equivalents. This ASU became effective for the quarter ended March 31, 2018. The adoption of this guidance did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In February 2017, the FASB issued ASU No. 2017-05, "Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets." The FASB is issuing this ASU to clarify the scope of Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets, and to add guidance for partial sales of nonfinancial assets. The amendments in this ASU will require all entities to account for the derecognition of a business or nonprofit activity in accordance with Topic 810. The amendments also eliminate several accounting differences between transactions involving assets and transactions involving businesses. This ASU became effective for the quarter ended March 31, 2018. The adoption of this guidance did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In May 2017, the FASB issued ASU No. 2017-09, "Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting." This ASU provides clarity when applying the guidance in Topic 718, specifically relating to a modification of a share-based payment award. Entities should treat changes as modifications unless the fair value, vesting conditions, and classification of the modified awards are unchanged from the conditions immediately before the change. This ASU became effective for the quarter ended March 31, 2018. The adoption of this guidance did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In August 2017, the FASB issued ASU No. 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." This ASU improves the financial reporting of hedging relationships to better portray the economic results of an entity’s risk management activities in its financial statements and makes certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP. The amendments in this update better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and presentation of hedge results. The Company early adopted ASU 2017-12 during the quarter ended March 31, 2018. The adoption of this guidance did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In February 2018, the FASB issued ASU 2018-02, “Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” This ASU seeks to help entities reclassify certain stranded income tax effects in accumulated other comprehensive income resulting from the Tax Cuts and Jobs Act of 2017 (Tax Reform Act), enacted on December 22, 2017. ASU 2018-02 was issued in response to concerns regarding current guidance in GAAP that requires deferred tax liabilities and assets to be adjusted for the effect of a change in tax laws or rates with the effect included in income from continuing operations in the reporting period that includes the enactment date, even in situations in which the related income tax effects of items in accumulated other comprehensive income were originally recognized in other comprehensive income, rather than net income, and as a result the stranded tax effects would not reflect the appropriate tax rate. ASU 2018-02 allows an entity to make a reclassification from accumulated other comprehensive income to retained earnings for the stranded tax effects, which is the difference between the historical corporate income tax rate of 35.0% and the newly enacted corporate income tax rate of 21.0%. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 31, 2018; however, public business entities are allowed to early adopt ASU 2018-02 in any interim period for which the financial statements have not yet been issued. ASU 2018-02 may be applied either at the beginning of the period (annual or interim) of adoption or retrospectively to each of the period(s) in which the effect of the change in the U.S. federal corporate tax rate in the Tax Reform Act is recognized. As a result of the re-measurement of the Company's deferred tax assets following the enactment of the Tax Reform Act, accumulated other comprehensive income included $1.7 million of stranded tax effects at December 31, 2017. The Company early adopted ASU 2018-02 during the quarter ended March 31, 2018 and made the election to reclassify the stranded tax effects from accumulated other comprehensive income to retained earnings at the beginning of the period of adoption.

Recently Issued Accounting Pronouncements

In January 2018, the FASB issued ASU No. 2018-01, "Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842." This ASU provides an optional transition practical expedient to not evaluate under Topic 842, existing or expired land easements that were not previously accounted for as leases under the current leases guidance in Topic 840. An entity that elects this practical expedient should evaluate new or modified land easements under Topic 842 beginning at the date that the entity adopts Topic 842. An entity that does not elect this practical expedient should evaluate all existing or expired land easements in connection with the adoption of the new lease requirements in Topic 842 to assess whether they meet the definition of a lease. The amendments in this guidance affect the amendments in ASU 2016-02, which are not yet effective but may be early adopted. The effective date and transition requirements for the amendments are the same as the effective date and transition requirements in ASU 2016-02. An entity that early adopted Topic 842 should apply the amendments in this ASU upon issuance. Management does not intend to early adopt this guidance. The Company does not believe the adoption of this guidance will have a material impact on its consolidated financial position, results of operations or cash flows.

In June 2018, the FASB issued ASU 2018-07, "Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting." The amendments of this ASU expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor’s own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, Revenue from Contracts with Customers. The amendments are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted, but no earlier than an entity’s adoption date of Topic 606. The Company does not believe the adoption of this guidance will have a material impact on its consolidated financial position, results of operations or cash flows.

In July 2018, the FASB issued ASU 2018-11, "Leases (Topic 842): Targeted Improvements." The amendments of this ASU provide another transition method for the adoption of the new leases standard. Currently, entities are required to adopt the new leases standard using a modified retrospective transition method. The amendments of this ASU provide another transition method by allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Additionally, this ASU also provides lessors a practical expedient to not separate nonlease components from the associated lease component, similar to the expedient provided for lessees. The amendments related to separating components of a contract affect the amendments in ASU 2016-02, which are not yet effective but can be early adopted. For entities that have not adopted Topic 842 before the issuance of this ASU, the effective date and transition requirements for the amendments in this ASU related to separating components of a contract are the same as the effective date and transition requirements in ASU 2016-02. Management does not intend to early adopt this guidance. The Company does not believe the adoption of this guidance will have a material impact on its consolidated financial position, results of operations or cash flows.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement." The amendments of this ASU modify the disclosure requirements about recurring or nonrecurring fair value measurements required under Topic 820, Fair Value Measurement, and require additional disclosures related to unrealized gains and losses included in other comprehensive income. The amendments in this ASU are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted upon issuance of this ASU. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this ASU and delay adoption of the additional disclosures until their effective date. The Company does not believe the adoption of this guidance will have a material impact on its consolidated financial position, results of operations or cash flows.

In August 2018, the FASB issued ASU 2018-15, "Intangibles - Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract." The amendments in this ASU align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption of the amendments in this ASU is permitted, including adoption in any interim period, for all entities. The amendments in this ASU should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company does not believe the adoption of this guidance will have a material impact on its consolidated financial position, results of operations or cash flows.

NOTE 2. BUSINESS ACQUISITIONS

On March 1, 2018, the Company acquired 100% of the outstanding common stock of Floridian Community Holdings, Inc., ("Floridian") the parent company of Floridian Community Bank and Floridian Custody Services, Inc. Under the terms of the acquisition, each share of Floridian common stock was converted into 0.4584 shares of FCB Class A common stock at the effective date. A total of 1,754,362 shares of FCB Class A common stock were issued to holders of Floridian common stock. The Company also paid cash of $7 thousand for fractional shares resulting from the application of the exchange ratio. In addition, the Company incurred a liability of $5.2 million related to Floridian's outstanding stock options that were settled in cash subsequent to the acquisition. The Floridian acquisition will (i) expand the Company's business within demographically attractive markets in southeast Florida; (ii) increase the Company's core deposit base, an important funding source; and (iii) provide the opportunity to sell the Company's broad array of products to Floridians' client base, among other benefits. The results of operations were included in the Company's results beginning on March 1, 2018, the date of acquisition. The fair value of the common shares issued as part of the consideration paid for Floridian was determined using the closing price of the Company's common shares on February 28, 2018. Floridian had total assets of $506.8 million, total liabilities of $465.8 million and operated 5 full-service branches in South Florida as of March 1, 2018. Goodwill of $58.3 million was recognized in the transaction. None of the goodwill recognized is expected to be deductible for income tax purposes.

The Company determined that the acquisition of Floridian constituted a business combination as defined by ASC Topic 805, “Business Combinations”. The acquisition was not considered to be a significant business combination. The assets acquired and liabilities assumed were recorded at their fair values on the date of acquisition. Fair values were determined in accordance with the guidance provided in ASC Topic 820, “Fair Value Measurements”. In many cases, the determination of fair value required management to make estimates about discount rates, future expected cash flows, market conditions and other future events that are highly subjective in nature and subject to change. The Company utilized the assistance of third-party advisors in the determination of fair value for loans, deposits, other real estate owned and deferred tax assets acquired. The Company may incur losses on the acquired loans that are materially different from losses the Company originally projected.

The Company recorded adjustments to the preliminary fair value estimates in the reporting period in which the adjustments were determined. During the nine months ended September 30, 2018, the Company recorded adjustments to the preliminary fair value estimates resulting in a decrease in assets acquired of $858 thousand, liabilities assumed of $1.1 million, and goodwill of $255 thousand. The adjustments were primarily related to a reduction in the estimated fair value of an assumed liability and other receivables. As of September 30, 2018, the Company has finalized its valuation of the Floridian acquisition.

The following table presents a summary of the assets acquired and liabilities assumed in the Floridian acquisition recorded at fair value:

| | Acquisition Date Fair Value | Measurement Period Adjustments | Adjusted Acquisition Date Fair Value |
|---|---|---|---|
| | (Dollars in thousands) | | |
| Consideration transferred: | | | |
| Common stock issued | $94,122 | $ — | $ 94,122 |
| Liability incurred related to settlement of outstanding stock options | 5,198 | — | 5,198 |
| Total consideration transferred | 99,320 | — | 99,320 |
| Fair value of assets acquired: | | | |
| Cash and cash equivalents | 16,699 | (43) | 16,656 |
| Investment securities | 38,772 | — | 38,772 |
| Loans | 425,894 | — | 425,894 |
| Other real estate owned | 113 | (2) | 111 |
| Core deposit intangible | 4,580 | — | 4,580 |
| Fixed assets | 3,425 | — | 3,425 |
| Deferred tax asset, net | 5,043 | (239) | 4,804 |
| Bank-owned life insurance | 10,489 | — | 10,489 |
| Other assets | 2,678 | (574) | 2,104 |
| Total identifiable assets acquired | 507,693 | (858) | 506,835 |
| Fair value of liabilities assumed: | | | |
| Deposits | 382,333 | — | 382,333 |
| FHLB advances and other borrowings | 73,389 | — | 73,389 |
| Other liabilities | 11,231 | (1,113) | 10,118 |
| Total liabilities assumed | 466,953 | (1,113) | 465,840 |
| Fair value of net assets acquired | 40,740 | 255 | 40,995 |
| Goodwill resulting from acquisition | $58,580 | $ (255) | $ 58,325 |

On July 24, 2018, the Company announced the entry into a definitive merger agreement under which it will be acquired by Columbus, Georgia based Synovus Financial Corp. ("Synovus"). Under the terms of the merger agreement, the Company’s shareholders will receive a fixed ratio of 1.055 shares of Synovus common stock for each common share of the Company in an all-stock transaction. The merger agreement has been unanimously approved by both companies’ Boards of Directors and is subject to customary closing conditions, including approval by the shareholders of both companies and by state and federal bank regulators. The Company and Synovus filed notices and applications to obtain the necessary regulatory approvals on August 22, 2018. The Georgia Department of Banking and Finance approvals were received on September 25, 2018.

On October 9, 2018, an action captioned Stephen Bushansky v. FCB Financial Holdings, Inc. et al., Case 1:18-cv-62399-BB, was filed in the United States District Court, Southern District of Florida on behalf of a purported class of FCB’s stockholders against FCB and its current directors. This complaint alleges violations of Sections 14(a) and 20(a) of the Exchange Act. The action seeks, among other things, to enjoin the defendants from consummating the merger until additional information is disclosed to FCB’s stockholders in advance of the FCB special meeting or to rescind the merger or recover damages to the extent the merger is completed.

On October 11, 2018, an action captioned Paul Parshall v. FCB Financial Holdings, Inc. et al., Case 1:18-cv-01570-LPS, was filed in the United States District Court for the District of Delaware on behalf of a purported class of FCB’s stockholders against FCB, its current directors, Synovus and Merger Sub, alleging violations of Sections 14(a) and 20(a) of the Exchange Act. The action seeks, among other things, to cause defendants to disseminate adequate disclosures, to enjoin defendants from consummating the merger, and to rescind the merger or recover damages to the extent the merger is completed. The court has not acted on either of these complaints, and no relief has been granted as of this time.

NOTE 3. INVESTMENT SECURITIES

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

| September 30, 2018 | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Available for sale debt securities: | | | | |
| U.S. Government agencies and sponsored enterprises obligations | $86,941 | $— | $2,709 | $84,232 |
| U.S. Government agencies and sponsored enterprises mortgage-backed securities | 627,668 | 9 | 23,519 | 604,158 |
| State and municipal obligations | 24,485 | 66 | 1,669 | 22,882 |
| Asset-backed securities | 780,250 | 330 | 2,258 | 778,322 |
| Corporate bonds and other debt securities | 791,130 | 7,609 | 12,630 | 786,109 |
| Total available for sale debt securities | $2,310,474 | $8,014 | $42,785 | $2,275,703 |

| December 31, 2017 | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Available for sale debt securities: (1) | | | | |
| U.S. Government agencies and sponsored enterprises obligations | $43,471 | $38 | $671 | $42,838 |
| U.S. Government agencies and sponsored enterprises mortgage-backed securities | 600,310 | 1,716 | 6,789 | 595,237 |
| State and municipal obligations | 26,766 | 125 | 719 | 26,172 |
| Asset-backed securities | 608,340 | 2,306 | 100 | 610,546 |
| Corporate bonds and other debt securities | 738,994 | 18,222 | 1,313 | 755,903 |
| Total available for sale debt securities | $2,017,881 | $22,407 | $9,592 | $2,030,696 |

(1) To allow for improved comparability, prior year presentation has been modified to remove preferred stock and other equity securities in connection with the adoption of ASU 2016-01.

As part of the Company’s liquidity management strategy, the Company pledges loans and securities to secure borrowings from the Federal Home Loan Bank of Atlanta ("FHLB") and the Federal Reserve Bank of Atlanta ("FRB"). The Company also pledges securities to collateralize public deposits, repurchase agreements and interest rate swaps. The carrying value of all pledged securities totaled $950.4 million and $834.9 million at September 30, 2018 and December 31, 2017, respectively.

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

| September 30, 2018 | Amortized Cost | Fair Value |
|---|---|---|
| | (Dollars in thousands) | |
| Available for sale debt securities: | | |
| Due in one year or less | $57,430 | $57,475 |
| Due after one year through five years | 290,655 | 287,076 |
| Due after five years through ten years | 138,696 | 135,574 |
| Due after ten years | 328,834 | 328,866 |
| U.S. Government agencies and sponsored enterprises obligations, mortgage-backed securities and asset-backed securities | 1,494,859 | 1,466,712 |
| Total available for sale debt securities | $2,310,474 | $2,275,703 |

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

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

| September 30, 2018 | Less than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| | (Dollars in thousands) | | | | | |
| Available for sale debt securities: | | | | | | |
| U.S. Government agencies and sponsored enterprises obligations | $51,529 | $ 906 | $32,703 | $ 1,803 | $84,232 | $ 2,709 |
| U.S. Government agencies and sponsored enterprises mortgage-backed securities | 279,436 | 8,128 | 300,994 | 15,391 | 580,430 | 23,519 |
| State and municipal obligations | — | — | 20,772 | 1,669 | 20,772 | 1,669 |
| Asset-backed securities | 348,117 | 2,196 | 7,002 | 62 | 355,119 | 2,258 |
| Corporate bonds and other debt securities | 391,610 | 8,486 | 91,574 | 4,144 | 483,184 | 12,630 |
| Total available for sale debt securities | $1,070,692 | $ 19,716 | $453,045 | $ 23,069 | $1,523,737 | $ 42,785 |

| December 31, 2017 | Less than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| | (Dollars in thousands) | | | | | |
| Available for sale debt securities: (1) | | | | | | |
| U.S. Government agencies and sponsored enterprises obligations | $31,518 | $ 268 | $7,157 | $ 403 | $38,675 | $ 671 |
| U.S. Government agencies and sponsored enterprises mortgage-backed securities | 207,735 | 1,836 | 175,810 | 4,953 | 383,545 | 6,789 |
| State and municipal obligations | 192 | 2 | 23,813 | 717 | 24,005 | 719 |
| Asset-backed securities | 36,542 | 100 | — | — | 36,542 | 100 |
| Corporate bonds and other debt securities | 186,052 | 1,240 | 10,842 | 73 | 196,894 | 1,313 |
| Total available for sale debt securities | $462,039 | $ 3,446 | $217,622 | $ 6,146 | $679,661 | $ 9,592 |

(1) To allow for improved comparability, prior year presentation has been modified to remove preferred stock and other equity securities in connection with the adoption of ASU 2016-01.

At September 30, 2018, the Company’s security portfolio consisted of 355 securities, of which 245 securities were in an unrealized loss position. A total of 137 were in an unrealized loss position for less than 12 months. The unrealized losses for these securities resulted primarily from changes in interest rates and spreads.

The Company monitors its investment securities for other-than-temporary-impairment ("OTTI"). Impairment is evaluated on an individual security basis considering numerous factors, and their relative significance. The Company has evaluated the nature of unrealized losses in the investment securities portfolio to determine if OTTI exists. The unrealized losses relate to changes in market interest rates and market conditions that do not represent credit-related impairments. Furthermore, the Company does not intend to sell nor is it more likely than not that it will be required to sell these investments before the recovery of their amortized cost basis. Management has completed an assessment of each security in an unrealized loss position for credit impairment and has determined that no individual security was other-than-temporarily impaired at September 30, 2018. The following describes the basis under which the Company has evaluated OTTI:

U.S. Government Agencies and Sponsored Enterprises Obligations and Agency Mortgage-Backed Securities (“MBS”): The unrealized losses associated with U.S. Government agencies and sponsored enterprises obligations and agency MBS are primarily driven by changes in interest rates. These securities have either an explicit or implicit U.S. government guarantee.

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Asset-Backed Securities and Corporate Bonds & Other Debt Securities:
Securities were generally underwritten in accordance with the Company's investment standards prior to the decision to purchase, without relying on a bond issuer's guarantee in making the investment decision. These investments were investment grade as of September 30, 2018 and December 31, 2017 and will continue to be monitored as part of the Company's ongoing impairment analysis, but are expected to perform in accordance with their terms.
Preferred Stock and Other Equity Securities:
The unrealized losses associated with preferred stock and other equity securities in large U.S. financial institutions are primarily driven by changes in interest rates and spreads. These securities were generally underwritten in accordance with the Company's investment standards prior to the decision to purchase.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (Dollars in thousands) | | | |
| Gross realized gains | $2 | $1,251 | $147 | $1,945 |
| Gross realized losses | (1,248 ) | (1,533 ) | (1,254 ) | (2,739 ) |
| Net realized gains (losses) | $(1,246) | $(282 ) | $(1,107) | $(794 ) |

The Company adopted ASU 2016-01 as of January 1, 2018. This guidance requires investments in equity securities with readily determinable fair values to be measured at fair value, with changes in the fair value recognized as a component of noninterest income in the Company's Consolidated Statements of Income. The Company recognized $1.1 million of unrealized gain and $1.1 million of unrealized loss in noninterest income during the three and nine months ended September 30, 2018, respectively, related to equity securities still held at the end of the period.
NOTE 4. LOANS, NET
The Company's loan portfolio consists of New and Acquired loans. The Company classifies originated loans and purchased loans not acquired through business combinations that did not show evidence of credit deterioration as New loans. The Company classifies loans acquired through business combinations and purchased loans acquired outside of a business combination that show evidence of credit deterioration as Acquired loans. Loans acquired with deteriorated credit quality since origination are accounted for under ASC 310-30, unless specifically excluded from the scope of ASC 310-30. The remaining portfolio of Acquired loans and those loans excluded from the scope of ASC 310-30 are accounted for under ASC 310-20 and are classified as Non-ASC 310-30 loans.

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

| September 30, 2018 | ASC 310-30 Loans | Non-ASC 310-30 Loans | New Loans (1) | Total |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Real estate loans: | | | | |
| Commercial real estate | $133,778 | $104,364 | $2,528,748 | $2,766,890 |
| Owner-occupied commercial real estate | — | 81,408 | 1,134,793 | 1,216,201 |
| 1-4 single family residential | 32,240 | 148,659 | 2,245,139 | 2,426,038 |
| Construction, land and development | 28,590 | 36,881 | 754,972 | 820,443 |
| Home equity loans and lines of credit | — | 40,131 | 59,729 | 99,860 |
| Total real estate loans | 194,608 | 411,443 | 6,723,381 | 7,329,432 |
| Other loans: | | | | |
| Commercial and industrial | 19,503 | 46,643 | 1,902,045 | 1,968,191 |
| Consumer | 1,259 | 13,950 | 3,976 | 19,185 |
| Total other loans | 20,762 | 60,593 | 1,906,021 | 1,987,376 |
| Total loans held in portfolio | $215,370 | $472,036 | $8,629,402 | $9,316,808 |
| Allowance for loan losses | | | | (53,148 ) |
| Loans held in portfolio, net | | | | $9,263,660 |

| December 31, 2017 | ASC 310-30 Loans | Non-ASC 310-30 Loans | New Loans (1) | Total |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Real estate loans: | | | | |
| Commercial real estate | $104,335 | $37,736 | $2,103,788 | $2,245,859 |
| Owner-occupied commercial real estate | — | 16,100 | 987,781 | 1,003,881 |
| 1-4 single family residential | 27,513 | 57,695 | 2,185,362 | 2,270,570 |
| Construction, land and development | 13,167 | 5,889 | 684,462 | 703,518 |
| Home equity loans and lines of credit | — | 34,589 | 59,636 | 94,225 |
| Total real estate loans | 145,015 | 152,009 | 6,021,029 | 6,318,053 |
| Other loans: | | | | |
| Commercial and industrial | 12,631 | 5,062 | 1,634,372 | 1,652,065 |
| Consumer | 1,423 | 259 | 5,984 | 7,666 |
| Total other loans | 14,054 | 5,321 | 1,640,356 | 1,659,731 |
| Total loans held in portfolio | $159,069 | $157,330 | $7,661,385 | $7,977,784 |
| Allowance for loan losses | | | | (47,145 ) |
| Loans held in portfolio, net | | | | $7,930,639 |

(1) Balance includes $(9.2) million and $(6.6) million of net deferred fees, costs, and premium and discount as of September 30, 2018 and December 31, 2017, respectively.

At September 30, 2018 and December 31, 2017, the unpaid principal balances of ASC 310-30 loans were $274.3 million and $183.9 million, respectively. At September 30, 2018 and December 31, 2017, the Company had pledged loans as collateral for FHLB advances of $3.44 billion and $3.36 billion, respectively. The recorded investment of consumer mortgage loans, secured by 1-4 family residential real estate properties, for which formal foreclosure proceedings are in process as of September 30, 2018 totaled $4.2 million. The Company held $288.5 million and $289.1 million of syndicated national loans as of September 30, 2018 and December 31, 2017, respectively.

During the three months ended September 30, 2018, the Company purchased no loans from third parties. During the nine months ended September 30, 2018, the Company purchased approximately $7.4 million of loans from third parties. During the three and nine months ended September 30, 2017, the Company purchased $2.8 million loans from third parties.

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During the three and nine months ended September 30, 2018, the Company sold approximately $6.2 million and $26.0 million of held-to-maturity portfolio loans to third parties, respectively. During the three and nine months ended September 30, 2017, the Company sold approximately $73.4 million and $232.3 million of held-to-maturity portfolio loans to third parties, respectively.

The accretable discount on ASC 310-30 loans represents the amount by which the undiscounted expected cash flows on such loans exceed their carrying value. The change in expected cash flows for certain ASC 310-30 loan pools resulted in the reclassification of $3,417 thousand and $(2.7) million between non-accretable and accretable discount during the nine months ended September 30, 2018 and 2017, respectively.

Changes in accretable discount for ASC 310-30 loans for the nine months ended September 30, 2018 and 2017, were as follows:

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2018 | 2017 |
| | (Dollars in thousands) | |
| Balance at January 1, | $41,162 | $60,990 |
| Additions to accretable discount from FLCB acquisition | 14,393 | — |
| Accretion | (10,857 ) | (13,965 ) |
| Reclassifications from (to) non-accretable difference | 3,417 | (2,747 ) |
| Balance at September 30, | $48,115 | $44,278 |

NOTE 5. ALLOWANCE FOR LOAN LOSSES

The Company’s accounting method for loans and the corresponding allowance for loan losses (“ALL”) differs depending on whether the loans are New or Acquired. The Company assesses and monitors credit risk and portfolio performance using distinct methodologies for Acquired loans, both ASC 310-30 Loans and Non-ASC 310-30 Loans, and New loans. Within each of these portfolios, the Company further disaggregates the portfolios into the following segments: Commercial real estate, Owner-occupied commercial real estate, 1-4 single family residential, Construction, land and development, Home equity loans and lines of credit, Commercial and industrial and Consumer. The ALL reflects management’s estimate of probable credit losses inherent in each of the segments. During the second quarter 2018, the Company released an unallocated allowance for loan loss of $1.5 million, which was recorded in prior year in response to Hurricane Irma.

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

| | Commercial Real Estate | Owner-Occupied Commercial Real Estate | 1-4 Single Family Residential | Construction, Land and Development | Home Equity Loans and Lines of Credit | Commercial and Industrial | Consumer | Total |
|---|---|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | | | |
| Balance at July 1, 2018 | $ 15,381 | $ 3,946 | $ 7,310 | $ 4,076 | $ 704 | $ 18,934 | $ 219 | $ 50,570 |
| Provision (credit) for ASC 310-30 loans | (26) | (3) | 14 | (115) | — | (66) | (16) | (212) |
| Provision (credit) for non-ASC 310-30 loans | (8) | (3) | (35) | 71 | 2 | 129 | — | 156 |
| Provision (credit) for New loans | 560 | (141) | (333) | 1,228 | (24) | 994 | (8) | 2,276 |
| Provision (credit) for Unallocated | — | — | — | — | — | — | — | — |
| Total provision | 526 | (147) | (354) | 1,184 | (22) | 1,057 | (24) | 2,220 |
| Charge-offs for ASC 310-30 loans | (1) | — | (22) | — | — | — | (4) | (27) |
| Charge-offs for non-ASC 310-30 loans | (118) | — | — | — | — | — | — | (118) |
| Charge-offs for New loans | — | — | — | — | — | — | — | — |
| Total charge-offs | (119) | — | (22) | — | — | — | (4) | (145) |
| Recoveries for ASC 310-30 loans | 366 | 3 | 1 | 93 | — | 7 | — | 470 |
| Recoveries for non-ASC 310-30 loans | — | — | 23 | — | — | — | — | 23 |
| Recoveries for New loans | — | 9 | — | — | — | — | — | 9 |
| Total recoveries | 366 | 12 | 24 | 93 | — | 7 | — | 502 |
| Ending ALL balance | | | | | | | | |
| ASC 310-30 loans | 1,556 | — | 8 | 103 | — | 80 | 119 | 1,866 |
| Non-ASC 310-30 loans | 188 | 51 | 144 | 130 | 204 | 447 | 3 | 1,167 |
| New loans | 14,410 | 3,760 | 6,806 | 5,121 | 478 | 19,471 | 69 | 50,115 |
| Unallocated | — | — | — | — | — | — | — | — |
| Balance at September 30, 2018 | $ 16,154 | $ 3,811 | $ 6,958 | $ 5,354 | $ 682 | $ 19,998 | $ 191 | $ 53,148 |

| | Commercial Real Estate | Owner-Occupied Commercial Real Estate | 1-4 Single Family Residential | Construction, Land and Development | Home Equity Loans and Lines of Credit | Commercial and Industrial | Consumer | Total |
|---|---|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | | | |
| Balance at July 1, 2017 | $12,155 | $ 3,286 | $ 8,749 | $ 4,713 | $ 884 | $ 11,296 | $ 251 | $41,334 |
| Provision (credit) for ASC 310-30 loans | (41) | — | — | (38) | — | (38) | (8) | (125) |
| Provision (credit) for non-ASC 310-30 loans | 30 | (1) | (49) | (2) | (227) | (56) | 1 | (304) |
| Provision (credit) for New loans | 943 | 342 | (335) | (113) | 42 | 933 | (12) | 1,800 |
| Provision (credit) for Unallocated | — | — | — | — | — | — | — | 1,500 |
| Total provision | 932 | 341 | (384) | (153) | (185) | 839 | (19) | 2,871 |
| Charge-offs for ASC 310-30 loans | — | — | — | — | — | — | — | — |
| Charge-offs for non-ASC 310-30 loans | (30) | — | (9) | — | — | (3) | — | (42) |
| Charge-offs for New loans | — | — | — | — | (3) | — | — | (3) |
| Total charge-offs | (30) | — | (9) | — | (3) | (3) | — | (45) |
| Recoveries for ASC 310-30 loans | 27 | — | — | — | — | 70 | — | 97 |
| Recoveries for non-ASC 310-30 loans | — | — | 30 | — | — | 4 | — | 34 |
| Recoveries for New loans | — | — | — | — | — | — | — | — |
| Total recoveries | 27 | — | 30 | — | — | 74 | — | 131 |
| Ending ALL balance | | | | | | | | |
| ASC 310-30 loans | 1,664 | — | 25 | 147 | — | 200 | 152 | 2,188 |
| Non-ASC 310-30 loans | 331 | 64 | 214 | 36 | 224 | 311 | 7 | 1,187 |
| New loans | 11,089 | 3,563 | 8,147 | 4,377 | 472 | 11,695 | 73 | 39,416 |
| Unallocated | — | — | — | — | — | — | — | 1,500 |
| Balance at September 30, 2017 | $13,084 | $ 3,627 | $ 8,386 | $ 4,560 | $ 696 | $ 12,206 | $ 232 | $44,291 |

| | Commercial Real Estate | Owner-Occupied Commercial Real Estate | 1-4 Single Family Residential | Construction, Land and Development | Home Equity Loans and Lines of Credit | Commercial and Industrial | Consumer | Total |
|---|---|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | | | |
| Balance at January 1, 2018 | $13,870 | $ 3,365 | $ 7,978 | $ 4,345 | $ 674 | $ 15,141 | $ 272 | $47,145 |
| Provision (credit) for ASC 310-30 loans | (102 ) | (3 ) | (15 ) | (149 ) | — | (53 ) | (15 ) | (337 ) |
| Provision (credit) for non-ASC 310-30 loans | (32 ) | (4 ) | (62 ) | 94 | 5 | 170 | (3 ) | 168 |
| Provision (credit) for New loans | 2,315 | 441 | (963 ) | 957 | 3 | 4,769 | (52 ) | 7,470 |
| Provision (credit) for Unallocated | — | — | — | — | — | — | — | (1,500 ) |
| Total provision | 2,181 | 434 | (1,040 ) | 902 | 8 | 4,886 | (70 ) | 5,801 |
| Charge-offs for ASC 310-30 loans | (156 ) | — | (22 ) | — | — | (17 ) | (11 ) | (206 ) |
| Charge-offs for non-ASC 310-30 loans | (118 ) | — | — | — | — | (36 ) | — | (154 ) |
| Charge-offs for New loans | — | — | — | — | — | — | — | — |
| Total charge-offs | (274 ) | — | (22 ) | — | — | (53 ) | (11 ) | (360 ) |
| Recoveries for ASC 310-30 loans | 366 | 3 | 19 | 106 | — | 24 | — | 518 |
| Recoveries for non-ASC 310-30 loans | — | — | 23 | — | — | — | — | 23 |
| Recoveries for New loans | 11 | 9 | — | — | — | — | — | 20 |
| Total recoveries | 377 | 12 | 42 | 106 | — | 24 | — | 561 |
| Ending ALL balance | | | | | | | | |
| ASC 310-30 loans | 1,556 | — | 8 | 103 | — | 80 | 119 | 1,866 |
| Non-ASC 310-30 loans | 188 | 51 | 144 | 130 | 204 | 447 | 3 | 1,167 |
| New loans | 14,410 | 3,760 | 6,806 | 5,121 | 478 | 19,471 | 69 | 50,115 |
| Unallocated | — | — | — | — | — | — | — | — |
| Balance at September 30, 2018 | $16,154 | $ 3,811 | $ 6,958 | $ 5,354 | $ 682 | $ 19,998 | $ 191 | $53,148 |

| | Commercial Real Estate | Owner-Occupied Commercial Real Estate | 1-4 Single Family Residential | Construction, Land and Development | Home Equity Loans and Lines of Credit | Commercial and Industrial | Consumer | Total |
|---|---|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | | | |
| Balance at January 1, 2017 | $10,123 | $ 2,597 | $ 7,379 | $ 4,677 | $ 648 | $ 12,245 | $ 228 | 37,897 |
| Provision (credit) for ASC 310-30 loans | (623) | — | 31 | (49) | — | (118) | (92) | (851) |
| Provision (credit) for non-ASC 310-30 loans | (15) | 3 | (48) | (11) | (12) | (66) | (28) | (177) |
| Provision (credit) for New loans | 3,728 | 1,027 | 1,098 | (14) | 70 | 253 | (5) | 6,157 |
| Provision (credit) for Unallocated | — | — | — | — | — | — | — | 1,500 |
| Total provision | 3,090 | 1,030 | 1,081 | (74) | 58 | 69 | (125) | 6,629 |
| Charge-offs for ASC 310-30 loans | (9) | — | (35) | (43) | — | (29) | — | (116) |
| Charge-offs for non-ASC 310-30 loans | (30) | — | (69) | — | (7) | (3) | — | (109) |
| Charge-offs for New loans | (131) | — | — | — | (3) | (150) | — | (284) |
| Total charge-offs | (170) | — | (104) | (43) | (10) | (182) | — | (509) |
| Recoveries for ASC 310-30 loans | 41 | — | — | — | — | 70 | 100 | 211 |
| Recoveries for non-ASC 310-30 loans | — | — | 30 | — | — | 4 | 29 | 63 |
| Recoveries for New loans | — | — | — | — | — | — | — | — |
| Total recoveries | 41 | — | 30 | — | — | 74 | 129 | 274 |
| Ending ALL balance | | | | | | | | |
| ASC 310-30 loans | 1,664 | — | 25 | 147 | — | 200 | 152 | 2,188 |
| Non-ASC 310-30 loans | 331 | 64 | 214 | 36 | 224 | 311 | 7 | 1,187 |
| New loans | 11,089 | 3,563 | 8,147 | 4,377 | 472 | 11,695 | 73 | 39,416 |
| Unallocated | — | — | — | — | — | — | — | 1,500 |
| Balance at September 30, 2017 | $13,084 | $ 3,627 | $ 8,386 | $ 4,560 | $ 696 | $ 12,206 | $ 232 | $44,291 |

Credit Quality Indicators

In evaluating credit risk, the Company looks at multiple factors; however, management considers delinquency status to be the most meaningful indicator of the credit quality of 1-4 single family residential, home equity loans and lines of credit and consumer loans. Delinquency statistics are updated at least monthly. Internal risk ratings are considered the most meaningful indicator of credit quality for Non-ASC 310-30 and New commercial, construction, land and development and commercial real estate loans. Internal risk ratings are updated on a continuous basis.

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

| September 30, 2018 | Accruing 30 to 59 Days Past Due | 60 to 89 Days Past Due | 90 Days or More Past Due | Non-Accrual | Total |
|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | |
| New loans: | | | | | |
| Real estate loans: | | | | | |
| Commercial real estate | $— | $ 7 | $ — | $460 | $467 |
| Owner-occupied commercial real estate | — | 827 | — | 2,440 | 3,267 |
| 1-4 single family residential | 1,993 | 334 | — | 4,157 | 6,484 |
| Construction, land and development | — | — | — | — | — |
| Home equity loans and lines of credit | — | — | — | 126 | 126 |
| Total real estate loans | 1,993 | 1,168 | — | 7,183 | 10,344 |
| Other loans: | | | | | |
| Commercial and industrial | 212 | 152 | — | 155 | 519 |
| Consumer | 24 | — | — | — | 24 |
| Total other loans | 236 | 152 | — | 155 | 543 |
| Total new loans | $2,229 | $ 1,320 | $ — | $7,338 | $10,887 |
| Acquired loans: | | | | | |
| Real estate loans: | | | | | |
| Commercial real estate | $— | $ — | $ — | $3,615 | $3,615 |
| Owner-occupied commercial real estate | — | — | — | 486 | 486 |
| 1-4 single family residential | — | 96 | — | 1,677 | 1,773 |
| Construction, land and development | — | — | — | — | — |
| Home equity loans and lines of credit | 716 | — | — | 2,543 | 3,259 |
| Total real estate loans | 716 | 96 | — | 8,321 | 9,133 |
| Other loans: | | | | | |
| Commercial and industrial | 64 | 24 | — | 2,816 | 2,904 |
| Consumer | — | — | — | — | — |
| Total other loans | 64 | 24 | — | 2,816 | 2,904 |
| Total acquired loans | $780 | $ 120 | $ — | $11,137 | $12,037 |

| December 31, 2017 | Accruing 30 to 59 Days Past Due | 60 to 89 Days Past Due | 90 Days or More Past Due | Non-Accrual | Total |
|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | |
| New loans: | | | | | |
| Real estate loans: | | | | | |
| Commercial real estate | $324 | $ — | $ — | $ — | $324 |
| Owner-occupied commercial real estate | 843 | 150 | — | — | 993 |
| 1-4 single family residential | 1,179 | 1,310 | — | 3,167 | 5,656 |
| Construction, land and development | — | — | — | — | — |
| Home equity loans and lines of credit | — | — | — | 126 | 126 |
| Total real estate loans | 2,346 | 1,460 | — | 3,293 | 7,099 |
| Other loans: | | | | | |
| Commercial and industrial | 4,980 | 2,167 | — | — | 7,147 |
| Consumer | — | — | — | — | — |
| Total other loans | 4,980 | 2,167 | — | — | 7,147 |
| Total new loans | $7,326 | $ 3,627 | $ — | $ 3,293 | $14,246 |
| Acquired Loans: | | | | | |
| Real estate loans: | | | | | |
| Commercial real estate | $360 | $ — | $ — | $ 3,893 | $4,253 |
| Owner-occupied commercial real estate | 290 | — | — | 494 | 784 |
| 1-4 single family residential | 892 | 44 | — | 1,331 | 2,267 |
| Construction, land and development | — | — | — | — | — |
| Home equity loans and lines of credit | 1,128 | — | — | 1,720 | 2,848 |
| Total real estate loans | 2,670 | 44 | — | 7,438 | 10,152 |
| Other loans: | | | | | |
| Commercial and industrial | 101 | — | — | 394 | 495 |
| Consumer | — | — | — | — | — |
| Total other loans | 101 | — | — | 394 | 495 |
| Total acquired loans | $2,771 | $ 44 | $ — | $ 7,832 | $10,647 |

Loans exhibiting potential credit weaknesses that deserve management’s close attention and that, if left uncorrected, may result in deterioration of the repayment capacity of the borrower, are categorized as special mention. Loans with well-defined credit weaknesses including payment defaults, declining collateral values, frequent overdrafts, operating losses, increasing balance sheet leverage, inadequate cash flow, project cost overruns, unreasonable construction delays, past due real estate taxes or exhausted interest reserves are assigned an internal risk rating of substandard. A loan with a weakness so severe that collection in full is highly questionable or improbable will be assigned an internal risk rating of doubtful.

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

| September 30, 2018 | Pass | Special Mention | Substandard | Doubtful |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| New loans: | | | | |
| Commercial real estate | $2,515,933 | $9,325 | $ 3,490 | $ — |
| Owner-occupied commercial real estate | 1,131,769 | 584 | 2,440 | — |
| Construction, land and development | 754,972 | — | — | — |
| Commercial and industrial | 1,868,553 | 21,991 | 11,501 | — |
| Total new loans | $6,271,227 | $31,900 | $ 17,431 | $ — |
| Acquired loans: | | | | |
| Commercial real estate | $100,413 | $— | $ 3,951 | $ — |
| Owner-occupied commercial real estate | 80,835 | — | 573 | — |
| Construction, land and development | 36,881 | — | — | — |
| Commercial and industrial | 42,447 | 1,024 | 3,172 | — |
| Total acquired loans | $260,576 | $1,024 | $ 7,696 | $ — |

| December 31, 2017 | Pass | Special Mention | Substandard | Doubtful |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| New loans: | | | | |
| Commercial real estate | $2,095,560 | $6,066 | $ 2,162 | $ — |
| Owner-occupied commercial real estate | 987,781 | — | — | — |
| Construction, land and development | 684,462 | — | — | — |
| Commercial and industrial | 1,617,462 | 16,910 | — | — |
| Total new loans | $5,385,265 | $22,976 | $ 2,162 | $ — |
| Acquired loans: | | | | |
| Commercial real estate | $33,496 | $— | $ 4,240 | $ — |
| Owner-occupied commercial real estate | 15,607 | — | 493 | — |
| Construction, land and development | 5,889 | — | — | — |
| Commercial and industrial | 4,324 | — | 738 | — |
| Total acquired loans | $59,316 | $— | $ 5,471 | $ — |

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

The following tables show the Company’s investment in loans disaggregated based on the method of evaluating impairment:

| September 30, 2018 | Loans - Recorded Investment | | | Allowance for Credit Loss | | |
|---|---|---|---|---|---|---|
| | Individually Evaluated for Impairment | Collectively Evaluated for Impairment | ASC 310-30 Loans | Individually Evaluated for Impairment | Collectively Evaluated for Impairment | ASC 310-30 Loans |
| | (Dollars in thousands) | | | | | |
| New loans: | | | | | | |
| Real estate loans: | | | | | | |
| Commercial real estate | $— | $ 2,528,748 | $— | $— | $ 14,410 | $ — |
| Owner-occupied commercial real estate | 2,899 | 1,131,894 | — | — | 3,760 | — |
| 1-4 single family residential | 1,637 | 2,243,502 | — | — | 6,806 | — |
| Construction, land and development | — | 754,972 | — | — | 5,121 | — |
| Home equity loans and lines of credit | 126 | 59,603 | — | 63 | 415 | — |
| Total real estate loans | $4,662 | $ 6,718,719 | $— | $63 | $ 30,512 | $ — |
| Other loans: | | | | | | |
| Commercial and industrial | $16,708 | $ 1,885,337 | $— | $1,593 | $ 17,878 | $ — |
| Consumer | — | 3,976 | — | — | 69 | — |
| Total other loans | $16,708 | $ 1,889,313 | $— | $1,593 | $ 17,947 | $ — |
| Acquired loans: | | | | | | |
| Real estate loans: | | | | | | |
| Commercial real estate | $3,396 | $ 100,968 | $133,778 | $— | $ 188 | $ 1,556 |
| Owner-occupied commercial real estate | — | 81,408 | — | — | 51 | — |
| 1-4 single family residential | 267 | 148,392 | 32,240 | — | 144 | 8 |
| Construction, land and development | — | 36,881 | 28,590 | — | 130 | 103 |
| Home equity loans and lines of credit | 494 | 39,637 | — | — | 204 | — |
| Total real estate loans | $4,157 | $ 407,286 | $194,608 | $— | $ 717 | $ 1,667 |
| Other loans: | | | | | | |
| Commercial and industrial | $3,442 | $ 43,201 | $19,503 | $394 | $ 53 | $ 80 |
| Consumer | — | 13,950 | 1,259 | — | 3 | 119 |
| Total other loans | $3,442 | $ 57,151 | $20,762 | $394 | $ 56 | $ 199 |
| Total Loans: | | | | | | |
| Unallocated | $— | $ 9,316,808 | $— | $— | $ — | $ — |

| December 31, 2017 | Loans - Recorded Investment | | | Allowance for Credit Loss | | |
|---|---|---|---|---|---|---|
| | Individually Evaluated for Impairment | Collectively Evaluated for Impairment | ASC 310-30 Loans | Individually Evaluated for Impairment | Collectively Evaluated for Impairment | ASC 310-30 Loans |
| | (Dollars in thousands) | | | | | |
| New loans: | | | | | | |
| Real estate loans: | | | | | | |
| Commercial real estate | $— | $ 2,103,788 | $— | $— | $ 12,084 | $ — |
| Owner-occupied commercial real estate | — | 987,781 | — | — | 3,310 | — |
| 1-4 single family residential | 1,096 | 2,184,266 | — | — | 7,769 | — |
| Construction, land and development | — | 684,462 | — | — | 4,164 | — |
| Home equity loans and lines of credit | 130 | 59,506 | — | 66 | 409 | — |
| Total real estate loans | $1,226 | $ 6,019,803 | $— | $66 | $ 27,736 | $ — |
| Other loans: | | | | | | |
| Commercial and industrial | $— | $ 1,634,372 | $— | $— | $ 14,702 | $ — |
| Consumer | — | 5,984 | — | — | 121 | — |
| Total other loans | $— | $ 1,640,356 | $— | $— | $ 14,823 | $ — |
| Acquired Loans: | | | | | | |
| Real estate loans: | | | | | | |
| Commercial real estate | $3,893 | $ 33,843 | $104,335 | $129 | $ 209 | $ 1,448 |
| Owner-occupied commercial real estate | — | 16,100 | — | — | 55 | — |
| 1-4 single family residential | 267 | 57,428 | 27,513 | — | 184 | 25 |
| Construction, land and development | — | 5,889 | 13,167 | — | 36 | 145 |
| Home equity loans and lines of credit | 495 | 34,094 | — | — | 199 | — |
| Total real estate loans | $4,655 | $ 147,354 | $145,015 | $129 | $ 683 | $ 1,618 |
| Other loans: | | | | | | |
| Commercial and industrial | $272 | $ 4,790 | $12,631 | $272 | $ 41 | $ 126 |
| Consumer | — | 259 | 1,423 | — | 6 | 145 |
| Total other loans | $272 | $ 5,049 | $14,054 | $272 | $ 47 | $ 271 |
| Total Loans: | | | | | | |
| Unallocated | $— | $ 7,977,784 | $— | $— | $ 1,500 | $ — |

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

| | Impaired Loans - With Allowance | | | Impaired Loans - With no Allowance | |
|---|---|---|---|---|---|
| September 30, 2018 | Recorded Investment | Unpaid Principal Balance | Related Allowance | Recorded Investment | Unpaid Principal Balance |
| | (Dollars in thousands) | | | | |
| New loans: | | | | | |
| Real estate loans: | | | | | |
| Commercial real estate | $— | $— | $ — | $ 459 | $ 470 |
| Owner-occupied commercial real estate | — | — | — | 2,440 | 2,440 |
| 1-4 single family residential | — | — | — | 1,637 | 1,641 |
| Construction, land and development | — | — | — | — | — |
| Home equity loans and lines of credit | 63 | 66 | 63 | 63 | 63 |
| Total real estate loans | $63 | $66 | $ 63 | $ 4,599 | $ 4,614 |
| Other loans: | | | | | |
| Commercial and industrial | $16,708 | $16,708 | $ 1,593 | $ — | $ — |
| Consumer | — | — | — | — | — |
| Total other loans | $16,708 | $16,708 | $ 1,593 | $ — | $ — |
| Acquired loans: | | | | | |
| Real estate loans: | | | | | |
| Commercial real estate | $— | $— | $ — | $ 3,396 | $ 4,991 |
| Owner-occupied commercial real estate | — | — | — | — | — |
| 1-4 single family residential | — | — | — | 267 | 267 |
| Construction, land and development | — | — | — | — | — |
| Home equity loans and lines of credit | — | — | — | 495 | 495 |
| Total real estate loans | $— | $— | $ — | $ 4,158 | $ 5,753 |
| Other loans: | | | | | |
| Commercial and industrial | $394 | $394 | $ 394 | $ 3,047 | $ 6,948 |
| Consumer | — | — | — | — | — |
| Total other loans | $394 | $394 | $ 394 | $ 3,047 | $ 6,948 |

| December 31, 2017 | Impaired Loans - With Allowance | | | Impaired Loans - With no Allowance | |
|---|---|---|---|---|---|
| | Recorded Investment | Unpaid Principal Balance | Related Allowance | Recorded Investment | Unpaid Principal Balance |
| | (Dollars in thousands) | | | | |
| New loans: | | | | | |
| Real estate loans: | | | | | |
| Commercial real estate | $— | $ — | $ — | $ — | $ — |
| Owner-occupied commercial real estate | — | — | — | — | — |
| 1-4 single family residential | — | — | — | 1,096 | 1,096 |
| Construction, land and development | — | — | — | — | — |
| Home equity loans and lines of credit | 66 | 66 | 66 | 63 | 63 |
| Total real estate loans | $66 | $ 66 | $ 66 | $ 1,159 | $ 1,159 |
| Other loans: | | | | | |
| Commercial and industrial | $— | $ — | $ — | $ — | $ — |
| Consumer | — | — | — | — | — |
| Total other loans | $— | $ — | $ — | $ — | $ — |
| Acquired loans: | | | | | |
| Real estate loans: | | | | | |
| Commercial real estate | $336 | $ 347 | $ 129 | $ 3,557 | $ 4,991 |
| Owner-occupied commercial real estate | — | — | — | — | — |
| 1-4 single family residential | — | — | — | 267 | 267 |
| Construction, land and development | — | — | — | — | — |
| Home equity loans and lines of credit | — | — | — | 495 | 495 |
| Total real estate loans | $336 | $ 347 | $ 129 | $ 4,319 | $ 5,753 |
| Other loans: | | | | | |
| Commercial and industrial | $272 | $ 272 | $ 272 | $ — | $ — |
| Consumer | — | — | — | — | — |
| Total other loans | $272 | $ 272 | $ 272 | $ — | $ — |

The following tables present the average recorded investment and interest income recognized during the period subsequent to impairment on loans individually evaluated for impairment:

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized |
| | (Dollars in thousands) | | | |
| Impaired loans with no related allowance: | | | | |
| Real estate loans: | | | | |
| Commercial real estate | $3,887 | $ — | $ 3,629 | $ — |
| Owner-occupied commercial real estate | 2,440 | — | — | — |
| 1-4 single family residential | 1,903 | — | 1,363 | — |
| Construction, land and development | — | — | — | — |
| Home equity loans and lines of credit | 558 | — | 534 | — |
| Total real estate loans | $8,788 | $ — | $ 5,526 | $ — |
| Other loans: | | | | |
| Commercial and industrial | $3,038 | $ — | $ — | $ — |
| Consumer | — | — | — | — |
| Total other loans | $3,038 | $ — | $ — | $ — |
| Impaired loans with an allowance: | | | | |
| Real estate loans: | | | | |
| Commercial real estate | $— | $ — | $ 336 | $ — |
| Owner-occupied commercial real estate | — | — | — | — |
| 1-4 single family residential | — | — | 497 | — |
| Construction, land and development | — | — | — | — |
| Home equity loans and lines of credit | 63 | — | 66 | — |
| Total real estate loans | $63 | $ — | $ 899 | $ — |
| Other loans: | | | | |
| Commercial and industrial | $17,102 | $ — | $ 299 | $ — |
| Consumer | — | — | — | — |
| Total other loans | $17,102 | $ — | $ 299 | $ — |

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized |
| | (Dollars in thousands) | | | |
| Impaired loans with no related allowance: | | | | |
| Real estate loans: | | | | |
| Commercial real estate | $3,636 | $ — | $ 3,677 | $ — |
| Owner-occupied commercial real estate | 1,058 | — | — | — |
| 1-4 single family residential | 1,537 | — | 1,174 | — |
| Construction, land and development | — | — | — | — |
| Home equity loans and lines of credit | 558 | — | 750 | — |
| Total real estate loans | $6,789 | $ — | $ 5,601 | $ — |
| Other loans: | | | | |
| Commercial and industrial | $1,284 | $ — | $ — | $ — |
| Consumer | — | — | — | — |
| Total other loans | $1,284 | $ — | $ — | $ — |
| Impaired loans with an allowance: | | | | |
| Real estate loans: | | | | |
| Commercial real estate | $— | $ — | $ 529 | $ — |
| Owner-occupied commercial real estate | — | — | — | — |
| 1-4 single family residential | — | — | 509 | — |
| Construction, land and development | — | — | — | — |
| Home equity loans and lines of credit | 65 | — | 201 | — |
| Total real estate loans | $65 | $ — | $ 1,239 | $ — |
| Other loans: | | | | |
| Commercial and industrial | $11,528 | $ — | $ 333 | $ — |
| Consumer | — | — | — | — |
| Total other loans | $11,528 | $ — | $ 333 | $ — |

NOTE 6. GOODWILL AND INTANGIBLES

Goodwill and other intangible assets are summarized as follows:

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| | (Dollars in thousands) | |
| Goodwill | $139,529 | $ 81,204 |
| | | |
| Core deposit intangible | 18,950 | 14,370 |
| Less: Accumulated amortization | (11,737 ) | (10,702 ) |
| Net core deposit intangible | $7,213 | $ 3,668 |

Amortization expense for core deposit intangibles for the nine months ended September 30, 2018 and 2017 totaled $1.0 million and $768 thousand, respectively.

The estimated amount of amortization expense for core deposit intangible assets to be recognized for the remainder of 2018 through 2022 is as follows:

| | Remainder of 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | |
| Core deposit intangible | $370 | $1,481 | $968 | $818 | $818 |

NOTE 7. DERIVATIVES

The Company uses interest rate swaps to manage interest rate risk related to borrowings that expose the Company to variability in cash flows due to changes in interest rates. The Company entered into LIBOR-based forward interest rate swaps that are designated as cash flow hedges with the objective of limiting the variability of forecasted interest payment cash flows resulting from changes in the benchmark interest rate LIBOR. Changes in the fair value of interest rate swaps designated as cash flow hedging instruments are reported in accumulated other comprehensive income ("AOCI") and subsequently reclassified into interest expense in the same period in which the related interest on the floating-rate borrowings affects earnings.

The Company is also a party to interest rate derivatives that are not designated as hedging instruments. The Company uses interest rate derivative contracts, such as swaps and caps, in the normal course of business to meet the financial needs of its customers. The interest rate swaps that the Company enters into with customers allow the customers to convert variable rate loans to fixed rates. At the same time the interest rate swap is entered into with the customer, an offsetting interest rate swap is entered into with another financial institution. The changes in the fair value of the swaps offset each other, except for any differences in the credit risk of the counterparties, which is determined by considering the risk rating, probability of default and loss given default of each counterparty. The Company recorded \$4.4 million and \$1.5 million of derivative contract fees in noninterest income in the accompanying Consolidated Statement of Income for the three months ended September 30, 2018 and 2017, respectively, and \$10.8 million and \$4.8 million for the nine months ended September 30, 2018 and 2017, respectively.

In addition, the Company has entered into three risk participation agreements. The notional amount of the risk participation agreements sold was \$34.3 million as of September 30, 2018. Assuming all underlying third party customers referenced in the swap agreements defaulted at September 30, 2018, there would be an immaterial amount of exposure to the company. These risk participation agreements mature in 2021.

No credit changes in counterparty credit were identified. There was no change in the fair value of derivative assets and derivative liabilities attributable to credit risk included in noninterest expense in the Consolidated Statements of Income for the three or nine months ended September 30, 2018 or 2017.

The following tables summarize the Company’s derivatives outstanding included in other assets and other liabilities in the accompanying Consolidated Balance Sheets:

| September 30, 2018 | Derivative Assets | | Derivative Liabilities | |
|---|---|---|---|---|
| | Notional | Fair Value | Notional | Fair Value |
| | (Dollars in thousands) | | | |
| Derivatives designated as cash flow hedges: | | | | |
| Interest rate contracts - pay fixed, receive floating | $250,000 | $ 1,750 | $— | $ — |
| Total cash flow hedges | 250,000 | 1,750 | — | — |
| Derivatives not designated as hedges: | | | | |
| Interest rate contracts - pay floating, receive fixed | 543,748 | 6,682 | 1,005,701 | 25,549 |
| Interest rate contracts - pay fixed, receive floating | 1,005,701 | 22,954 | 543,748 | 4,087 |
| Interest rate caps purchased | 94,534 | 312 | — | — |
| Interest rate caps sold | — | — | 94,534 | 312 |
| Risk participation agreements | — | — | 34,307 | — |
| Total derivatives not designated as hedges | 1,643,983 | 29,948 | 1,678,290 | 29,948 |
| Total derivatives | $1,893,983 | $ 31,698 | $1,678,290 | $ 29,948 |

| December 31, 2017 | Derivative Assets | | Derivative Liabilities | |
|---|---|---|---|---|
| | Notional | Fair Value | Notional | Fair Value |
| | (Dollars in thousands) | | | |
| Derivatives not designated as hedges: | | | | |
| Interest rate contracts - pay floating, receive fixed | $757,887 | $ 11,678 | $380,233 | $ 4,180 |
| Interest rate contracts - pay fixed, receive floating | 380,233 | — | 757,887 | 7,498 |
| Interest rate caps - purchased | 94,884 | 155 | — | — |
| Interest rate caps - sold | — | — | 94,884 | 155 |
| Total derivatives | $1,233,004 | $ 11,833 | $1,233,004 | $ 11,833 |

The following table presents the net gains (losses) recorded in accumulated other comprehensive income and the Consolidated Statements of Income relating to the cash flow derivative instruments for the nine months ended September 30, 2018:

| September 30, 2018 | Amount of Gain (Loss) Recognized in AOCI | Amount of Gain (Loss) Reclassified from AOCI to Interest Expense | Location of Gain (Loss) Reclassified from AOCI into Income |
|---|---|---|---|
| | (Dollars in thousands) | | |
| Derivatives designated as cash flow hedges: | | | |
| Interest rate contracts - pay fixed, receive floating | 1,313 | — | Interest on borrowings |

During the three or nine months ended September 30, 2018, no derivative positions designated as cash flow hedges were discontinued and none of the gains or losses reported in AOCI were reclassified into earnings as a result of the discontinuance of cash flow hedges or because of the early extinguishment of borrowings.

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

The following tables summarize the gross and net fair values of the Company's derivatives outstanding with this counterparty included in other liabilities in the accompanying Consolidated Balance Sheets:

| September 30, 2018 | Gross amounts of recognized liabilities | Gross amounts offset in the consolidated balance sheets | Net amounts in the consolidated balance sheets |
|---|---|---|---|
| | (Dollars in thousands) | | |
| Offsetting derivative liabilities: | | | |
| Counterparty A - Interest rate contracts | $24,648 | $ (1,694 ) | $ 22,954 |
| Centrally Cleared - Interest rate contracts | $901 | $ (4,989 ) | $ (4,088 ) |

| December 31, 2017 | Gross amounts of recognized liabilities | Gross amounts offset in the consolidated balance sheets | Net amounts in the consolidated balance sheets |
|---|---|---|---|
| | (Dollars in thousands) | | |
| Offsetting derivative liabilities: | | | |

| | | | |
|---|---|---|---|
| Counterparty A - Interest rate contracts | $11,833 | $ (4,491 ) | $ 7,342 |

At September 30, 2018, the Company has pledged investment securities available for sale with a carrying amount of $2.5 million as collateral for the interest rate swaps in a liability position. The amount of collateral required to be posted by the Company varies based on the settlement value of outstanding swaps.

As of September 30, 2018 and December 31, 2017, substantially all of the floating rate terms within the interest rate contracts held by the Company were indexed to 1-month LIBOR.

The fair value of the derivative assets and liabilities are included in a table in Note 14 “Fair Value Measurements,” in the line items “Derivative assets” and “Derivative liabilities.”

NOTE 8. DEPOSITS

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

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| | (Dollars in thousands) | |
| Noninterest-bearing demand deposits | $1,577,741 | $ 1,236,685 |
| Interest-bearing demand deposits | 1,207,859 | 1,454,097 |
| Interest-bearing NOW accounts | 410,226 | 363,191 |
| Savings and money market accounts | 2,607,093 | 3,013,237 |
| Time deposits | 4,353,196 | 2,606,717 |
| Total deposits | $10,156,115 | $ 8,673,927 |
| Time deposits $100,000 and greater | $3,005,138 | $ 1,983,445 |
| Time deposits greater than $250,000 | 1,623,796 | 1,078,702 |

The aggregate amount of overdraft demand deposits reclassified to loans was $2.0 million at September 30, 2018. The aggregate amount of maturities for time deposits for each of the five years following September 30, 2018 totaled $3.46 billion, $836.9 million, $20.4 million, $11.6 million and $21.6 million, respectively. The Company holds brokered deposits through an insured deposit sweep program of $419.8 million and $656.4 million at September 30, 2018 and December 31, 2017, respectively. The Company holds brokered certificates of deposit of $501.2 million and $85.2 million at September 30, 2018 and December 31, 2017, respectively.

NOTE 9. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

| | Three Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | | 2017 | | |
| | Before Tax | Tax Effect | Net of Tax | Before Tax | Tax Effect | Net of Tax |
| | (Dollars in thousands) | | | | | |
| Unrealized gains (losses) on debt securities available for sale: | | | | | | |
| Balance at beginning of period | $(25,353) | $6,326 | $(19,027) | $25,468 | $(9,744) | $15,724 |
| Net unrealized holding gain (loss) arising during the period | (11,095) | 2,768 | (8,327) | (967) | 369 | (598) |
| Amounts reclassified to (gain) loss on investment securities, net | 1,677 | (418) | 1,259 | (1,409) | 540 | (869) |
| Balance at end of period | (34,771) | 8,676 | (26,095) | 23,092 | (8,835) | 14,257 |
| Unrealized gains (losses) on derivative instruments: | | | | | | |
| Balance at beginning of period | 124 | (31) | 93 | — | — | — |
| Net unrealized holding gains (losses) arising during the period | 1,626 | (406) | 1,220 | — | — | — |
| Balance at end of period | 1,750 | (437) | 1,313 | — | — | — |
| Total accumulated other comprehensive income (loss) | $(33,021) | $8,239 | $(24,782) | $23,092 | $(8,835) | $14,257 |

| | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | | 2017 | | |
| | Before Tax | Tax Effect | Net of Tax | Before Tax | Tax Effect | Net of Tax |
| | (Dollars in thousands) | | | | | |
| Balance at beginning of period | $14,402 | $(5,509) | $8,893 | $(6,504) | $2,509 | $(3,995) |
| Unrealized gain (loss) on investment securities available for sale: | | | | | | |
| Net unrealized holdings gain (loss) arising during the period | (48,163) | 12,017 | (36,146) | 31,650 | (12,131) | 19,519 |
| Amounts reclassified to (gain) loss on investment securities | 577 | (144) | 433 | (2,054) | 787 | (1,267) |
| Cumulative adjustment from adoption of new accounting standards | (1,587) | 2,312 | 725 | — | — | — |
| Balance at end of period | (34,771) | 8,676 | (26,095) | 23,092 | (8,835) | 14,257 |
| Unrealized gains (losses) on derivative instruments: | | | | | | |
| Balance at beginning of period | — | — | — | — | — | — |
| Net unrealized holding gains (losses) arising during the period | 1,750 | (437) | 1,313 | — | — | — |
| Balance at end of period | 1,750 | (437) | 1,313 | — | — | — |
| Total accumulated other comprehensive income (loss) | $(33,021) | $8,239 | $(24,782) | $23,092 | $(8,835) | $14,257 |

NOTE 10. BASIC AND DILUTED EARNINGS PER SHARE

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

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (Dollars in thousands, except share and per share data) | | | |
| Net income available to common stockholders | $ 43,480 | $ 32,160 | $ 126,313 | $ 106,230 |
| Weighted average number of common shares - basic | 46,693,707 | 43,333,947 | 46,213,176 | 42,580,426 |
| Effect of dilutive securities: | | | | |
| Employee stock-based compensation awards | 2,111,164 | 2,855,521 | 2,259,481 | 3,380,169 |
| Weighted average number of common shares - diluted | 48,804,871 | 46,189,468 | 48,472,657 | 45,960,595 |
| Basic earnings per share | $ 0.93 | $ 0.74 | $ 2.73 | $ 2.49 |
| Diluted earnings per share | $ 0.89 | $ 0.70 | $ 2.61 | $ 2.31 |
| Weighted average number of anti-dilutive equity awards | 48,708 | 41,040 | 25,332 | 20,942 |

NOTE 11. INCOME TAXES

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

The effective tax rates for the three months ended September 30, 2018 and 2017 were 23.5% and 30.2%, respectively. The decrease in the effective tax rate for the third quarter of 2018 was primarily due to the Tax Cuts and Jobs Act of 2017 (the "TCJA") which resulted in a reduction in the maximum federal corporate income tax rate from 35% to 21%, effective January 1, 2018. This was partially offset by a decrease in excess tax benefits recognized at settlement for share-based payments which resulted in recording a $168 thousand tax benefit in the Consolidated Statements of Income for the quarter ended September 30, 2018 compared to $2.1 million for the quarter ended September 30, 2017. The tax rate differs from the statutory rate due to the impact of tax benefits related to bank-owned life insurance, dividends received deductions and certain stock-based compensation awards.

The effective tax rates for the nine months ended September 30, 2018 and 2017 were 21.7% and 19.8%, respectively. The increase in the effective tax rate for the nine months ended September 30, 2018 was due to a decrease in excess tax benefits recognized at settlement for share-based payments which resulted in recording a $2.9 million tax benefit in the Consolidated Statements of Income for the nine months ended September 30, 2018 compared to $18.0 million for the nine months ended September 30, 2017. This was partially offset by the TCJA which resulted in a reduction in the maximum federal corporate income tax rate effective January 1, 2018, as well as higher levels of pre-tax income.

NOTE 12. STOCK-BASED COMPENSATION AND OTHER BENEFIT PLANS

2009 Stock Option Plan

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

| | 2009 Stock Option Plan | |
|---|---|---|
| | Options | Weighted Average Exercise Price |
| Outstanding at January 1, 2018 | 1,314,924 | $ 20.65 |
| Granted | — | — |
| Exercised | (142,602 ) | 21.15 |
| Forfeited | — | — |
| Expired | — | — |
| Outstanding at September 30, 2018 | 1,172,322 | $ 20.58 |
| Exercisable at September 30, 2018 | 1,172,322 | $ 20.58 |
| Vested at September 30, 2018 | 1,172,322 | $ 20.58 |
| Vested and expected to vest at September 30, 2018 | 1,172,322 | $ 20.58 |

There is no unrecognized compensation cost related to the 2009 Stock Option Plan for share awards outstanding at September 30, 2018.

2013 Stock Incentive Plan

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

| | 2013 Stock Incentive Plan Options | |
|---|---|---|
| | Options | Weighted Average Exercise Price |
| Outstanding at January 1, 2018 | 1,424,953 | $ 20.79 |
| Granted | — | — |
| Exercised | (245,611 ) | 20.53 |
| Forfeited | — | — |
| Expired | — | — |
| Outstanding at September 30, 2018 | 1,179,342 | $ 20.84 |
| Exercisable at September 30, 2018 | 1,179,342 | $ 20.84 |
| Vested at September 30, 2018 | 1,179,342 | $ 20.84 |
| Vested and expected to vest at September 30, 2018 | 1,179,342 | $ 20.84 |

There is no unrecognized compensation cost related to the 2013 Stock Incentive Plan for share awards outstanding at September 30, 2018.

2016 Stock Incentive Plan

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

| | 2016 Stock Incentive Plan Options | |
|---|---|---|
| | Options | Weighted Average Exercise Price |
| Outstanding at January 1, 2018 | 762,500 | $ 36.64 |
| Granted | — | — |
| Exercised | — | — |
| Forfeited | (30,000 ) | 36.11 |
| Expired | — | — |
| Outstanding at September 30, 2018 | 732,500 | $ 36.66 |
| Exercisable at September 30, 2018 | — | $ — |
| Vested at September 30, 2018 | — | $ — |
| Vested and expected to vest at September 30, 2018 | 732,500 | $ 36.66 |

The total unrecognized compensation cost of $3.7 million related to the 2016 Stock Incentive Plan for share awards outstanding at September 30, 2018 will be recognized over a weighted average remaining period of 2.92 years.

2016 Incentive Plan - Restricted Stock Unit Awards

On February 21, 2018, the Compensation Committee granted certain non-employee Directors of the Company a portion of their Directors' compensation for fiscal year 2018 in the form of restricted stock units (the "Directors' RSUs"). Each RSU constitutes the right to receive from the Company on the date the RSU is settled, one share of Class A Common Stock of the Company. A total of 19,015 Directors' RSUs were granted with a grant date fair value of $1.1 million. Twenty-five percent (25%) of the RSUs vested on both March 31, 2018, June 30, 2018, and September 30, 2018, and an additional twenty-five percent (25%) will vest on December 31, 2018 provided the participant remains in a continuous service relationship with the Company through such applicable date. Compensation expense will be recognized on a straight-line basis over the requisite vesting period ending December 31, 2018.

On March 21, 2018, the Compensation Committee granted a target of 84,836 and a maximum of 106,043 restricted stock units (the "Executive RSUs") of Class A Common Stock to certain Executives. The total target grant date fair value of the RSU Award was $4.8 million, up to a maximum of $5.9 million, and will be recognized on a straight-line basis as compensation expense over the requisite vesting period ending December 31, 2020.

On five different dates during the period ended September 30, 2018, the Company granted a total of 53,552 restricted shares to employees (the "Employee RSUs") that vest in-full (i.e. cliff vesting) on the 5-year anniversary of the grant date. The fair value of the Awards on the grant date was $3.0 million and will be recognized as compensation expense over the requisite vesting period ending on the respective 5-year anniversary of the Employee RSU Award's grant date.

The following table presents the activity during the nine months ended September 30, 2018 related to restricted stock units from the 2016 Plan:

| | 2016 Stock Incentive Plan | | | | | |
|---|---|---|---|---|---|---|
| | Restricted Stock Awards | | Restricted Stock Unit Awards | | Performance Restricted Stock Unit Awards | |
| | Shares | Weighted Average Grant Date Fair Value | Shares | Weighted Average Grant Date Fair Value | Shares | Weighted Average Grant Date Fair Value |
| | (Dollars in thousands, except per share data) | | | | | |
| Outstanding at January 1, 2018 | 96,133 | $ 42.23 | 88,015 | $ 50.34 | 73,144 | $ 47.85 |
| Granted | — | — | 72,567 | 56.52 | 84,836 | 56.10 |
| Vested | — | — | (20,459 ) | 52.38 | — | — |
| Forfeited | — | — | (5,300 ) | 52.62 | — | — |
| Outstanding at September 30, 2018 | 96,133 | $ 42.23 | 134,823 | $ 53.27 | 157,980 | $ 52.28 |

The actual number of Performance Restricted Stock Units issued at the vesting date could range from 0% to 125% of the initial grant, depending on actual performance achieved.

A summary of selected data related to stock-based compensation expense for the nine months ended September 30, 2018 and 2017 are as follows:

| | Restricted Stock Awards | | Restricted Stock Unit Awards | | Performance Restricted Stock Unit Awards | |
|---|---|---|---|---|---|---|
| | Nine Months Ended September 30, | | | | | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | (Dollars in thousands) | | | | | |
| Stock-based compensation expense | $1,968 | $2,570 | $1,710 | $863 | $1,855 | $649 |
| Unrecognized compensation expense related to stock-based compensation | $1,145 | $4,216 | $6,183 | $1,067 | $5,437 | $2,851 |
| Weighted-average life over which expense is expected to be recognized (years) | 0.78 | 1.41 | 4.05 | 3.65 | 1.96 | 2.25 |

Executive Incentive Plan

During the year ended December 31, 2015, the Compensation Committee of the Board of Directors of the Company approved the adoption of the FCB Financial Holdings, Inc. Executive Incentive Plan (the “EIP”). The EIP provides for Annual Incentive Awards and Long-Term Incentive Awards, both of which are subject to achievement of specified performance goals.

Long-Term Incentive Awards

On March 21, 2018, the Compensation Committee granted a Long-Term Award of cash phantom units (“CPUs”) under the Long-Term Incentive component of the EIP which covers a three-year period ending December 31, 2020 (the “Performance Period”). Granted under the award is a target of 18,050 CPUs and a maximum of 22,562 CPUs to a certain Executive. Each CPU is the equivalent in value of a share of Class A Common Stock of the Company, par value $0.001 per share. The total target grant date fair value of the CPU Award was $1.0 million, up to a maximum of $1.3 million, and will be recognized on a straight-line basis as compensation expense over the requisite period ending December 31, 2020. The Company recognized $91 thousand and $193 thousand of compensation expense during the three and nine months ended September 30, 2018, respectively.

NOTE 13. COMMITMENTS AND CONTINGENCIES

The Company issues off balance sheet financial instruments in connection with its lending activities and to meet the financing needs of its customers. These financial instruments include commitments to fund loans and lines of credit as well as commercial and standby letters of credit. These commitments expose the Company to varying degrees of credit and market risk which are essentially the same as those involved in extending loans to customers. The Company follows the same credit policies in making commitments as it does for instruments recorded on the Company's consolidated balance sheet. Collateral is obtained based on management's assessment of the customer's credit risk.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company's reserve for unfunded commitments totaled $1.5 million as of September 30, 2018 and $1.1 million as of December 31, 2017.

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

Financial Instruments Commitments

Unfunded commitments are as follows:

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| | (Dollars in thousands) | |
| Commitments to fund loans | $1,159,541 | $926,405 |
| Unused lines of credit | 774,695 | 571,587 |
| Commercial and standby letters of credit | 50,945 | 46,520 |
| Total | $1,985,181 | $1,544,512 |

Commitments to fund loans:

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

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

Unused lines of credit:

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

Commercial and standby letters of credit:

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

Other Commitments and Contingencies

Legal Proceedings

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

NOTE 14. FAIR VALUE MEASUREMENTS

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

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Financial Instruments Carried at Fair Value on a Recurring Basis
The following is a description of the valuation methodologies used for financial instruments measured at fair value on a recurring basis, as well as the general classification of each instrument under the valuation hierarchy.
Investment Securities—Investment securities available for sale are carried at fair value on a recurring basis. When available, fair value is based on quoted prices for the identical security in an active market and as such, would be classified as Level 1. If quoted market prices are not available, fair values are estimated using quoted prices of securities with similar characteristics, discounted cash flows or matrix pricing models. Investment securities available for sale for which Level 1 valuations are not available are classified as Level 2 if the valuation incorporates primarily observable inputs. Level 2 securities include U.S. Government agencies and sponsored enterprises obligations and agency mortgage-backed securities; state and municipal obligations; asset-backed securities; and corporate debt and other securities. Pricing of these securities is generally spread driven.
Observable inputs that may impact the valuation of these securities include benchmark yield curves, credit spreads, reported trades, dealer quotes, bids, issuer spreads, current rating, historical constant prepayment rates, historical voluntary prepayment rates, structural and waterfall features of individual securities, published collateral data, and for certain securities, historical constant default rates and default severities.
Derivatives—Derivatives are reported at estimated fair value utilizing Level 2 inputs and are included in other assets and other liabilities and consist of interest rate swaps, interest rate caps, and risk participation agreements where there is no significant deterioration in the counterparties (loan customers) credit risk since origination of the interest rate swap, interest rate cap, or risk participation agreements. The Company values its interest rate swap, interest rate cap, and risk participation agreement positions using market prices provided by a third party which uses primarily observable market inputs. Derivatives are further described in Note 7 “Derivatives.”
For purposes of potential valuation adjustments to our derivative positions, the Company evaluates the credit risk of its counterparties as well as its own credit risk. Accordingly, the Company has considered factors such as the likelihood of default, expected loss given default, net exposures and remaining contractual life, among other things, in determining if any estimated fair value adjustments related to credit risk are required. The Company reviews counterparty exposure quarterly, and when necessary, appropriate adjustments are made to reflect the exposure.
For the three or nine months ended September 30, 2018 and 2017, the Company has not realized any losses due to a counterparty’s inability to pay any net uncollateralized position. As of September 30, 2018, there were no interest rate derivatives classified as Level 3.

The following tables present the assets and liabilities measured at fair value on a recurring basis:

| September 30, 2018 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Assets: | | | | |
| U.S. Government agencies and sponsored enterprises obligations | $— | $84,232 | $ — | $84,232 |
| U.S. Government agencies and sponsored enterprises mortgage-backed securities | — | 604,158 | — | 604,158 |
| State and municipal obligations | — | 22,882 | — | 22,882 |
| Asset-backed securities | — | 778,322 | — | 778,322 |
| Corporate bonds and other debt securities | 52,966 | 733,143 | — | 786,109 |
| Preferred stocks and other equity securities | 12,590 | 58,425 | — | 71,015 |
| Derivative assets | — | 31,699 | — | 31,699 |
| Total | $65,556 | $2,312,861 | $ — | $2,378,417 |
| Liabilities: | | | | |
| Derivative liabilities | $— | $29,949 | $ — | $29,949 |
| Total | $— | $29,949 | $ — | $29,949 |

| December 31, 2017 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Assets: | | | | |
| U.S. Government agencies and sponsored enterprises obligations | $— | $42,838 | $ — | $42,838 |
| U.S. Government agencies and sponsored enterprises mortgage-backed securities | — | 595,237 | — | 595,237 |
| State and municipal obligations | — | 26,172 | — | 26,172 |
| Asset-backed securities | — | 610,546 | — | 610,546 |
| Corporate bonds and other debt securities | 55,970 | 699,933 | — | 755,903 |
| Preferred stocks and other equity securities | 12,954 | 77,153 | — | 90,107 |
| Derivative assets | — | 11,833 | — | 11,833 |
| Total | $68,924 | $2,063,712 | $ — | $2,132,636 |
| Liabilities: | | | | |
| Derivative liabilities | $— | $11,833 | $ — | $11,833 |
| Total | $— | $11,833 | $ — | $11,833 |

The Company's policy is to recognize transfers into or out of a level of the fair value hierarchy as of the end of the reporting period. There were no transfers of financial assets between levels of the fair value hierarchy during the three or nine months ended September 30, 2018.

The inputs used to determine the estimated fair value of loans include market conditions, loan term, underlying collateral characteristics and discount rates. The inputs used to determine fair value of OREO include market conditions, estimated marketing period or holding period, underlying collateral characteristics and discount rates.

For the three or nine months ended September 30, 2018, there was not a change in the methods or significant assumptions used to estimate fair value.

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

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

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

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

| Level 3 Assets: | September 30, 2018 | December 31, 2017 | Valuation Technique | Unobservable Inputs | Range (Weighted Average) | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | | | | | | |
| Impaired loans | $ 28,969 | $ 6,153 | Third party appraisals and discounted cash flows | Collateral discounts and discount rates | 0% - 100% (7.1%) | |
| Other real estate owned | 10,534 | 14,906 | Third party appraisals | Collateral discounts and estimated cost to sell | 10 | % |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (Dollars in thousands) | | | |
| Negative valuation adjustments: | | | | |
| Impaired loans | $122 | $ — | $1,715 | $ — |
| Foreclosed real estate | 9 | 54 | 1,106 | 437 |

Impairment charges resulting from the non-recurring changes in fair value of the underlying collateral of impaired loans are included in the provision for loan losses in the Consolidated Statements of Income. Impairment charges resulting from the non-recurring changes in fair value of OREO are included in loan and other real estate related expenses in the Consolidated Statements of Income.

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

| September 30, 2018 | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | |
| Financial Assets: | | | | | |
| Cash and cash equivalents | $200,509 | $200,509 | $200,509 | $— | $ — |
| Available for sale debt securities | 2,275,703 | 2,275,703 | 52,966 | 2,222,737 | — |
| Preferred stocks and other equity securities | 71,015 | 71,015 | 12,590 | 58,425 | — |
| FHLB and other bank stock | 65,847 | 65,847 | — | 65,847 | — |
| Loans, net | 9,263,660 | 9,185,518 | — | — | 9,185,518 |
| Loans held for sale | 980 | 980 | — | 980 | — |
| Bank-owned life insurance | 215,421 | 215,421 | — | 215,421 | — |
| Derivative assets | 31,699 | 31,699 | — | 31,699 | — |
| Financial Liabilities: | | | | | |
| Deposits | $10,156,115 | $10,133,649 | $— | $10,133,649 | $ — |
| Advances from the FHLB and other borrowings | 825,558 | 853,004 | — | 853,004 | — |
| Derivative liabilities | 29,949 | 29,949 | — | 29,949 | — |

| December 31, 2017 | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | |
| Financial Assets: | | | | | |
| Cash and cash equivalents | $115,921 | $115,921 | $115,921 | $— | $ — |
| Available for sale debt securities | 2,030,696 | 2,130,696 | 55,970 | 1,974,726 | — |
| Preferred stocks and other equity securities | 90,107 | 90,107 | 12,954 | 77,153 | — |
| FHLB and other bank stock | 56,881 | 56,881 | — | 56,881 | — |
| Loans, net | 7,930,639 | 7,877,094 | — | — | 7,877,094 |
| Loans held for sale | 12,736 | 12,736 | — | 12,736 | — |
| Bank-owned life insurance | 201,069 | 201,069 | — | 201,069 | — |
| Derivative assets | 11,833 | 11,833 | — | 11,833 | — |
| Financial Liabilities: | | | | | |
| Deposits | $8,673,927 | $8,664,125 | $— | $8,664,125 | $ — |
| Advances from the FHLB and other borrowings | 749,113 | 740,941 | — | 740,941 | — |
| Derivative liabilities | 11,833 | 11,833 | — | 11,833 | — |

Certain financial instruments are carried at amounts that approximate fair value due to their short-term nature and generally negligible credit risk. Financial instruments for which fair value approximates the carrying amount at September 30, 2018 and December 31, 2017, include cash and cash equivalents.

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

FHLB and Other Bank Stock:

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

Loans:

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

Loans Held for Sale:

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

Bank-owned Life Insurance:

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

Deposits:

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

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

NOTE 15. REVENUE RECOGNITION

On January 1, 2018, the Company adopted ASU No. 2014-09 “Revenue from Contracts with Customers (Topic 606)" and all subsequent ASUs that modified Topic 606. As stated in Note 1. "Summary of Significant Accounting Policies", the implementation of the new standard did not have a material impact on the measurement or recognition of revenue; as such, a cumulative effect adjustment to opening retained earnings was not deemed necessary. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts were not adjusted and continue to be reported in accordance with the Company's historic accounting under Topic 605.

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain noninterest income streams such as fees associated with financial guarantees, derivatives, transfers and servicing of loans and lease contracts are also not in scope of the new guidance. Topic 606 is applicable to noninterest revenue streams such as service charges and deposit related fees, interchange fees, merchant income and sales of other real estate owned. However, the recognition of these revenue streams did not change significantly upon adoption of Topic 606. Substantially all of the Company’s revenue is generated from contracts with customers. Noninterest revenue streams in-scope of Topic 606 are discussed below.

Service Charges and Fees
Service charges and fees consist of insufficient funds fees, continuous overdraft fees, monthly service charge fees, excessive transaction fees, stop payment fees and other deposit account related fees. Based on the Company's review of the depository contracts and the nature of these fees, the Company grouped the service charges and deposit-related fees embedded in the contracts into two distinct categories, either transactional or non-transactional fees.

Transactional Fees
With respect to transactional fees, the Company recognizes revenue at the time of service. The depository contracts with our customers stipulate that we will continue to provide services until the contract is terminated. Each party can immediately terminate the contract without compensating the other party for the termination (that is, there is no termination penalty). Since the duration of the depository contract doesn’t extend beyond the services already provided because either party can cancel the contract without compensating the other party, the relationship is, in effect, a day-to-day contract. Because the contract doesn’t extend beyond the services performed, the Company recognizes revenue at the time of service as there is no future contract under which to allocate consideration.

Non-Transactional Fees
With respect to monthly non-transactional fees, the Company recognizes revenue each month if it is entitled to the fee because the customer did not meet one of the agreed-upon criteria. Because the contract term does not extend beyond the services already provided (either party can immediately terminate the depository contract without compensating the other party), the Company will not need to make estimates about future monthly fees from a customer. Instead, the Company will recognize revenue for the maintenance fee if the customer does not meet one of the criteria and it would not recognize revenue for the maintenance fee if the customer meets one of the criteria.

Other Noninterest Income
Other noninterest income consists of debit card swipe fees, foreign ATM fees, merchant services revenue, referral income, check printing fees, early withdraw fees, collection fees, wire transfer fees, gain (loss) on sale of other real estate owned, and other miscellaneous fees.

Debit card swipe fees are triggered by cardholder usage and are earned when the customer chooses “debit or credit” at the point of sale. The Bank receives a fee from the network (Interlink, STAR, and PLUS). The VISA international fee is earned when a customer uses a debit card overseas. ATM fees are primarily generated when a Company cardholder uses a non-Company ATM or a non-Company cardholder uses a Company ATM. Merchant services income mainly represents fees charged to merchants to process their debit and credit card transactions, in addition to account management fees. Referral fees are earned by either (i) matching a bank customer with a vendor's credit card where the bank is paid a fee for each approved credit card application, or (ii) refer a customer to a third party for investment services. Check printing fees and other deposit account related fees are largely transactional based, and therefore, the Company's performance obligation is satisfied, and related revenue recognized, when the services are rendered or upon completion.

The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of OREO to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if the Company financing is not at a market rate.

The following table presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the periods presented:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (Dollars in thousands) | | | |
| Noninterest Income | | | | |
| In-scope of Topic 606: | | | | |
| NSF/OD Fees | $416 | $328 | $1,149 | $1,113 |
| Fees on deposit accounts | 850 | 613 | 2,354 | 1,645 |
| Service charges and fees | 1,266 | 941 | 3,503 | 2,758 |
| ATM and debit card income | 261 | 551 | 1,571 | 1,762 |
| Safe deposit box | 19 | 18 | 70 | 67 |
| Merchant revenue | 214 | 188 | 633 | 531 |
| Ancillary fees and income | 195 | 88 | 457 | 266 |
| CD custody income and fees | 161 | — | 384 | — |
| Misc other income | 100 | 134 | 581 | 3,922 |
| Gain (loss) on sales of other real estate owned | (70) | (143) | 43 | (121) |
| Noninterest Income (in-scope of Topic 606) | $2,146 | $1,777 | $7,242 | $9,185 |
| Out-of-scope of Topic 606: | | | | |
| Gain (loss) on sale of loans | $142 | $1,233 | $92 | $2,199 |
| Gain (loss) on sale of fixed assets | (24) | 6 | (13) | 7 |
| Loan and other fees | 5,043 | 2,831 | 13,261 | 8,374 |
| Bank-owned life insurance income | 1,439 | 1,422 | 4,228 | 4,250 |
| Income from resolution of acquired assets | 202 | 466 | 603 | 1,548 |
| Gain (loss) on investment securities | (184) | 690 | (1,472) | 1,722 |
| Noninterest Income (out-of-scope of Topic 606) | 6,618 | 6,648 | 16,699 | 18,100 |
| Total noninterest income | $8,764 | $8,425 | $23,941 | $27,285 |

Contract Balances

A contract asset balance occurs when an entity performs a service for a customer before the customer pays consideration (resulting in a contract receivable) or before payment is due (resulting in a contract asset). A contract liability balance is an entity's obligation to transfer a service to a customer for which the entity has already received payment (or payment is due) from the customer. The Company's noninterest revenue streams are largely based on transactional activity, or standard month-end revenue accruals. Consideration is often received immediately or shortly after the Company satisfies its performance obligation and revenue is recognized. The Company does not typically enter into long-term revenue contracts with customers, and therefore, does not experience significant contract balances. As of September 30, 2018 and December 31, 2017, the Company did not have any significant contract balances.

Contract Acquisition Costs

In connection with the adoption of Topic 606, an entity is required to capitalize, and subsequently amortize into expense, certain incremental costs of obtaining a contract with a customer if these costs are expected to be recovered. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, sales commission). The Company utilizes the practical expedient which allows entities to immediately expense contract acquisition costs when the asset that would have resulted from capitalizing these costs would have been amortized in one year or less. Upon adoption of Topic 606, the Company did not capitalize any contract acquisition cost.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis is intended to assist readers in understanding the financial condition and results of operations of the Company during the three and nine months ended September 30, 2018 and should be read in conjunction with the consolidated financial statements and notes thereto included in this report on Form 10-Q and the Company's Annual Report on Form 10-K filed for the year ended December 31, 2017 with the SEC.

In this report, unless the context suggests otherwise, references to "FCB Financial Holdings," "the Company," "we," "us," and "our" mean the business of FCB Financial Holdings, Inc. and its wholly-owned subsidiaries, Florida Community Bank, National Association, and its consolidated subsidiaries and Floridian Custody Services, Inc.; and references to "the Bank" refer to Florida Community Bank, National Association, and its consolidated subsidiaries. References to our Class A Common Stock refer to our Class A voting common stock, par value $0.001 per share; references to our Class B Common Stock refer to our Class B non-voting common stock, par value $0.001 per share; and references to our common stock include, collectively, our Class A Common Stock and our Class B Common Stock.

Cautionary Note Regarding Forward-Looking Information

This report may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, regarding the financial condition, results of operations, business plans and future performance of the Company. We generally identify forward looking statements by terminology such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "could," "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates the negative version of those words or other comparable words. Any forward-looking statements contained in this report are based on our historical performance or on our current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business prospects, growth strategy and liquidity. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from those indicated in these statements. These factors should not be construed as exhaustive and should be read in conjunction with any other cautionary statements that are included elsewhere in this report. We do not undertake any obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements including, but not limited to, those factors described under "Business", "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC.

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

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. The more critical accounting estimates and reporting policies include accounting for the ALL, determining fair value of financial instruments, valuation of goodwill and intangible assets, income taxes and the valuation of assets acquired and liabilities assumed in business combinations. Accordingly, the Company's critical accounting estimates are discussed in detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K.

The Company’s significant accounting policies and changes in accounting principles and effects of new accounting pronouncements are discussed in detail in Note 1. “Summary of Significant Accounting Policies” in the “Notes to Consolidated Financial Statements” in the Company’s Annual Report on Form 10-K. Additional disclosures regarding the effects of new accounting pronouncements are included in Note 1. “Summary of Significant Accounting Policies” included herein.

Corporate Profile

FCB Financial Holdings, Inc. is a bank holding company, headquartered in Weston, Florida, with its wholly-owned subsidiaries, Florida Community Bank, National Association and Floridian Custody Services, Inc. The Bank offers a comprehensive range of traditional banking products and services to individuals, small and medium-sized businesses, some large businesses, and other local organizations and entities through 51 branches in south and central Florida. The Bank targets retail and commercial customers engaged in a wide variety of industries including healthcare and professional services, retail and wholesale trade, tourism, agricultural services, manufacturing, distribution and distribution-related industries, technology, automotive, aviation, food products, building materials, residential housing and commercial real estate.

Primary Factors Used to Evaluate Our Business

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

Results of Operations

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

Net Interest Income

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

We also recognize income from the accretable discounts associated with the purchase of interest-earning assets. Our acquisitions in 2010 and 2011, combined with our January 31, 2014 acquisition of Great Florida Bank ("GFB") and our March 1, 2018 acquisition of Floridian, produce a portion of our interest income from the accretable discounts on acquired loans. This accretion will continue to have an impact on our net interest income as long as loans acquired with evidence of credit deterioration at acquisition represent a meaningful portion of our interest-earning assets.

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

Noninterest Income

Our noninterest income includes the following:

- Service charges and fees;
- Interest rate contract services;
- BOLI income;
- Income from resolution of acquired assets; and
- Net gains and losses from the sale of OREO assets and investment securities.

Noninterest Expense

Our noninterest expense includes the following:

- Salaries and employee benefits;
- Occupancy and equipment expenses;
- Loan and other real estate related expenses;
- Professional services;
- Data processing and network expense;
- Regulatory assessments and insurance:
- Marketing and promotions; and
- Amortization of intangibles.

Financial Condition

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

Liquidity

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

Asset Quality

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

Capital

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

Performance Highlights

Operating and financial highlights for the three months ended September 30, 2018 include the following:

- Net revenue of $101.4 million; $102.6 million on a fully tax equivalent basis
- Reported and Adjusted EPS of $0.89 and $0.97 per share, respectively, on a fully diluted basis
- New loan portfolio grew sequentially at an annualized rate of 20% excluding syndicated loan paydowns
- New loan fundings of $491.0 million
- Deposits grew sequentially at an annualized rate of 12%
- Reported and Adjusted Efficiency ratio of 41.4% and 37.3%, respectively
- Reported and Adjusted ROA of 1.42% and 1.55%, respectively
- Tangible book value per share was $26.29

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

Analysis of Results of Operations

The Company reported net income available to common stockholders of $43.5 million, which generated diluted EPS of $0.89 in the third quarter of 2018. Net income available to common stockholders totaled $32.2 million for the third quarter of 2017, which generated diluted EPS of $0.70. The increase in net income was primarily driven by an increase in taxable income of $10.8 million and by a decrease in income tax expense of $562 thousand. The Company’s results of operations for the third quarter of 2018 produced an annualized return on average assets of 1.42% and an annualized return on average common stockholders’ equity of 12.71% compared to prior year ratios of 1.28% and 11.21%, respectively.

Net Interest Income and Net Interest Margin

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

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

| | Three Months Ended September 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | | | | 2017 | | | |
| | Average Balance (1) | Interest/ Expense (2) | Annualized Yield/Rate (3) | | Average Balance (1) | Interest/ Expense (2) | Annualized Yield/Rate (3) | |
| | (Dollars in thousands) | | | | | | | |
| Interest-earning assets: | | | | | | | | |
| Interest-earning deposits in other banks | $92,937 | $ 448 | 1.91 | % | $39,646 | $ 136 | 1.36 | % |
| New loans (4) | 8,344,858 | 93,862 | 4.40 | % | 6,982,158 | 69,709 | 3.91 | % |
| Acquired loans (4)(5) | 691,785 | 10,275 | 5.94 | % | 341,056 | 6,756 | 7.92 | % |
| Investment securities | 2,438,498 | 24,425 | 3.92 | % | 2,134,162 | 20,215 | 3.71 | % |
| Total interest-earning assets | 11,568,078 | 129,010 | 4.37 | % | 9,497,022 | 96,816 | 3.99 | % |
| Non-earning assets: | | | | | | | | |
| Noninterest-earning assets | 552,311 | | | | 473,981 | | | |
| Total assets | $12,120,389 | | | | $9,971,003 | | | |
| Interest-bearing liabilities: | | | | | | | | |
| Interest-bearing demand deposits | $1,290,691 | $ 4,093 | 1.26 | % | $1,147,669 | $ 2,694 | 0.93 | % |
| Interest-bearing NOW accounts | 419,712 | 1,252 | 1.18 | % | 398,322 | 763 | 0.76 | % |
| Savings and money market accounts | 2,636,801 | 9,249 | 1.39 | % | 2,885,716 | 6,901 | 0.95 | % |
| Time deposits (6) | 3,895,326 | 18,706 | 1.91 | % | 2,161,905 | 6,776 | 1.24 | % |
| FHLB advances and other borrowings (6) | 963,607 | 3,072 | 1.25 | % | 1,030,437 | 3,901 | 1.48 | % |
| Total interest-bearing liabilities | 9,206,137 | 36,372 | 1.56 | % | 7,624,049 | 21,035 | 1.09 | % |
| Noninterest-bearing liabilities and stockholders' equity: | | | | | | | | |
| Noninterest-bearing demand deposits | 1,482,827 | | | | 1,149,981 | | | |
| Other liabilities | 74,606 | | | | 59,139 | | | |
| Stockholders' equity | 1,356,819 | | | | 1,137,834 | | | |
| Total liabilities and stockholders' equity | $12,120,389 | | | | $9,971,003 | | | |
| Net interest income | | $ 92,638 | | | | $ 75,781 | | |
| Net interest spread | | | 2.81 | % | | | 2.90 | % |
| Net interest margin | | | 3.18 | % | | | 3.17 | % |

| | Nine Months Ended September 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | | | | 2017 | | | |
| | Average Balance (1) | Interest/ Expense (2) | Annualized Yield/Rate (3) | | Average Balance (1) | Interest/ Expense (2) | Annualized Yield/Rate (3) | |
| | (Dollars in thousands) | | | | | | | |
| Interest-earning assets: | | | | | | | | |
| Interest-earning deposits in other banks | $76,772 | $ 1,052 | 1.83 | % | $41,592 | $ 344 | 1.11 | % |
| New loans (4) | 8,047,963 | 261,799 | 4.29 | % | 6,675,685 | 192,975 | 3.81 | % |
| Acquired loans (4)(5) | 620,564 | 28,553 | 6.13 | % | 354,928 | 21,595 | 8.11 | % |
| Investment securities | 2,347,762 | 68,722 | 3.86 | % | 2,048,977 | 57,697 | 3.71 | % |
| Total interest-earning assets | 11,093,061 | 360,126 | 4.28 | % | 9,121,182 | 272,611 | 3.95 | % |
| Non-earning assets: | | | | | | | | |
| Noninterest-earning assets | 525,758 | | | | 471,602 | | | |
| Total assets | $11,618,819 | | | | $9,592,784 | | | |
| Interest-bearing liabilities: | | | | | | | | |
| Interest-bearing demand deposits | $1,352,846 | $ 12,041 | 1.19 | % | $1,078,718 | $ 6,694 | 0.83 | % |
| Interest-bearing NOW accounts | 446,679 | 3,483 | 1.04 | % | 407,504 | 1,874 | 0.61 | % |
| Savings and money market accounts | 2,796,710 | 26,264 | 1.26 | % | 2,916,855 | 18,874 | 0.87 | % |
| Time deposits (6) | 3,385,615 | 43,609 | 1.72 | % | 2,106,550 | 18,835 | 1.20 | % |
| FHLB advances and other borrowings (6) | 887,321 | 9,089 | 1.35 | % | 900,523 | 8,996 | 1.32 | % |
| Total interest-bearing liabilities | 8,869,171 | 94,486 | 1.42 | % | 7,410,150 | 55,273 | 1.00 | % |
| Noninterest-bearing liabilities and stockholders' equity: | | | | | | | | |
| Noninterest-bearing demand deposits | 1,384,722 | | | | 1,056,011 | | | |
| Other liabilities | 62,634 | | | | 46,430 | | | |
| Stockholders' equity | 1,302,292 | | | | 1,080,193 | | | |
| Total liabilities and stockholders' equity | $11,618,819 | | | | $9,592,784 | | | |
| Net interest income | | $ 265,640 | | | | $ 217,338 | | |
| Net interest rate spread | | | 2.86 | % | | | 2.95 | % |
| Net interest margin | | | 3.20 | % | | | 3.19 | % |

(1) Average balances presented are derived from daily average balances.
(2) Interest income is presented on an actual basis and does not include taxable equivalent adjustments.
(3) Average rates are presented on an annualized basis.
(4) Includes loans on nonaccrual status.
(5) Net of allowance for loan losses.
(6) Interest expense includes the impact from premium amortization.

Third Quarter 2018 compared to Third Quarter 2017

Net interest income was $92.6 million for the third quarter of 2018, an increase of $16.9 million compared to $75.8 million for the same period in 2017. The increase in net interest income reflects a $32.2 million increase in interest income partially offset by a $15.3 million increase in interest expense. For the three months ended September 30, 2018, average earning assets increased by $2.07 billion, or 21.8%, compared to the same period of the prior year, while average interest-bearing liabilities increased $1.58 billion, or 20.8%, compared to the three months ended September 30, 2017. The increase in interest income for the third quarter of 2018 was due to a $24.2 million increase in interest income on New loans due to growth in the New loan portfolio and an increase in the average interest rate on New loans. The average balance of New loans increased $1.36 billion and the average interest rate on New loans increased 49 basis points. Interest income on acquired loans increased $3.5 million for the three months ended September 30, 2018 compared to the third quarter of 2017, primarily due to an increase in the acquired loan portfolio partially offset by a decrease in the yield on acquired loans. Interest income on investment securities increased $4.2 million for the three months ended September 30, 2018 compared to the three months ended September 30, 2017 primarily due to a $304.3 million, or 14.3%, increase in the average balance combined with a 21 basis point increase in the yield.

Interest expense on deposits increased $16.2 million for the three months ended September 30, 2018 compared to the three months ended September 30, 2017 primarily due to a $1.65 billion, or 25.0% increase in the average balance of interest-bearing deposits combined with a 48 basis point increase in the cost of deposits. Interest expense on time deposits increased $11.9 million due to a $1.73 billion increase in the average balance combined with an increase in rate of 67 basis points. Interest expense on savings and money market accounts increased $2.3 million due to an increase in rate of 44 basis points partially offset by a $248.9 million decrease in the average balance. The average rate paid on savings and money market accounts was 1.39% and 0.95% for the three months ended September 30, 2018 and 2017, respectively. The increase was primarily driven by the recent Federal Reserve rate increases.

The net interest margin for the three months ended September 30, 2018 was 3.18%, an increase of 1 basis points compared to 3.17% for the three months ended September 30, 2017. The average rate paid on interest-bearing liabilities increased by 47 basis points for the three months ended September 30, 2018, partially offset by an increase in the average yield on interest-earning assets of 38 basis points as compared to the three months ended September 30, 2017. The increase in the average yield on interest-earning assets was primarily due to an increase in interest income for New loans due to an increase in the balance of average New loans combined with an increase in the average interest rate on New loans.

Nine Months of 2018 compared to Nine Months of 2017

Net interest income was $265.6 million for the nine months ended September 30, 2018, an increase of $48.3 million compared to $217.3 million for the same period in 2017. The increase in net interest income reflects a $87.5 million increase in interest income partially offset by a $39.2 million increase in interest expense. For the nine months ended September 30, 2018, average earning assets increased by $1.97 billion, or 21.6%, compared to the same period of the prior year, while average interest-bearing liabilities increased $1.46 billion, or 19.7%, compared to the nine months ended September 30, 2017. The increase in interest income was primarily due to a $68.8 million increase in interest income on New loans attributable to growth in the New loan portfolio combined with an increase in the average interest rate on New loans. The average balance of New loans increased $1.37 billion and the average interest rate on New loans increased 48 basis points. Interest income on acquired loans increased $7.0 million for the nine months ended September 30, 2018 compared to the same period in 2017, primarily due to an increase in the acquired loan portfolio partially offset by a decrease in in the yield on acquired loans. Interest income on investment securities increased $11.0 million for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 primarily due to a $298.8 million, or 14.6%, increase in the average balance combined with a 15 basis point increase in the yield.

Interest expense on deposits increased $39.1 million for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 primarily due to a $1.47 billion, or 22.6%, increase in the average balance of interest-bearing deposits combined with a 40 basis point increase in the cost of deposits. Interest expense on savings and money market accounts increased $7.4 million due to an increase in rate of 39 basis points partially offset by a $120.1 million decrease in the average balance . The average rate paid on savings and money market accounts was 1.26% and 0.87% for the nine months ended September 30, 2018 and 2017, respectively. The increase was primarily driven by the recent Federal Reserve rate increases.

The net interest margin for the nine months ended September 30, 2018 was 3.20%, an increase of 1 basis points compared to 3.19% for the nine months ended September 30, 2017. The average yield on interest-earning assets increased by 33 basis points for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017, offset by the increase in the average rate paid on interest-bearing liabilities of 42 basis points. The increase in the average yield on interest-earning assets was primarily due to an increase in interest income for New loans due to an increase in the balance of average New loans combined with an increase in the average interest rate on New loans.

Provision for Loan Losses

Third Quarter 2018 compared to Third Quarter 2017

The provision for loan losses is used to maintain the ALL at a level that, in management’s judgment, is appropriate to absorb probable losses inherent in the portfolio at the balance sheet date. The provision for loan losses was $2.2 million for the three months ended September 30, 2018, a decrease of $651 thousand compared to the $2.9 million provision recorded for the three months ended September 30, 2017. Provision for loan loss expense for the three months ended September 30, 2018 included a $2.3 million provision related to New loans and a $56 thousand release of provision for the acquired loan portfolio.

Net recoveries were $357 thousand for the third quarter of 2018 as compared to net recoveries of $86 thousand for the same period of 2017. Net recoveries were 0.02% of average loans on an annualized basis for the third quarter of 2018 and 0.00% of average loans for the same period of 2017.

Nine Months of 2018 compared to Nine Months of 2017

The provision for loan losses was $5.8 million for the nine months ended September 30, 2018, a decrease of $828 thousand compared to the $6.6 million provision recorded for the nine months ended September 30, 2017. Provision for loan loss expense for the nine months ended September 30, 2018 included a $7.5 million provision related to New loans and a $169 thousand release of provision for the acquired loan portfolio.

Net recoveries were $201 thousand for the nine months ended September 30, 2018 as compared to net charge-offs of $235 thousand for the same period of 2017. Net recoveries were 0.00% of average loans on an annualized basis for the nine months ended September 30, 2018 and 2017.

Noninterest Income

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (Dollars in thousands) | | | |
| Noninterest income: | | | | |
| Service charges and fees | $1,266 | $941 | $3,503 | $2,758 |
| Loan and other fees | 5,043 | 2,831 | 13,261 | 8,374 |
| Bank-owned life insurance income | 1,439 | 1,422 | 4,228 | 4,250 |
| Income from resolution of acquired assets | 202 | 466 | 603 | 1,548 |
| Gain (loss) on sales of other real estate owned | (70) | (143) | 43 | (121) |
| Gain (loss) on investment securities | (184) | 690 | (1,472) | 1,722 |
| Other noninterest income | 1,068 | 2,218 | 3,775 | 8,754 |
| Total noninterest income | $8,764 | $8,425 | $23,941 | $27,285 |

Third Quarter 2018 compared to Third Quarter 2017

The Company reported noninterest income of $8.8 million for the three months ended September 30, 2018, an increase of $339 thousand compared to the three months ended September 30, 2017. The increase was primarily due to an increase of $2.2 million in loan and other fees partially offset by a decrease of $1.2 million in other noninterest income. The increase in loan and other fees was primarily due to an increase in swap fee income of $2.9 million partially offset by a decrease in residential mortgage fee income of $476 thousand. The decrease in other noninterest income was primarily due to a decrease in gain on sale of loans of $1.1 million resulting from lower loan sales volume.

Nine Months of 2018 compared to Nine Months of 2017

The Company reported noninterest income of $23.9 million for the nine months ended September 30, 2018, a decrease of $3.3 million compared to the nine months ended September 30, 2017. The decrease was primarily due to a decrease of $5.0 million in other noninterest income resulting from lower loan sales volume and reduced insurance proceeds combined with a decrease of $3.2 million in gain on investment securities resulting from a decrease in realized gains on available-for-sale securities of $2.1 million combined with $1.1 million in unrealized losses on equity securities. The decrease was partially offset by an increase of $4.9 million in loan and other fees, which resulted from an increase in swap fees over the same time period.

Noninterest Expense

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (Dollars in thousands) | | | |
| Noninterest expense: | | | | |
| Salaries and employee benefits | $23,023 | $20,860 | $68,700 | $62,843 |
| Occupancy and equipment expenses | 4,012 | 3,283 | 11,872 | 10,016 |
| Loan and other real estate related expenses | 545 | 837 | 2,950 | 3,252 |
| Professional services | 3,929 | 1,390 | 7,335 | 4,250 |
| Data processing and network | 3,911 | 3,397 | 11,494 | 9,452 |
| Regulatory assessments and insurance | 2,564 | 2,330 | 7,257 | 6,691 |
| Amortization of intangibles | 371 | 256 | 1,035 | 768 |

| | | | | |
|---|---|---|---|---|
| Marketing and promotions | 1,768 | 1,130 | 4,930 | 3,423 |
| Other operating expenses | 2,205 | 1,756 | 6,842 | 4,880 |
| Total noninterest expense | $42,328 | $35,239 | $122,415 | $105,575 |

Third Quarter 2018 compared to Third Quarter 2017
The Company reported noninterest expense of $42.3 million for the three months ended September 30, 2018, an increase of $7.1 million, or 20.1%, compared to the three months ended September 30, 2017. The increase for the period was primarily due to increased salaries and employee benefits of $2.2 million combined with an increase in professional services expense of $2.5 million.
Salaries and employee benefits expenses increased by $2.2 million, or 10.4%, for the third quarter of 2018 compared to the prior year primarily due to increased headcount as a result of the Floridian acquisition. Employee wages increased $1.6 million and accrued bonuses increased $1.9 million, partially offset by decreases in temporary personnel expense of $696 thousand and incentive payments of $708 thousand. Professional services expense increased $2.5 million for the third quarter of 2018 compared to the prior year primarily due to increased transaction related expenses for our pending merger.

Nine Months of 2018 compared to Nine Months of 2017
The Company reported noninterest expense of $122.4 million for the nine months ended September 30, 2018, an increase of $16.8 million, or 16.0%, compared to the nine months ended September 30, 2017. The increase for the period was primarily due to increased salaries and employee benefits of $5.9 million, increased professional services expense of $3.1 million, increased data processing and network related expenses of $2.0 million as well as an increase in other operating expenses of $2.0 million.

Salaries and employee benefits expenses increased by $5.9 million or 9.3% for the nine months ended September 30, 2018 compared to the prior year primarily due to increased headcount as a result of the Floridian acquisition. The increase is primarily due to increased employee wages of $5.9 million, increased merger related severance payments of $2.0 million and increased bonus accrual of $1.5 million, partially offset by decreases in temporary personnel expense of $2.8 million and incentive payments of $1.6 million. Professional services expense increased $3.1 million primarily due to increased transaction related expenses for our pending merger. Data processing and network expenses increased $2.0 million, or 21.6%, for the nine months ended September 30, 2018 compared to the prior year primarily due to increased software license expenses of $942 thousand and data conversion costs of $649 thousand. Other operating expenses increased $2.0 million, or 40.2%, for the nine months ended September 30, 2018 compared to the prior year primarily due to an increase in off balance sheet provision expense of $981 thousand.
Provision for Income Taxes
Third Quarter 2018 compared to Third Quarter 2017
The income tax expense for the three months ended September 30, 2018 totaled $13.4 million, a decrease of $562 thousand compared to an income tax expense of $13.9 million for the three months ended September 30, 2017. The decrease in income tax expense was primarily due to a decrease in the effective tax rate for the third quarter of 2018. The effective income tax rate for the three months ended September 30, 2018 was 23.5%, compared to the effective tax rate of 30.2% for the three months ended September 30, 2017. The decrease in the effective tax rate was due to the Tax Cuts and Jobs Act of 2017 (the "TCJA") which resulted in a reduction in the maximum federal corporate income tax rate from 35% to 21%, effective January 1, 2018. This was partially offset by a decrease in excess tax benefits recognized at settlement for share-based payments which resulted in recording a $168 thousand tax benefit in the Consolidated Statements of Income for the quarter ended September 30, 2018 compared to $2.1 million for the three months ended September 30, 2017. The tax rate differs from the statutory rate due to the impact of tax benefits related to bank-owned life insurance, dividends received deductions and certain stock-based compensation awards compared to the prior year.

Nine Months of 2018 compared to Nine Months of 2017
The income tax expense for the nine months ended September 30, 2018 totaled $35.1 million, an increase of $8.9 million compared to an income tax expense of $26.2 million for the nine months ended September 30, 2017. The increase in income tax expense was primarily due to an increase in the effective tax rate for 2018. The effective income tax rate for the nine months ended September 30, 2018 was 21.7%, compared to the effective tax rate of 19.8% for the nine months ended September 30, 2017. The increase in the effective tax rate was due to a decrease in

excess tax benefits recognized at settlement for share-based payments which resulted in recording a $2.9 million tax benefit in the Consolidated Statements of Income for the nine months ended September 30, 2018 compared to $18.0 million for the nine months ended September 30, 2017. This was partially offset by the TCJA which resulted in a reduction in the maximum federal corporate income tax rate effective January 1, 2018, as well as higher levels of pre-tax income.

Analysis of Financial Condition

Total assets were $12.43 billion at September 30, 2018, an increase of $1.76 billion, or 16.4%, from December 31, 2017. The increase in total assets includes an increase of $1.33 billion in net loans, of which New loans increased $968.0 million over the period. Acquired loans increased by $371.0 million as a result of the Floridian acquisition of $425.9 million partially offset by the run-off of the acquired loan portfolio through receipt of payments, loan payoffs, and resolution through foreclosure and transfers to other real estate owned. The total securities portfolio was $2.41 billion at September 30, 2018, an increase of $234.9 million from December 31, 2017. The remaining increase in total assets was mainly due to increases in goodwill and other intangibles of $61.9 million attributable to the Floridian acquisition, interest-earning deposits in other banks of $68.7 million, and bank-owned life insurance of $14.4 million.

Investment Securities

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

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

The Company's available for sale debt securities portfolio primarily consists of U.S. government agencies and sponsored enterprises obligations and agency mortgage-backed securities, state and municipal obligations, corporate debt and asset-backed securities. The Company's investment portfolio also includes preferred stock and other equity securities and FHLB and other bank stock. Total investment securities totaled $2.41 billion and $2.18 billion as of September 30, 2018 and December 31, 2017, respectively. No securities were determined to be other-than-temporarily impaired as of September 30, 2018 or December 31, 2017.

As a member institution of the FHLB and the FRB, the Bank is required to own capital stock in the FHLB and the FRB. As of September 30, 2018 and December 31, 2017, the Bank held approximately $65.8 million and $56.9 million, respectively, of such stock. The FAST Act reduced the dividend rate applicable to Reserve Bank depository institution stockholders with total assets of more than $10 billion (large member banks) to the lesser of 6 percent or the most recent 10-year Treasury auction rate prior to the dividend payment. The dividend rate for other member banks remains at 6 percent. Reserve Banks typically pay dividends to member banks in June and December of each year. No market exists for this stock, and the Bank's investment can be liquidated only through repurchase by the FHLB or FRB. Such repurchases have historically been at par value. We monitor our investment in FHLB and FRB stock for impairment through review of recent financial results, dividend payment history and information from credit agencies. As of September 30, 2018 and December 31, 2017, respectively, management did not identify any indicators of impairment of FHLB and FRB stock.

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

| | Maturity as of September 30, 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | One Year or Less | | After One Year through Five Years | | After Five Years through Ten Years | | After Ten Years | |
| | Amortized Cost | Average Yield | Amortized Cost | Average Yield | Amortized Cost | Average Yield | Amortized Cost | Average Yield |
| | (Dollars in thousands) | | | | | | | |
| Available for sale debt securities: | | | | | | | | |
| U.S. Government agencies and sponsored enterprises obligations | $— | — | $ 6,081 | 0.36 % | $ 80,860 | 3.11 % | $— | — |
| U.S. Government agencies and sponsored enterprises mortgage-backed securities | — | — | 76,895 | 2.59 % | 384,575 | 2.62 % | 166,198 | 2.94 % |
| State and municipal obligations | — | — | — | — | 1,234 | 4.70 % | 23,251 | 1.97 % |
| Asset-backed securities | — | — | — | — | 594,129 | 4.17 % | 186,121 | 4.33 % |
| Corporate bonds and other debt securities | 57,430 | 3.40 % | 290,655 | 4.29 % | 137,462 | 4.11 % | 305,583 | 5.10 % |
| Total available for sale debt securities | $57,430 | 3.40 % | $ 373,631 | 3.88 % | $ 1,198,260 | 3.60 % | $681,153 | 4.25 % |

As of September 30, 2018, the effective duration of the Company's investment portfolio is estimated to be approximately 2.64 years. This estimate is derived using a variety of inputs that are subject to change based on a variety of factors, including but not limited to, changes in interest rates and prepayment speeds.

The average balance of the investment portfolio for the quarter ended September 30, 2018 totaled $2.44 billion with an annualized pre-tax yield of 3.92% during the quarter.

Except for securities issued by U.S. government agencies and sponsored enterprise obligations, we did not have any concentrations where the total outstanding balances issued by a single issuer exceeded 10% of our stockholders' equity as of September 30, 2018 or December 31, 2017.

Loans

Loan concentration

The current concentrations in our loan portfolio may not be indicative of concentrations in our loan portfolio in the future. We plan to maintain a relatively diversified loan portfolio to help reduce the risk inherent in concentration in certain types of collateral.

The following table summarizes the allocation of New Loans, Acquired ASC 310-30 loans and Acquired Non-ASC 310-30 loans as of the dates presented:

| | September 30, 2018 | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | Amount | % of Total | | Amount | % of Total | |
| | (Dollars in thousands) | | | | | |
| New loans: | | | | | | |
| Commercial real estate | $2,528,748 | 27.2 | % | $2,103,788 | 26.4 | % |
| Owner-occupied commercial real estate | 1,134,793 | 12.2 | % | 987,781 | 12.4 | % |
| 1-4 single family residential | 2,245,139 | 24.1 | % | 2,185,362 | 27.4 | % |
| Construction, land and development | 754,972 | 8.1 | % | 684,462 | 8.6 | % |
| Home equity loans and lines of credit | 59,729 | 0.6 | % | 59,636 | 0.7 | % |
| Total real estate loans | 6,723,381 | 72.2 | % | 6,021,029 | 75.5 | % |
| Commercial and industrial | 1,902,045 | 20.5 | % | 1,634,372 | 20.4 | % |
| Consumer | 3,976 | — | % | 5,984 | 0.1 | % |
| Total new loans | $8,629,402 | 92.7 | % | $7,661,385 | 96.0 | % |
| Acquired ASC 310-30 loans: | | | | | | |
| Commercial real estate | $133,778 | 1.5 | % | $104,335 | 1.3 | % |
| 1-4 single family residential | 32,240 | 0.3 | % | 27,513 | 0.3 | % |
| Construction, land and development | 28,590 | 0.3 | % | 13,167 | 0.2 | % |
| Total real estate loans | 194,608 | 2.1 | % | 145,015 | 1.8 | % |
| Commercial and industrial | 19,503 | 0.2 | % | 12,631 | 0.2 | % |
| Consumer | 1,259 | — | % | 1,423 | — | % |
| Total acquired ASC 310-30 loans | $215,370 | 2.3 | % | $159,069 | 2.0 | % |
| Acquired non-ASC 310-30 loans: | | | | | | |
| Commercial real estate | $104,364 | 1.1 | % | $37,736 | 0.5 | % |
| Owner-occupied commercial real estate | 81,408 | 0.9 | % | 16,100 | 0.2 | % |
| 1-4 single family residential | 148,659 | 1.6 | % | 57,695 | 0.7 | % |
| Construction, land and development | 36,881 | 0.4 | % | 5,889 | 0.1 | % |
| Home equity loans and lines of credit | 40,131 | 0.4 | % | 34,589 | 0.4 | % |
| Total real estate loans | 411,443 | 4.4 | % | 152,009 | 1.9 | % |
| Commercial and industrial | 46,643 | 0.5 | % | 5,062 | 0.1 | % |
| Consumer | 13,950 | 0.1 | % | 259 | — | % |
| Total acquired non-ASC 310-30 loans | $472,036 | 5.0 | % | $157,330 | 2.0 | % |
| Total loans | $9,316,808 | 100.0 | % | $7,977,784 | 100.0 | % |

Total loans were $9.32 billion at September 30, 2018, an increase of 16.8% compared to $7.98 billion at December 31, 2017.

Our New loan portfolio increased by 12.6% to $8.63 billion as of September 30, 2018, as compared to $7.66 billion at December 31, 2017. The increase during the nine months ended September 30, 2018 was primarily due to organic growth in commercial real estate, owner-occupied commercial real estate and commercial and industrial.

Acquired loans were $687.4 million at September 30, 2018, an increase of $371.0 million from $316.4 million at December 31, 2017. The increase during the nine months ended September 30, 2018 was primarily due to $425.9 million of loans acquired from Floridian partially offset by the run-off of the acquired loan portfolio through receipt of payments, loan payoffs and resolutions through foreclosure and transfers to other real estate owned. During the three and nine months ended September 30, 2018, the Company sold approximately $400 thousand of acquired loans accounted for under ASC 310-30. No interest income was recognized from these sales, as well as from other acquired asset resolutions, as proceeds did not exceed the carrying value of the accounting pool in which the loans resided. During the three and nine months ended September 30, 2017, the Company sold approximately $5.0 million and $11.7 million of acquired loans accounted for under ASC 310-30. These sales, as well as other acquired asset resolutions, resulted in proceeds that exceeded the carrying value of the accounting pool in which the

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loans resided of $753 thousand and $3.0 million for the three and nine months ended September 30, 2017, respectively, which was recognized as interest income.

Asset Quality

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

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| | (Dollars in thousands) | |
| Nonperforming assets (excluding acquired assets) | | |
| Nonaccrual loans: | | |
| Commercial real estate | $460 | $ — |
| Owner-occupied commercial real estate | 2,440 | — |
| 1-4 single family residential | 4,157 | 3,167 |
| Construction, land and development | — | — |
| Home equity loans and lines of credit | 126 | 126 |
| Commercial and industrial | 155 | — |
| Consumer | — | — |
| Total nonaccrual loans | 7,338 | 3,293 |
| Accruing loans 90 days or more past due | — | — |
| Total nonperforming loans | 7,338 | 3,293 |
| Other real estate owned (OREO) | — | — |
| Other foreclosed property | — | — |
| Total new nonperforming assets | $7,338 | $ 3,293 |
| | | |
| Nonperforming acquired assets | | |
| Nonaccrual loans: | | |
| Commercial real estate | $3,615 | $ 3,893 |
| Owner-occupied commercial real estate | 486 | 494 |
| 1-4 single family residential | 1,677 | 1,331 |
| Construction, land and development | — | — |
| Home equity loans and lines of credit | 2,543 | 1,720 |
| Commercial and industrial | 2,816 | 1,622 |
| Consumer | — | — |
| Total nonaccrual loans | 11,137 | 9,060 |
| Accruing loans 90 days or more past due | 3,962 | 4,074 |
| Total nonperforming loans | 15,099 | 13,134 |
| Other real estate owned (OREO) | 10,534 | 14,906 |
| Other foreclosed property | — | 11 |
| Total acquired nonperforming assets | $25,633 | $ 28,051 |
| Total nonperforming assets | $32,971 | $ 31,344 |

Nonaccrual loans totaled $18.5 million at September 30, 2018, an increase of 49.6% from $12.4 million at December 31, 2017. Excluding acquired loans, nonperforming loans totaled $7.3 million at September 30, 2018, an increase of $4.0 million from $3.3 million at December 31, 2017.

Nonperforming assets totaled $33.0 million at September 30, 2018, an increase of $1.6 million, or 5.2%, from December 31, 2017. The increase is primarily due to increases in owner-occupied commercial real estate loans of $2.4 million, commercial and industrial loans of $1.3 million and 1-4 single family residential loans of $1.3 million partially offset by a decrease in other

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real estate owned of $4.4 million. Excluding acquired assets, nonperforming assets totaled $7.3 million at September 30, 2018, compared to $3.3 million at December 31, 2017.

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

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

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

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

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

| | September 30, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| Asset Quality Ratios | | | | |
| Asset and Credit Quality Ratios - New Loans | | | | |
| Nonperforming new loans to new loans receivable | 0.09 | % | 0.04 | % |
| New loan ALL to total gross new loans | 0.58 | % | 0.58 | % |
| Asset and Credit Quality Ratios - Acquired Loans | | | | |
| Nonperforming acquired loans to acquired loans receivable | 2.20 | % | 4.15 | % |
| Acquired loan ALL to total gross acquired loans | 0.44 | % | 0.95 | % |
| Asset and Credit Quality Ratios - Total loans | | | | |
| Nonperforming loans to loans receivable | 0.24 | % | 0.21 | % |
| Nonperforming assets to total assets | 0.27 | % | 0.29 | % |
| ALL to nonperforming assets | 161.20 | % | 150.41 | % |
| ALL to total gross loans | 0.57 | % | 0.59 | % |

Analysis of the Allowance for Loan Losses

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

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

| | Commercial Real Estate | Owner-Occupied Commercial Real Estate | 1- 4 Single Family Residential | Construction, Land and Development | Home Equity Loans and Lines of Credit | Commercial and Industrial | Consumer | Total |
|---|---|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | | | |
| Balance at July 1, 2018 | $15,381 | $3,946 | $7,310 | $4,076 | $704 | $18,934 | $219 | $50,570 |
| Provision (credit) for ASC 310-30 loans | (26) | (3) | 14 | (115) | — | (66) | (16) | (212) |
| Provision (credit) for non-ASC 310-30 loans | (8) | (3) | (35) | 71 | 2 | 129 | — | 156 |
| Provision (credit) for New loans | 560 | (141) | (333) | 1,228 | (24) | 994 | (8) | 2,276 |
| Provision (credit) for Unallocated | — | — | — | — | — | — | — | — |
| Total provision | 526 | (147) | (354) | 1,184 | (22) | 1,057 | (24) | 2,220 |
| Charge-offs for ASC 310-30 loans | (1) | — | (22) | — | — | — | (4) | (27) |
| Charge-offs for non-ASC 310-30 loans | (118) | — | — | — | — | — | — | (118) |
| Charge-offs for New loans | — | — | — | — | — | — | — | — |
| Total charge-offs | (119) | — | (22) | — | — | — | (4) | (145) |
| Recoveries for ASC 310-30 loans | 366 | 3 | 1 | 93 | — | 7 | — | 470 |
| Recoveries for non-ASC 310-30 loans | — | — | 23 | — | — | — | — | 23 |
| Recoveries for New loans | — | 9 | — | — | — | — | — | 9 |
| Total recoveries | 366 | 12 | 24 | 93 | — | 7 | — | 502 |
| Ending ALL balance | | | | | | | | |
| ASC 310-30 loans | 1,556 | — | 8 | 103 | — | 80 | 119 | 1,866 |
| Non-ASC 310-30 loans | 188 | 51 | 144 | 130 | 204 | 447 | 3 | 1,167 |
| New loans | 14,410 | 3,760 | 6,806 | 5,121 | 478 | 19,471 | 69 | 50,115 |
| Unallocated | — | — | — | — | — | — | — | — |
| Balance at September 30, 2018 | $16,154 | $3,811 | $6,958 | $5,354 | $682 | $19,998 | $191 | $53,148 |

| | Commercial Real Estate | Owner-Occupied Commercial Real Estate | 1- 4 Single Family Residential | Construction, Land and Development | Home Equity Loans and Lines of Credit | Commercial and Industrial | Consumer | Total |
|---|---|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | | | |
| Balance at July 1, 2017 | $12,155 | $ 3,286 | $ 8,749 | $ 4,713 | $ 884 | $ 11,296 | $ 251 | $41,334 |
| Provision (credit) for ASC 310-30 loans | (41 ) | — | — | (38 ) | — | (38 ) | (8 ) | (125 ) |
| Provision (credit) for non-ASC 310-30 loans | 30 | (1 ) | (49 ) | (2 ) | (227 ) | (56 ) | 1 | (304 ) |
| Provision (credit) for New loans | 943 | 342 | (335 ) | (113 ) | 42 | 933 | (12 ) | 1,800 |
| Provision (credit) for Unallocated | — | — | — | — | — | — | — | 1,500 |
| Total provision | 932 | 341 | (384 ) | (153 ) | (185 ) | 839 | (19 ) | 2,871 |
| Charge-offs for ASC 310-30 loans | — | — | — | — | — | — | — | — |
| Charge-offs for non-ASC 310-30 loans | (30 ) | — | (9 ) | — | — | (3 ) | — | (42 ) |
| Charge-offs for New loans | — | — | — | — | (3 ) | — | — | (3 ) |
| Total charge-offs | (30 ) | — | (9 ) | — | (3 ) | (3 ) | — | (45 ) |
| Recoveries for ASC 310-30 loans | 27 | — | — | — | — | 70 | — | 97 |
| Recoveries for non-ASC 310-30 loans | — | — | 30 | — | — | 4 | — | 34 |
| Recoveries for New loans | — | — | — | — | — | — | — | — |
| Total recoveries | 27 | — | 30 | — | — | 74 | — | 131 |
| Ending ALL balance | | | | | | | | |
| ASC 310-30 loans | 1,664 | — | 25 | 147 | — | 200 | 152 | 2,188 |
| Non-ASC 310-30 loans | 331 | 64 | 214 | 36 | 224 | 311 | 7 | 1,187 |
| New loans | 11,089 | 3,563 | 8,147 | 4,377 | 472 | 11,695 | 73 | 39,416 |
| Unallocated | — | — | — | — | — | — | — | 1,500 |
| Balance at September 30, 2017 | $13,084 | $ 3,627 | $ 8,386 | $ 4,560 | $ 696 | $ 12,206 | $ 232 | $44,291 |

| | Commercial Real Estate | Owner-Occupied Commercial Real Estate | 1- 4 Single Family Residential | Construction, Land and Development | Home Equity Loans and Lines of Credit | Commercial and Industrial | Consumer | Total |
|---|---|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | | | |
| Balance at January 1, 2018 | $13,870 | $ 3,365 | $ 7,978 | $ 4,345 | $ 674 | $ 15,141 | $ 272 | $47,145 |
| Provision (credit) for ASC 310-30 loans | (102 ) | (3 ) | (15 ) | (149 ) | — | (53 ) | (15 ) | (337 ) |
| Provision (credit) for non-ASC 310-30 loans | (32 ) | (4 ) | (62 ) | 94 | 5 | 170 | (3 ) | 168 |
| Provision (credit) for New loans | 2,315 | 441 | (963 ) | 957 | 3 | 4,769 | (52 ) | 7,470 |
| Provision (credit) for Unallocated | — | — | — | — | — | — | — | (1,500 ) |
| Total provision | 2,181 | 434 | (1,040 ) | 902 | 8 | 4,886 | (70 ) | 5,801 |
| Charge-offs for ASC 310-30 loans | (156 ) | — | (22 ) | — | — | (17 ) | (11 ) | (206 ) |
| Charge-offs for non-ASC 310-30 loans | (118 ) | — | — | — | — | (36 ) | — | (154 ) |
| Charge-offs for New loans | — | — | — | — | — | — | — | — |
| Total charge-offs | (274 ) | — | (22 ) | — | — | (53 ) | (11 ) | (360 ) |
| Recoveries for ASC 310-30 loans | 366 | 3 | 19 | 106 | — | 24 | — | 518 |
| Recoveries for non-ASC 310-30 loans | — | — | 23 | — | — | — | — | 23 |
| Recoveries for New loans | 11 | 9 | — | — | — | — | — | 20 |
| Total recoveries | 377 | 12 | 42 | 106 | — | 24 | — | 561 |
| Ending ALL balance | | | | | | | | |
| ASC 310-30 loans | 1,556 | — | 8 | 103 | — | 80 | 119 | 1,866 |
| Non-ASC 310-30 loans | 188 | 51 | 144 | 130 | 204 | 447 | 3 | 1,167 |
| New loans | 14,410 | 3,760 | 6,806 | 5,121 | 478 | 19,471 | 69 | 50,115 |
| Unallocated | — | — | — | — | — | — | — | — |
| Balance at September 30, 2018 | $16,154 | $ 3,811 | $ 6,958 | $ 5,354 | $ 682 | $ 19,998 | $ 191 | $53,148 |

| | Commercial Real Estate | Owner-Occupied Commercial Real Estate | 1- 4 Single Family Residential | Construction, Land and Development | Home Equity Loans and Lines of Credit | Commercial and Industrial | Consumer | Total |
|---|---|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | | | |
| Balance at January 1, 2017 | $10,123 | $ 2,597 | $ 7,379 | $ 4,677 | $ 648 | $ 12,245 | $ 228 | $37,897 |
| Provision (credit) for ASC 310-30 loans | (623) | — | 31 | (49) | — | (118) | (92) | (851) |
| Provision (credit) for non-ASC 310-30 loans | (15) | 3 | (48) | (11) | (12) | (66) | (28) | (177) |
| Provision (credit) for New loans | 3,728 | 1,027 | 1,098 | (14) | 70 | 253 | (5) | 6,157 |
| Provision (credit) for Unallocated | — | — | — | — | — | — | — | 1,500 |
| Total provision | 3,090 | 1,030 | 1,081 | (74) | 58 | 69 | (125) | 6,629 |
| Charge-offs for ASC 310-30 loans | (9) | — | (35) | (43) | — | (29) | — | (116) |
| Charge-offs for non-ASC 310-30 loans | (30) | — | (69) | — | (7) | (3) | — | (109) |
| Charge-offs for New loans | (131) | — | — | — | (3) | (150) | — | (284) |
| Total charge-offs | (170) | — | (104) | (43) | (10) | (182) | — | (509) |
| Recoveries for ASC 310-30 loans | 41 | — | — | — | — | 70 | 100 | 211 |
| Recoveries for non-ASC 310-30 loans | — | — | 30 | — | — | 4 | 29 | 63 |
| Recoveries for New loans | — | — | — | — | — | — | — | — |
| Total recoveries | 41 | — | 30 | — | — | 74 | 129 | 274 |
| Ending ALL balance | | | | | | | | |
| ASC 310-30 loans | 1,664 | — | 25 | 147 | — | 200 | 152 | 2,188 |
| Non-ASC 310-30 loans | 331 | 64 | 214 | 36 | 224 | 311 | 7 | 1,187 |
| New loans | 11,089 | 3,563 | 8,147 | 4,377 | 472 | 11,695 | 73 | 39,416 |
| Unallocated | — | — | — | — | — | — | — | 1,500 |
| Balance at September 30, 2017 | $13,084 | $ 3,627 | $ 8,386 | $ 4,560 | $ 696 | $ 12,206 | $ 232 | $44,291 |

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

| | September 30, 2018 | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | Amount | % Loans in each category | | Amount | % Loans in each category | |
| | (Dollars in thousands) | | | | | |
| New loans: | | | | | | |
| Real estate loans: | | | | | | |
| Commercial real estate | $14,410 | 27.2 | % | $12,084 | 26.4 | % |
| Owner-occupied commercial real estate | 3,760 | 12.2 | % | 3,310 | 12.4 | % |
| 1-4 single family residential | 6,806 | 24.1 | % | 7,769 | 27.4 | % |
| Construction, land and development | 5,121 | 8.1 | % | 4,164 | 8.6 | % |
| Home equity loans and lines of credit | 478 | 0.6 | % | 475 | 0.7 | % |
| Total real estate loans | 30,575 | 72.2 | % | 27,802 | 75.5 | % |
| Other loans: | | | | | | |
| Commercial and industrial | 19,471 | 20.5 | % | 14,702 | 20.4 | % |
| Consumer | 69 | — | % | 121 | 0.1 | % |
| Total other loans | 19,540 | 20.5 | % | 14,823 | 20.5 | % |
| Total new loans | $50,115 | 92.7 | % | $42,625 | 96.0 | % |
| Acquired ASC 310-30 loans: | | | | | | |
| Real estate loans: | | | | | | |
| Commercial real estate | $1,556 | 1.5 | % | $1,448 | 1.3 | % |
| 1-4 single family residential | 8 | 0.3 | % | 25 | 0.3 | % |
| Construction, land and development | 103 | 0.3 | % | 145 | 0.2 | % |
| Total real estate loans | 1,667 | 2.1 | % | 1,618 | 1.8 | % |
| Other loans: | | | | | | |
| Commercial and industrial | 80 | 0.2 | % | 126 | 0.2 | % |
| Consumer | 119 | — | % | 145 | — | % |
| Total other loans | 199 | 0.2 | % | 271 | 0.2 | % |
| Total Acquired ASC 310-30 loans | $1,866 | 2.3 | % | $1,889 | 2.0 | % |
| Acquired Non-ASC 310-30 loans: | | | | | | |
| Real estate loans: | | | | | | |
| Commercial real estate | $188 | 1.1 | % | $338 | 0.5 | % |
| Owner-occupied commercial real estate | 51 | 0.9 | % | 55 | 0.2 | % |
| 1-4 single family residential | 144 | 1.6 | % | 184 | 0.7 | % |
| Construction, land and development | 130 | 0.4 | % | 36 | 0.1 | % |
| Home equity loans and lines of credit | 204 | 0.4 | % | 199 | 0.4 | % |
| Total real estate loans | 717 | 4.4 | % | 812 | 1.9 | % |
| Other loans: | | | | | | |
| Commercial and industrial | 447 | 0.5 | % | 313 | 0.1 | % |
| Consumer | 3 | 0.1 | % | 6 | — | % |
| Total other loans | 450 | 0.6 | % | 319 | 0.1 | % |
| Total Acquired Non-ASC 310-30 loans | $1,167 | 5.0 | % | $1,131 | 2.0 | % |
| Unallocated: | $— | — | % | $1,500 | — | % |
| Total loans | $53,148 | 100.0 | % | $47,145 | 100.0 | % |

As of September 30, 2018, our New loans have exhibited limited delinquency and credit loss history restricting the establishment of an observable loss trend. Given this lack of sufficient loss history on the New loan portfolio, general loan loss factors are established based on the industry historical loss rates segmented by portfolio and asset categories. The historical loss factors are adjusted to reflect trends in delinquencies and nonaccruals by loan portfolio segment, current industry conditions, including real estate market trends; general economic conditions; credit concentrations by portfolio and asset categories; and portfolio quality, which encompasses an assessment of the quality and relevance of borrowers' financial information and collateral valuations and average risk rating and migration trends within portfolios and asset categories. Other adjustments for qualitative factors may be made to the allowance after an assessment of internal and external influences on credit quality and loss severity that are not fully reflected in the historical loss or risk rating data. For these measurements, the Company uses assumptions and methodologies that are relevant to estimating the level of impairment and probable losses in the loan portfolio. To the extent that the data supporting such assumptions has limitations, management's judgment and experience play a role in recording the allowance estimates. Qualitative adjustments are considered for: portfolio credit quality trends, including levels of delinquency, charge-offs, nonaccrual, restructuring and other factors; policy and credit standards, including quality and experience of lending and credit management; and general economic factors, including national, regional and local conditions and trends.

The ALL increased $6.0 million to $53.1 million at September 30, 2018 from $47.1 million at December 31, 2017, primarily due to the increase in New loans of $968.0 million. The ALL as a percentage of nonperforming assets and the ALL as a percentage of total gross loans was 161.20% and 0.57% as of September 30, 2018, compared to 150.41% and 0.59% at December 31, 2017. The increase in the ALL as a percentage of nonperforming assets was primarily the result of growth in new commercial and industrial loans.

Net recoveries were $357 thousand for the third quarter of 2018 compared to $86 thousand for the third quarter of 2017. Net recoveries were 0.02% of average loans on an annualized basis for the third quarter of 2018, compared to 0.00% for the same period in 2017.

Net recoveries were $201 thousand for the nine months ended September 30, 2018 compared to net charge-offs of $235 thousand for the same period in 2017. Net recoveries were 0.00% and net charge-offs were 0.00% of average loans on an annualized basis for the nine months ended September 30, 2018 and 2017, respectively.

Other Real Estate Owned

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

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| | (Dollars in thousands) | |
| Commercial real estate | $765 | $ 3,578 |
| 1-4 single family residential | 171 | 1,165 |
| Construction, land and development | 9,598 | 10,163 |
| Total | $10,534 | $ 14,906 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (Dollars in thousands) | | | |
| Balance at beginning of period | $11,159 | $18,540 | $14,906 | $19,228 |
| Additions/adjustments from acquisition | — | — | 111 | — |
| Transfers/adjustments from loan portfolio | 30 | 406 | 266 | 1,800 |
| Capitalized improvements | (9 ) | — | (9 ) | — |

| | | | | |
|---|---|---|---|---|
| Impairments | — | (54 ) | (1,097 ) | (437 ) |
| Sales | (646 ) | (1,293 ) | (3,643 ) | (2,992 ) |
| Balance at end of period | $ 10,534 | $ 17,599 | $ 10,534 | $ 17,599 |

Total OREO held by the Company was $10.5 million as of September 30, 2018, a decrease of $4.4 million from December 31, 2017. The decrease in other real estate owned was primarily due to OREO sales of $3.6 million and impairments of $1.1

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million during the nine months ended September 30, 2018, partially offset by $266 thousand in transfers from the loan portfolio.

We expect that OREO will generally continue to decrease in the future as there will be fewer transfers from the acquired loan portfolio combined with reductions from disposition activity. However, OREO may increase in future periods as a result of future business combinations or changes in economic factors that impact borrowers' repayment abilities.

Bank-owned Life Insurance

BOLI policies are held in order to insure the key officers and employees of the Bank. Policies are recorded at the cash surrender value adjusted for other charges or other amounts due that are probable at settlement, if applicable.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (Dollars in thousands) | | | |
| Balance at beginning of period | $213,982 | $198,250 | $201,069 | $198,438 |
| Additions from business combination | — | — | 10,489 | — |
| Net gain in cash surrender value | 1,439 | 1,422 | 4,228 | 4,250 |
| Mortality-related reduction in cash surrender value | — | — | (365) | (3,016) |
| Balance at end of period | $215,421 | $199,672 | $215,421 | $199,672 |

The company recognized $1.4 million of BOLI income for the three months ended September 30, 2018 and 2017, resulting in a pre-tax yield of 2.70% and 2.88%, respectively. The company recognized $4.2 million of BOLI income for the nine months ended September 30, 2018 and 2017, resulting in a pre-tax yield of 2.71% and 2.91%, respectively. The total death benefit of the BOLI policies at September 30, 2018 and December 31, 2017 totaled $610.3 million and $585.6 million, respectively.

Deposits

We expect deposits to be our primary funding source in the future as we continue to optimize our deposit mix. We will continue to shift our deposit composition from floating higher rate money market deposits to lower cost demand deposits and fixed cost time deposits to lock in rate.

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

| | September 30, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | Amount | Percent of Total | Amount | Percent of Total |
| | (Dollars in thousands) | | | |
| Noninterest-bearing demand deposits | $1,577,741 | 15.5 % | $1,236,685 | 14.3 % |
| Interest-bearing demand deposits | 1,207,859 | 11.9 % | 1,454,097 | 16.8 % |
| Interest-bearing NOW accounts | 410,226 | 4.0 % | 363,191 | 4.2 % |
| Savings and money market accounts | 2,607,093 | 25.7 % | 3,013,237 | 34.7 % |
| Time deposits | 4,353,196 | 42.9 % | 2,606,717 | 30.0 % |
| Total deposits | $10,156,115 | 100.0 % | $8,673,927 | 100.0 % |

Total deposits at September 30, 2018 were $10.16 billion, an increase of $1.48 billion, or 17.1%, from December 31, 2017. The increase in deposits consisted of a $1.75 billion increase in time deposits partially offset by a $264.3 million decrease in core deposits. Core deposits include demand deposit, NOW accounts, savings and money market accounts and represent 57.1% of total deposits at September 30, 2018, a decrease from 70.0% at December 31, 2017.

The overall increase in deposits was primarily due to the Company's promotional efforts on time deposits growth as well as the Floridian acquisition combined with the retail marketing efforts and commercial relationship growth. The average rate paid on deposits for the three months ended September 30, 2018 was 1.36%. This represents an increase of 48 basis points as compared to the average rate paid on deposits of 0.88% for the three months ended September 30, 2017. The average rate paid on deposits

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for the nine months ended September 30, 2018 was 1.22%. This represents an increase of 40 basis points as compared to the average rate paid on deposits of 0.82% for the nine months ended September 30, 2017.

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

| | September 30, 2018 |
|---|---|
| | (Dollars in thousands) |
| Time deposits $100,000 or greater with remaining maturity of: | |
| Three months or less | $ 389,581 |
| After three months through six months | 299,139 |
| After six months through twelve months | 1,583,104 |
| After twelve months | 733,314 |
| Total | $ 3,005,138 |

Borrowings

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

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

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| | (Dollars in thousands) | |
| FHLB advances | $750,000 | $670,000 |
| Securities sold under repurchase agreements | 48,357 | 50,336 |
| Retail repurchase agreements | 27,201 | 28,777 |
| Total borrowings | $825,558 | $749,113 |

At September 30, 2018, total borrowings were $825.6 million, an increase of $76.4 million, or 10.2%, from $749.1 million at December 31, 2017. The increase in total borrowings was due to the overall growth in the balance sheet.

Short-term borrowings consist of debt with maturities of one year or less and the current portion of long-term debt.

The following table is a summary of short-term borrowings for the periods presented:

| | As of/For the Three Months Ended September 30, | | As of/For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (Dollars in thousands) | | | |
| Short-Term FHLB advances: | | | | |
| Maximum outstanding at any month-end during the period | $467,000 | $475,000 | $ 467,000 | $ 635,300 |
| Balance outstanding at end of period | 150,000 | 238,000 | 150,000 | 238,000 |
| Average outstanding during the period | 335,924 | 392,546 | 322,183 | 440,400 |
| Average interest rate during the period | 1.82 % | 1.17 % | 1.70 % | 0.99 % |
| Average interest rate at the end of the period | 1.48 % | 1.16 % | 1.48 % | 1.16 % |

Stockholders’ Equity

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (Dollars in thousands) | | | |
| Balance at beginning of period | $1,336,931 | $1,117,278 | $1,179,172 | $982,441 |
| Net income | 43,480 | 32,160 | 126,313 | 106,230 |
| Stock issued in connection with acquisition | — | — | 94,122 | — |
| Stock-based compensation and warrant expense | 2,445 | 2,214 | 6,635 | 5,970 |
| Stock issued in connection with equity awards and warrants | 478 | 5,901 | 8,060 | 43,223 |
| Shares surrendered for tax withholding obligations | — | — | (2,066) | — |
| Other | — | (13) | (350) | (43) |
| Other comprehensive income (loss) | (5,848) | (1,467) | (34,400) | 18,252 |
| Balance at end of period | $1,377,486 | $1,156,073 | $1,377,486 | $1,156,073 |

For the three months ended September 30, 2018, the Company reported net income of $43.5 million, an increase of $11.3 million, compared to a net income of $32.2 million for the three months ended September 30, 2017. The Company’s results of operations for the period ended September 30, 2018 produced an annualized return on average assets of 1.42% and an annualized return on average common stockholders’ equity of 12.71% compared to prior year ratios of 1.28% and 11.21%, respectively.

For the nine months ended September 30, 2018, the Company reported net income of $126.3 million, an increase of $20.1 million, compared to a net income of $106.2 million for the nine months ended September 30, 2017. The Company’s results of operations for the period ended September 30, 2018 produced an annualized return on average assets of 1.45% and an annualized return on average common stockholders’ equity of 12.97% compared to prior year ratios of 1.48% and 13.15%, respectively.

Stockholders’ equity totaled $1.38 billion as of September 30, 2018, an increase of $198.3 million from $1.18 billion as of December 31, 2017, primarily driven by stock issued in connection with the acquisition of Floridian of $94.1 million, net income of $126.3 million, and exercises of stock options and warrants, net of shares surrendered for tax withholding, of $6.0 million partially offset by other comprehensive loss of $34.4 million from decreases in the fair value of the investment portfolio due to a rise in market interest rates.

Warrants

The following table presents the activity during the nine months ended September 30, 2018 related to the Amended 2009 Warrants:

| | Amended 2009 Warrants | |
|---|---|---|
| | Options | Weighted Average Exercise Price |
| Outstanding at January 1, 2018 | 1,274,022 | $ 26.75 |
| Granted | — | — |
| Exercised | (408,932) | 26.56 |
| Forfeited | — | — |
| Expired | — | — |
| Outstanding at September 30, 2018 | 865,090 | $ 26.84 |

All warrants outstanding as of September 30, 2018 were vested and exercisable.

Capital Resources

Our Company and Bank are subject to regulatory capital adequacy requirements promulgated by federal bank regulatory agencies. Failure by our Company or Bank to meet minimum capital requirements could result in certain mandatory and discretionary actions by regulators that could have a material adverse effect on our consolidated financial statements. The Federal Reserve establishes capital requirements for our Company and the OCC has similar requirements for our Bank. The capital planning process and position is monitored by the Enterprise Risk Committee. Information presented for September 30, 2018, reflects the Basel III capital requirements that became effective January 1, 2015 for both our Company and Bank. Under these capital requirements and the regulatory framework for prompt corrective action, our Company and Bank must meet specific capital guidelines that involve quantitative measures of our Company and Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. Our Company's and Bank's capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings and other factors.

Quantitative measures established by regulation require our Company and Bank to maintain certain minimum capital amounts and ratios. Federal bank regulators require our Company and Bank to maintain minimum ratios of core capital to adjusted average assets of 4.0%, common equity tier 1 capital to risk-weighted assets of 4.5%, tier 1 capital to risk-weighted assets of 6.0% and total risk-based capital to risk-weighted assets of 8.0%. Beginning January 1, 2016, Basel III implemented a capital conservation buffer above the minimum risk-based capital requirements in order to avoid certain limitations on capital distributions, stock repurchases and discretionary bonus payments to executive officers. The capital conservation buffer is exclusively composed of common equity tier 1 capital. The capital conservation buffer increases 0.625% annually, beginning January 1, 2016, with the last adjustment occurring in 2019. The Company and Bank's regulatory capital ratios, excluding the impact of the capital conservation buffer, are as follows:

| September 30, 2018 | Actual | | Minimum Capital Requirement | | Well Capitalized Requirement | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| Company | | | | | | |
| Tier 1 leverage ratio | $1,249,237 | 10.42% | $479,502 | 4.0% | $599,377 | 5.0 % |
| Common equity tier 1 capital ratio | 1,249,237 | 11.71% | 480,008 | 4.5% | 693,345 | 6.5 % |
| Tier 1 risk-based capital ratio | 1,249,237 | 11.71% | 640,010 | 6.0% | 853,347 | 8.0 % |
| Total risk-based capital ratio | 1,303,896 | 12.22% | 853,347 | 8.0% | 1,066,684 | 10.0% |
| | | | | | | |
| Bank | | | | | | |
| Tier 1 leverage ratio | $1,120,368 | 9.49 % | $472,091 | 4.0% | $590,114 | 5.0 % |
| Common equity tier 1 capital ratio | 1,120,368 | 10.69% | 471,443 | 4.5% | 680,973 | 6.5 % |
| Tier 1 risk-based capital ratio | 1,120,368 | 10.69% | 628,590 | 6.0% | 838,121 | 8.0 % |
| Total risk-based capital ratio | 1,175,027 | 11.22% | 838,121 | 8.0% | 1,047,651 | 10.0% |

| December 31, 2017 | Actual | | Minimum Capital Requirement | | Well Capitalized Requirement | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| Company | | | | | | |
| Tier 1 leverage ratio | $1,079,851 | 10.50% | $411,177 | 4.0% | $513,972 | 5.0 % |
| Common equity tier 1 capital ratio | 1,079,851 | 11.87% | 409,482 | 4.5% | 591,475 | 6.5 % |
| Tier 1 risk-based capital ratio | 1,079,851 | 11.87% | 545,977 | 6.0% | 727,969 | 8.0 % |
| Total risk-based capital ratio | 1,128,889 | 12.41% | 727,969 | 8.0% | 909,961 | 10.0% |
| Bank | | | | | | |
| Tier 1 leverage ratio | $927,426 | 9.19 % | $403,527 | 4.0% | $504,409 | 5.0 % |
| Common equity tier 1 capital ratio | 927,426 | 10.43% | 400,187 | 4.5% | 578,047 | 6.5 % |
| Tier 1 risk-based capital ratio | 927,426 | 10.43% | 533,582 | 6.0% | 711,443 | 8.0 % |
| Total risk-based capital ratio | 975,663 | 10.97% | 711,443 | 8.0% | 889,304 | 10.0% |

At September 30, 2018, our Company and Bank met all the capital adequacy requirements to which they were subject. At September 30, 2018, the Company and Bank were “well capitalized” under the regulatory framework for prompt corrective action. To be “well capitalized,” our Company and Bank must maintain minimum leverage, common equity tier 1 risk-based, tier 1 risk-based and total risk-based capital ratios of at least 5.0%, 6.5%, 8.0% and 10.0%, respectively. Management believes that no conditions or events have occurred since September 30, 2018 that would materially adversely change the Company’s or Bank’s capital classifications. From time to time, we may need to raise additional capital to support our Company’s and Bank’s further growth and to maintain their “well capitalized” status.

The Bank and, with respect to certain provisions, the Company, is also subject to an Order of the FDIC, dated January 22, 2010 (the "Order"), issued in connection with the FDIC’s approval of the Bank’s application for federal deposit insurance. The Order requires, among other things, that the Bank, the Company, our founders and certain of our stockholders comply with all applicable provisions of the FDIC's Statement of Policy on Qualifications for Failed Bank Acquisitions ("SOP") and that the Bank maintain capital levels sufficient to be well capitalized under regulatory standards during the remaining period of ownership of the investors (as defined in the Order) subject to the SOP. As of September 30, 2018 and December 31, 2017, we believe the Company and Bank both had capital levels that exceeded the regulatory guidelines for a “well capitalized” institution.

Liquidity

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

The Bank has access to additional borrowings through secured FHLB and FRB advances, unsecured borrowing lines from correspondent banks and repurchase agreements. At September 30, 2018, the Company had additional capacity to borrow from the FHLB and FRB of $1.40 billion and $30.8 million, respectively. Also, at September 30, 2018, the Company has unused credit lines with financial institutions of $540.0 million.

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

As a holding company, we are a corporation separate and apart from our subsidiary, the Bank, and therefore we provide for our own liquidity. Our main sources of funding include equity capital raised in our offerings of equity securities and dividends paid by the Bank, when applicable, and access to capital markets. We believe these sources will be sufficient to fund our capital needs for the foreseeable future. There are regulatory limitations that affect the ability of the Bank to pay dividends to us. See “Dividend Policy” and “Supervision and Regulation—Regulatory Limits on Dividends and Distributions” in our Annual Report on Form 10-K for the year ended December 31, 2017 previously filed with the SEC. Management believes that such limitations will not impact our ability to meet our ongoing short-term cash obligations.

On April 27, 2015, the Company approved a stock repurchase program (subsequently modified) under which the Company is authorized to acquire up to an aggregate of $70 million of its Class A Common Stock. Repurchases under the program may be made through open market or privately negotiated transactions at times and in such amounts as management deems appropriate, subject to market conditions, regulatory requirements and other factors. The program does not obligate the Company to repurchase any particular amount of common stock, and may be suspended or discontinued at any time without notice. Shares repurchased under the program will be made using the Company’s own cash resources and are expected to be held as treasury shares. As of September 30, 2018, the Company has repurchased $58.7 million of its Class A Common Stock under the stock repurchase program.

Off Balance Sheet Arrangements

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

We enter into contractual loan commitments to extend credit, normally with fixed expiration dates or termination clauses, at specified rates and for specific purposes. Since a portion of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Substantially all of our commitments to extend credit are contingent upon customers maintaining specific credit standards until the time of loan funding. We decrease our exposure to loss under these commitments by subjecting them to credit approval and monitoring procedures. We assess the credit risk associated with certain commitments to extend credit and establish a liability for probable credit losses. Our reserve for unfunded commitments totaled $1.5 million and $1.1 million as of September 30, 2018 and December 31, 2017, respectively.

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

The following table summarizes commitments as of the dates presented:

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| | (Dollars in thousands) | |
| Commitments to fund loans | $1,159,541 | $926,405 |
| Unused lines of credit | 774,695 | 571,587 |
| Commercial and standby letters of credit | 50,945 | 46,520 |
| Total | $1,985,181 | $1,544,512 |

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

Non-GAAP Financial Measures

The Company views certain non-operating items, including but not limited to merger related and restructuring charges, gain/(loss) on investment securities and their corresponding tax effect, as adjustments to net income. Non-operating adjustments for the third quarter of 2018 include $3.0 million of transaction related expenses for our pending merger, $332 thousand of data processing and system conversion expense, $292 thousand of other operating expense, $36 thousand of severance and salary expense, and $184 thousand loss on investment securities. The following reconciliation provides a more detailed analysis of this non-GAAP financial measure:

FCB Financial Holdings, Inc.

Reconciliation of Non-GAAP Financial Measures - Adjusted Net Income

(Unaudited)

| | Three Months Ended | | | | |
|---|---|---|---|---|---|
| | September 30, 2018 | June 30, 2018 | March 31, 2018 | December 31, 2017 | September 30, 2017 |
| | (Dollars in thousands) | | | | |
| Net Income | $43,480 | $42,734 | $40,099 | $18,964 | $32,160 |
| Pre-tax Adjustments | | | | | |
| Noninterest income | | | | | |
| Less: gain (loss) on investment securities | (184) | 116 | (1,404) | 211 | 690 |
| Noninterest expenses | | | | | |
| Salaries and employee benefits | 36 | 2,031 | 826 | 115 | 51 |
| Occupancy and equipment | — | 436 | 3 | — | — |
| Professional services | 3,000 | 9 | 911 | 148 | — |
| Data processing and network fees | 332 | 4 | 539 | — | — |
| Other operating expenses | 292 | 207 | 277 | 65 | 125 |
| Taxes | | | | | |
| Tax effect of adjustments | 19 | 646 | (3,398) | 16,212 | 2,541 |
| Adjusted Net Income | $47,343 | $45,951 | $40,661 | $35,293 | $34,187 |
| | | | | | |
| Average assets | $12,120,389 | $11,760,939 | $10,962,404 | $10,382,043 | $9,971,003 |
| ROA | 1.42 % | 1.46 % | 1.48 % | 0.72 % | 1.28 % |
| Adjusted ROA | 1.55 % | 1.57 % | 1.50 % | 1.35 % | 1.36 % |

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

The following table reconciles this non-GAAP financial measurement of tangible book value per common share to the comparable GAAP financial measurement of book value per common share for the periods presented:
FCB Financial Holdings, Inc.
Reconciliation of Non-GAAP measures - Tangible Book Value Per Share
(Unaudited)

| | September 30, 2018 | June 30, 2018 | March 31, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|---|---|
| | (Dollars in thousands, except share and per share data) | | | | |
| Total assets | $12,433,356 | $12,192,299 | $11,662,113 | $10,677,079 | $10,229,332 |
| Less: | | | | | |
| Goodwill and other intangible assets | 146,742 | 147,113 | 147,738 | 84,872 | 85,127 |
| Tangible assets | $12,286,614 | $12,045,186 | $11,514,375 | $10,592,207 | $10,144,205 |
| Total stockholders’ equity | $1,377,486 | $1,336,931 | $1,304,142 | $1,179,172 | $1,156,073 |
| Less: | | | | | |
| Goodwill and other intangible assets | 146,742 | 147,113 | 147,738 | 84,872 | 85,127 |
| Tangible stockholders’ equity | $1,230,744 | $1,189,818 | $1,156,404 | $1,094,300 | $1,070,946 |
| Shares outstanding | 46,809,305 | 46,765,902 | 46,620,627 | 44,371,104 | 43,728,302 |
| Tangible book value per share | $26.29 | $25.44 | $24.80 | $24.66 | $24.49 |
| Average assets | $12,120,389 | $11,760,939 | $10,962,404 | $10,382,043 | $9,971,003 |
| Average equity | $1,356,819 | $1,320,246 | $1,228,400 | $1,173,488 | $1,137,834 |
| Average goodwill and other intangible assets | $146,934 | $147,525 | $105,988 | $84,996 | $85,257 |
| Tangible average equity to tangible average assets | 10.1 % | 10.1 % | 10.3 % | 10.6 % | 10.6 % |
| Tangible common equity ratio | 10.0 % | 9.9 % | 10.0 % | 10.3 % | 10.6 % |

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

Item 3. Quantitative and Qualitative Disclosure about Market Risk

As described in more detail in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2017, risk management involves the monitoring and evaluation of interest rate risk, liquidity risk, operational risk, compliance risk and strategic and/or reputation risk. The Company has not experienced any material change in these risks from December 31, 2017 to September 30, 2018. For additional disclosure of our market risks, see the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 previously filed with the SEC.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Internal Control over Financial Reporting

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

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

The Company, from time to time, is involved as plaintiff or defendant in various legal actions arising in the normal course of business. While the ultimate outcome of any such proceedings cannot be predicted with certainty, it is the opinion of management, based upon advice of legal counsel, that no proceedings exist, either individually or in the aggregate, which, if determined adversely to the Company, would have a material effect on the Company’s consolidated balance sheet, statements of income or cash flows. See Note 13 “Commitments and Contingencies” and Note 2 "Business Combinations" in the “Notes to Consolidated Financial Statements.”

### Item 1A. Risk Factors

There have been no material changes in the risk factors disclosed by the Company in its Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC, except for the following risk factors related to the Company's announcement regarding the entry into a definitive merger agreement under which the Company will be acquired by Columbus, Georgia based Synovus Financial Corp. ("Synovus").

Risks Related to the Company's Proposed Merger with Synovus

We may not complete the proposed transaction with Synovus within the time frame we anticipate or at all, which could negatively affect our business, financial results and operations.

On July 23, 2018, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) under which Synovus will acquire all of the outstanding shares of our common stock. The transaction is subject to a number of closing conditions, such as receipt of regulatory approvals and the approval of our stockholders and Synovus shareholders, which may not be received or may take longer than expected. If the transaction is not consummated within the expected time frame, or at all, the Company and its stockholders would not realize the expected benefits of the merger.

The announcement and pendency of the proposed transaction with Synovus could have an adverse effect on our business.

The announcement and pendency of the proposed transaction with Synovus could cause disruptions and create uncertainty surrounding our business, which could affect our relationships with our customers, vendors or employees, regardless of whether the proposed transaction is completed. We could also potentially lose key customers, vendors or employees. In addition, we have directed, and will continue to direct, management resources towards the completion of the proposed transaction, which may divert management’s attention and our resources from ongoing business and operations.

We are also subject to restrictions on the conduct of our business prior to the consummation of the transaction as provided in the Merger Agreement, including, among other things, certain restrictions on our ability to acquire other businesses, sell or transfer our assets, make capital expenditures, amend our organizational documents and incur indebtedness. These restrictions could result in our inability to respond effectively to competitive pressures, industry developments and future opportunities.

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

None

### Item 3. Defaults upon Senior Securities

Not applicable

### Item 4. Mine Safety Disclosures

Not applicable

### Item 5. Other Information

None

Item 6. Exhibits

| | |
|---|---|
| 2.2 | Agreement and Plan of Merger by and among Synovus Financial Corp., FCB Financial Holdings, Inc. and Azalea Merger Sub Corp., dated as of July 23, 2018 (incorporated by reference to Exhibit 2.1 of the Form 8-K filed with the SEC on July 25, 2018).* |
| 3.4 | Amendment to Bylaws (incorporated by reference to Exhibit 3.1 of the Form 8-K filed with the SEC on July 25, 2018) |
| 10.36 | Letter Agreement, dated July 23, 2018, between Florida Community Bank, National Association and Kent Ellert (incorporated by reference to Exhibit 10.1 of the Form 8-K filed with the SEC on July 25, 2018) |
| 10.37 | Letter Agreement, dated July 23, 2018, between Florida Community Bank, National Association and Vincent Tese (incorporated by reference to Exhibit 10.2 of the Form 8-K filed with the SEC on July 25, 2018) |
| 10.38 | Letter Agreement, dated July 23, 2018, between Florida Community Bank, National Association and Les Lieberman (incorporated by reference to Exhibit 10.3 of the Form 8-K filed with the SEC on July 25, 2018) |
| 10.39 | Letter Agreement, dated July 23, 2018, between Florida Community Bank, National Association and James E. Baiter (incorporated by reference to Exhibit 10.4 of the Form 8-K filed with the SEC on July 25, 2018) |
| 10.40 | Letter Agreement, dated July 23, 2018, between Florida Community Bank, National Association and Jack Partagas (incorporated by reference to Exhibit 10.5 of the Form 8-K filed with the SEC on July 25, 2018) |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase |

* The schedules to the Agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K and will be furnished supplementally to the SEC upon request.

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Signatures

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

FCB Financial Holdings, Inc. (Registrant)

| | | |
|---|---|---|
| Date: | November 7, 2018 | /s/ Kent S. Ellert<br>Kent S. Ellert<br>President and Chief Executive Officer<br>(Principal Executive Officer) |
| Date: | November 7, 2018 | /s/ Jack Partagas<br>Jack Partagas<br>Senior Vice President and Chief Financial Officer<br>(Principal Financial Officer and Principal Accounting Officer) |