HOME BANCSHARES INC
Form 10-Q
May 07, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Quarterly Period Ended March 31, 2015

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: 000-51904

HOME BANCSHARES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Arkansas	**71-0682831**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
719 Harkrider, Suite 100, Conway, Arkansas	**72032**
(Address of principal executive offices)	**(Zip Code)**

(501) 328-4770

(Registrant s telephone number, including area code)

Not Applicable

Former name, former address and former fiscal year, if changed since last report

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

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

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

Common Stock Issued and Outstanding: 67,577,586 shares as of May 1, 2015.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of our statements contained in this document, including matters discussed under the caption Management s Discussion and Analysis of Financial Condition and Results of Operation, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements relate to future events or our future financial performance and include statements about the competitiveness of the banking industry, potential regulatory obligations, our entrance and expansion into other markets, including through potential acquisitions, our other business strategies and other statements that are not historical facts. Forward-looking statements are not guarantees of performance or results. When we use words like may, plan, contemplate, anticipate, believe, intend, continue, expect, project, estimate, could, should, would, and similar expressions, you should consider them as identifying forward-looking statements, although we may use other phrasing. These forward-looking statements involve risks and uncertainties and are based on our beliefs and assumptions, and on the information available to us at the time that these disclosures were prepared. These forward-looking statements involve risks and uncertainties and may not be realized due to a variety of factors, including, but not limited to, the following:

- the effects of future economic conditions, including inflation or a decrease in commercial real estate and residential housing values;
- governmental monetary and fiscal policies, as well as legislative and regulatory changes;
- the impact of the Dodd-Frank financial regulatory reform act and regulations issued thereunder;
- the risks of changes in interest rates or the level and composition of deposits, loan demand and the values of loan collateral, securities and interest sensitive assets and liabilities;
- the effects of terrorism and efforts to combat it;
- credit risks;
- the effects of competition from other commercial banks, thrifts, mortgage banking firms, consumer finance companies, credit unions, securities brokerage firms, insurance companies, money market and other mutual funds and other financial institutions operating in our market area and elsewhere, including institutions operating regionally, nationally and internationally, together with competitors offering banking products and services by mail, telephone and the Internet;
- the effect of any mergers, acquisitions or other transactions to which we or our subsidiaries may from time to time be a party, including our ability to successfully integrate any businesses that we acquire;

- the failure of assumptions underlying the establishment of our allowance for loan losses; and

- the failure of assumptions underlying the estimates of the fair values for our covered assets, FDIC indemnification asset and FDIC claims receivable.

All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by this Cautionary Note. Our actual results may differ significantly from those we discuss in these forward-looking statements. For other factors, risks and uncertainties that could cause our actual results to differ materially from estimates and projections contained in these forward-looking statements, see the Risk Factors section of our Form 10-K filed with the Securities and Exchange Commission on February 27, 2015.

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PART I: FINANCIAL INFORMATION

Item 1: Financial Statements

Home BancShares, Inc.

Consolidated Balance Sheets

(In thousands, except share data)	March 31, 2015 (Unaudited)	December 31, 2014
Assets		
Cash and due from banks	$ 115,448	$ 105,438
Interest-bearing deposits with other banks	82,123	7,090
Cash and cash equivalents	197,571	112,528
Federal funds sold	6,100	250
Investment securities available-for-sale	1,069,745	1,067,287
Investment securities held-to-maturity	344,518	356,790
Loans receivable not covered by loss share	4,929,989	4,817,314
Loans receivable covered by FDIC loss share	169,460	240,188
Allowance for loan losses	(56,526)	(55,011)
Loans receivable, net	5,042,923	5,002,491
Bank premises and equipment, net	209,326	206,912
Foreclosed assets held for sale not covered by loss share	17,402	16,951
Foreclosed assets held for sale covered by FDIC loss share	6,309	7,871
FDIC indemnification asset	19,435	28,409
Cash value of life insurance	74,722	74,444
Accrued interest receivable	23,542	24,075
Deferred tax asset, net	59,594	65,227
Goodwill	322,728	325,423
Core deposit and other intangibles	20,916	20,925
Other assets	99,143	93,689
Total assets	$ 7,513,974	$ 7,403,272
Liabilities and Stockholders Equity		
Deposits:		
Demand and non-interest-bearing	$ 1,328,689	$ 1,203,306
Savings and interest-bearing transaction accounts	3,120,803	2,974,850
Time deposits	1,452,733	1,245,815
Total deposits	5,902,225	5,423,971
Securities sold under agreements to repurchase	178,615	176,465

FHLB borrowed funds	277,477	697,957
Accrued interest payable and other liabilities	55,268	28,761
Subordinated debentures	60,826	60,826
Total liabilities	6,474,411	6,387,980
Stockholders equity:		
Common stock, par value $0.01; shares authorized 100,000,000 in 2015 and 2014; shares issued and outstanding 67,576,734 in 2015 and 67,570,610 in 2014	676	676
Capital surplus	779,856	781,328
Retained earnings	248,951	226,279
Accumulated other comprehensive income (loss)	10,080	7,009
Total stockholders equity	1,039,563	1,015,292
Total liabilities and stockholders equity	$ 7,513,974	$ 7,403,272

See Condensed Notes to Consolidated Financial Statements

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Home BancShares, Inc.

Consolidated Statements of Income

(In thousands, except per share data)	Three Months Ended March 31, 2015	2014
	(Unaudited)	
Interest income:		
Loans	$ 75,487	$ 75,013
Investment securities		
Taxable	5,543	4,470
Tax-exempt	2,752	2,317
Deposits other banks	91	24
Federal funds sold	8	16
Total interest income	83,881	81,840
Interest expense:		
Interest on deposits	3,258	3,384
Federal funds purchased	1	
FHLB borrowed funds	1,050	946
Securities sold under agreements to repurchase	172	182
Subordinated debentures	329	328
Total interest expense	4,810	4,840
Net interest income	79,071	77,000
Provision for loan losses	3,787	6,938
Net interest income after provision for loan losses	75,284	70,062
Non-interest income:		
Service charges on deposit accounts	5,418	5,911
Other service charges and fees	6,216	5,686
Trust fees	432	436
Mortgage lending income	1,932	1,513
Insurance commissions	567	1,416
Income from title services	34	50
Increase in cash value of life insurance	308	288
Dividends from FHLB, FRB, Bankers bank & other	415	316
Gain on acquisitions	1,635	
Gain on sale of SBA loans		
Gain (loss) on sale of premises and equipment, net	8	9
Gain (loss) on OREO, net	493	539
Gain (loss) on securities, net	4	

FDIC indemnification accretion/(amortization), net	(3,956)	(4,744)
Other income	1,164	761
Total non-interest income	14,670	12,181
Non-interest expense:		
Salaries and employee benefits	19,390	18,933
Occupancy and equipment	6,049	6,226
Data processing expense	2,419	1,793
Other operating expenses	12,855	12,405
Total non-interest expense	40,713	39,357
Income before income taxes	49,241	42,886
Income tax expense	18,122	15,549
Net income	$ 31,119	$ 27,337
Basic earnings per share	$ 0.46	$ 0.42
Diluted earnings per share	$ 0.46	$ 0.42

See Condensed Notes to Consolidated Financial Statements

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Home BancShares, Inc.

Consolidated Statements of Comprehensive Income

(In thousands)	Three Months Ended March 31, 2015 (Unaudited)	Three Months Ended March 31, 2014 (Unaudited)
Net income	$ 31,119	$ 27,337
Net unrealized gain (loss) on available-for-sale securities	5,050	7,653
Less: reclassification adjustment for realized (gains) losses included in income	4	
Other comprehensive income (loss), before tax effect	5,054	7,653
Tax effect	(1,983)	(3,002)
Other comprehensive income (loss)	3,071	4,651
Comprehensive income	$ 34,190	$ 31,988

Home BancShares, Inc.

Consolidated Statements of Stockholders Equity

Three Months Ended March 31, 2015 and 2014

(In thousands, except share data)	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2014	$ 651	$ 708,058	$ 136,386	$ (4,140)	$ 840,955
Comprehensive income:					
Net income			27,337		27,337
Other comprehensive income (loss)				4,651	4,651
Net issuance of 11,139 shares of common stock from exercise of stock options		49			49
Tax benefit from stock options exercised		123			123
Share-based compensation		638			638
Cash dividends Common Stock, $0.075 per share			(4,885)		(4,885)
Balances at March 31, 2014 (unaudited)	651	708,868	158,838	511	868,868
Comprehensive income:					
Net income			85,726		85,726
Other comprehensive income (loss)				6,498	6,498
	1	524			525

Net issuance of 109,222 shares of common stock from exercise of stock options					
Issuance of 1,316,072 shares of common stock from acquisition of Traditions, net of issuance costs of approximately $215	13	39,254			39,267
Issuance of 1,020,824 shares of common stock from acquisition of Broward, net of issuance costs of approximately $116	10	30,121			30,131
Disgorgement of profits		25			25
Tax benefit from stock options exercised		1,102			1,102
Share-based compensation	1	1,434			1,435
Cash dividends - Common Stock, $0.275 per share			(18,285)		(18,285)
Balances at December 31, 2014	676	781,328	226,279	7,009	1,015,292
Comprehensive income:					
Net income			31,119		31,119
Other comprehensive income (loss)				3,071	3,071
Net issuance of 1,464 shares of common stock from exercise of stock options		7			7
Repurchase of 67,332 shares of common stock	(1)	(2,014)			(2,015)
Tax benefit from stock options exercised		15			15
Share-based compensation	1	520			521
Cash dividends Common Stock, $0.125 per share			(8,447)		(8,447)
Balances at March 31, 2015 (unaudited)	$ 676	$ 779,856	$ 248,951	$ 10,080	$ 1,039,563

See Condensed Notes to Consolidated Financial Statements

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Home BancShares, Inc.

Consolidated Statements of Cash Flows

(In thousands)	Three Months Ended March 31, 2015	2014
	(Unaudited)	
Operating Activities		
Net income	$ 31,119	$ 27,337
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	2,635	2,523
Amortization/(accretion)	6,742	(2,334)
Share-based compensation	521	638
Tax benefits from stock options exercised	(15)	(123)
(Gain) loss on assets	(501)	(548)
Gain on acquisitions	(1,635)	
Provision for loan losses	3,787	6,938
Deferred income tax effect	3,650	3,524
Increase in cash value of life insurance	(308)	(288)
Originations of mortgage loans held for sale	(49,603)	(47,372)
Proceeds from sales of mortgage loans held for sale	51,145	50,288
Changes in assets and liabilities:		
Accrued interest receivable	533	1,079
Indemnification and other assets	(433)	20,166
Accrued interest payable and other liabilities	26,522	14,847
Net cash provided by (used in) operating activities	74,159	76,675
Investing Activities		
Net (increase) decrease in federal funds sold	(5,850)	(18,650)
Net (increase) decrease in loans, excluding loans acquired	(14,456)	69,168
Purchases of investment securities available-for-sale	(53,416)	(72,171)
Proceeds from maturities of investment securities available-for-sale	54,958	78,333
Proceeds from sale of investment securities available-for-sale	4	
Purchases of investment securities held-to-maturity	(2,540)	(22,672)
Proceeds from maturities of investment securities held-to-maturity	14,205	4,835
Proceeds from foreclosed assets held for sale	8,243	13,624
Proceeds from sale of insurance book of business	2,938	
Purchases of premises and equipment, net	(5,041)	(1,682)
Return of investment on cash value of life insurance	27	
Net cash proceeds (paid) received market acquisitions	429,902	
Net cash provided by (used in) investing activities	428,974	50,785

Financing Activities

Net increase (decrease) in deposits, excluding deposits acquired	10,680	(54,536)
Net increase (decrease) in securities sold under agreements to repurchase	2,150	(23,460)
Net increase (decrease) in FHLB borrowed funds	(420,480)	4,274
Proceeds from exercise of stock options	7	49
Repurchase of common stock	(2,015)	
Tax benefits from stock options exercised	15	123
Dividends paid on common stock	(8,447)	(4,885)
Net cash provided by (used in) financing activities	(418,090)	(78,435)
Net change in cash and cash equivalents	85,043	49,025
Cash and cash equivalents beginning of year	112,528	165,534
Cash and cash equivalents end of period	$ 197,571	$ 214,559

See Condensed Notes to Consolidated Financial Statements

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Home BancShares, Inc.

Condensed Notes to Consolidated Financial Statements

(Unaudited)

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Home BancShares, Inc. (the Company or HBI) is a bank holding company headquartered in Conway, Arkansas. The Company is primarily engaged in providing a full range of banking services to individual and corporate customers through its wholly-owned community bank subsidiary Centennial Bank (sometimes referred to as Centennial or the Bank). The Bank has locations in Arkansas, Florida, South Alabama and has a loan production office in New York City. The Company is subject to competition from other financial institutions. The Company also is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

A summary of the significant accounting policies of the Company follows:

Operating Segments

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Bank is the only significant subsidiary upon which management makes decisions regarding how to allocate resources and assess performance. Each of the branches of the Bank provide a group of similar community banking services, including such products and services as commercial, real estate and consumer loans, time deposits, and checking and savings accounts. The individual bank branches have similar operating and economic characteristics. While the chief decision maker monitors the revenue streams of the various products, services and branch locations, operations are managed and financial performance is evaluated on a Company-wide basis. Accordingly, all of the community banking services and branch locations are considered by management to be aggregated into one reportable operating segment, community banking.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, the valuation of investment securities, the valuation of foreclosed assets, the valuations of assets acquired and liabilities assumed in business combinations, covered loans and the related indemnification asset. In connection with the determination of the allowance for loan losses and the valuation of foreclosed assets, management obtains independent appraisals for significant properties.

Principles of Consolidation

The consolidated financial statements include the accounts of HBI and its subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications

Various items within the accompanying consolidated financial statements for previous years have been reclassified to provide more comparative information. These reclassifications had no effect on net earnings or stockholders equity.

Interim financial information

The accompanying unaudited consolidated financial statements as of March 31, 2015 and 2014 have been prepared in condensed format, and therefore do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

The information furnished in these interim statements reflects all adjustments, which are, in the opinion of management, necessary for a fair statement of the results for each respective period presented. Such adjustments are of a normal recurring nature. The results of operations in the interim statements are not necessarily indicative of the results that may be expected for any other quarter or for the full year. The interim financial information should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s 2014 Form 10-K, filed with the Securities and Exchange Commission.

Earnings per Share

Basic earnings per share is computed based on the weighted average number of shares outstanding during each year. Diluted earnings per share is computed using the weighted average shares and all potential dilutive shares outstanding during the period. The following table sets forth the computation of basic and diluted earnings per share (EPS) for the following periods:

	Three Months Ended March 31,	
	2015	**2014**
	(In thousands, except per share data)	
Net income	$ 31,119	$ 27,337
Average shares outstanding	67,589	65,123
Effect of common stock options	334	388
Average diluted shares outstanding	67,923	65,511
Basic earnings per share	$ 0.46	$ 0.42
Diluted earnings per share	$ 0.46	$ 0.42

2. Business Combinations

Acquisition of Doral Bank s Florida Panhandle operations

On February 27, 2015, the Company s banking subsidiary, Centennial Bank acquired all the deposits and substantially all the assets of Doral Bank s Florida Panhandle operations (Doral Florida) through an alliance agreement with Banco Popular of Puerto Rico (Popular) who was the successful lead bidder with the Federal Deposit Insurance Corporation (FDIC) on the failed Doral Bank of San Juan, Puerto Rico. The acquisition provided the Company with loans of approximately $37.9 million net of loan discounts, deposits of approximately $466.3 million, plus a $428.2 million cash settlement to balance the transaction. There is no loss-share with the FDIC in the acquired assets.

Prior to the acquisition, Doral Florida operated five branch locations in Panama City, Panama City Beach and Pensacola, Florida plus a loan production office in Tallahassee, Florida. At the time of acquisition, Centennial operated 29 branch locations in the Florida Panhandle. As a result, the Company will close all five branch locations during the July 2015 systems conversion and return the facilities back to the FDIC.

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The Company has determined that the acquisition of the net assets of Doral Florida constitutes a business combination as defined by the FASB ASC Topic 805, *Business Combinations*. Accordingly, the assets acquired and liabilities assumed are presented at their fair values as required. Fair values were determined based on the requirements of FASB ASC Topic 820, *Fair Value Measurements*. In many cases, the determination of these fair values 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 following schedule is a breakdown of the assets acquired and liabilities assumed as of the acquisition date:

	Doral Bank s Florida Panhandle operations		
	Acquired from FDIC	Fair Value Adjustments	As Recorded by HBI
	(Dollars in thousands)		
Assets			
Cash and due from banks	$ 1,688	$ 428,214	$ 429,902
Loans receivable not covered by loss share	42,244	(4,300)	37,944
Total loans receivable	42,244	(4,300)	37,944
Core deposit intangibles		1,363	1,363
Total assets acquired	$ 43,932	$ 425,277	$ 469,209
Liabilities			
Deposits			
Demand and non-interest-bearing	$ 3,130	$	$ 3,130
Savings and interest-bearing transaction accounts	119,865		119,865
Time deposits	343,271	1,308	344,579
Total deposits	466,266	1,308	467,574
Total liabilities assumed	$ 466,266	$ 1,308	$ 467,574
Pre-tax gain on acquisition			$ 1,635

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

Cash and due from banks   The carrying amount of these assets is a reasonable estimate of fair value based on the short-term nature of these assets. The $428.2 million adjustment is the cash settlement received from Popular for the net equity received, assets discount bid and other customary closing adjustments.

Loans   Fair values for loans were based on a discounted cash flow methodology that considered factors including the type of loan and related collateral, classification status, fixed or variable interest rate, term of loan and whether or not the loan was amortizing, and current discount rates. The discount rates used for loans are based on current market rates for new originations of comparable loans and include adjustments for liquidity concerns.

The Company evaluated $36.9 million of the loans purchased in conjunction with the acquisition in accordance with the provisions of FASB ASC Topic 310-20, *Nonrefundable Fees and Other Costs*, and were recorded with a $3.4 million discount. As a result, the fair value discount on these loans is being accreted into interest income over the weighted average life of the loans using a constant yield method. The remaining approximately $5.3 million of loans evaluated were considered purchased credit impaired loans with in the provisions of FASB ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*, and were recorded with a $950,000 discount. These purchased credit impaired loans will recognize interest income through accretion of the difference between the carrying amount of the loans and the expected cash flows.

Core deposit intangible   This intangible asset represents the value of the relationships that Doral Florida had with its deposit customers. The fair value of this intangible asset was estimated based on a discounted cash flow methodology that gave appropriate consideration to expected customer attrition rates, cost of the deposit base, and the net maintenance cost attributable to customer deposits. The Company recorded $1.4 million of core deposit intangible.

Deposits The fair values used for the demand and savings deposits that comprise the transaction accounts acquired, by definition, equal the amount payable on demand at the acquisition date. The Bank was able to reset deposit rates. However, the Bank did not lower the deposit rates as low as the market rates currently offered. As a result, a $1.3 million fair value adjustment was applied for time deposits because the estimated weighted average interest rate of Doral Florida s certificates of deposits were still estimated to be above the current market rates after the rate reset.

The purchase price allocation and certain fair value measurements remain preliminary due to the timing of the acquisition. The Company will continue to review the estimated fair values of loans, deposits and intangible assets, and to evaluate the assumed tax positions and contingencies.

The Company s operating results for the period ended March 31, 2015, include the operating results of the acquired assets and assumed liabilities subsequent to the acquisition date. Due to the fair value adjustments recorded and the fact Doral Florida total assets acquired excluding the cash settlement received is less than 1% of total assets as of March 31, 2015, historical results are not believed to be material to the Company s results, and thus no pro-forma information is presented.

Acquisition of Broward Financial Holdings, Inc.

On October 23, 2014, the Company completed its acquisition of Broward Financial Holdings, Inc. (Broward), parent company of Broward Bank of Commerce, pursuant to a previously announced definitive agreement and plan of merger whereby a wholly-owned acquisition subsidiary (Acquisition Sub II) of HBI merged with and into Broward, resulting in Broward becoming a wholly-owned subsidiary of HBI. Immediately thereafter, Broward Bank of Commerce was merged into Centennial. Under the terms of the Agreement and Plan of Merger dated July 30, 2014 by and among HBI, Centennial, Broward, Broward Bank of Commerce and Acquisition Sub II, HBI issued 1,020,824 shares of its common stock valued at approximately $30.2 million as of October 23, 2014, plus $3.3 million in cash in exchange for all outstanding shares of Broward common stock. HBI has also agreed to pay the Broward shareholders, at an undetermined date, up to approximately $751,000 in additional consideration. The amount and timing of the additional payment, if any, will depend on future payments received or losses incurred by Centennial from certain current Broward Bank of Commerce loans. At March 31, 2015 and December 31, 2014, the Company had recorded a fair value of zero for the potential additional consideration.

Prior to the acquisition, Broward Bank of Commerce operated two banking locations in Fort Lauderdale, Florida. Including the effects of the purchase accounting adjustments, Broward had approximately $184.4 million in total assets, $121.1 million in total loans after $3.0 million of loan discounts, and $134.2 million in deposits.

As of the acquisition date, Broward s common equity totaled $20.4 million and the Company paid a purchase price to the Broward shareholders of approximately $33.6 million for the Broward acquisition. As a result, the Company paid a multiple of 1.62 of Broward s book value per share and tangible book value per share.

See Note 2 Business Combinations in the Notes to Consolidated Financial Statements on Form 10-K for the year ended December 31, 2014 for an additional discussion regarding the acquisition of Broward.

Acquisition of Florida Traditions Bank

On July 17, 2014, the Company completed the acquisition of all of the issued and outstanding shares of common stock of Florida Traditions Bank (Traditions) and merged Traditions into Centennial. Under the terms of the Agreement and Plan of Merger dated April 25, 2014, by and among the Company, Centennial, and Traditions, the shareholders of Traditions received approximately $39.5 million of the Company s common stock valued at the time of closing, in exchange for all outstanding shares of Traditions common stock.

Prior to the acquisition, Traditions operated eight banking locations in Central Florida, including its main office in Dade City, Florida. Including the effects of the purchase accounting adjustments, Traditions had $310.5 million in total assets, $241.6 million in loans after $8.5 million of loan discounts, and $267.3 million in deposits.

The transaction was accretive to the Company s book value per common share and tangible book value per common share by $0.31 per share and $0.21 per share, respectively.

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See Note 2 Business Combinations in the Notes to Consolidated Financial Statements on Form 10-K for the year ended December 31, 2014 for an additional discussion regarding the acquisition of Traditions.

3. Investment Securities

The amortized cost and estimated fair value of investment securities that are classified as available-for-sale and held-to-maturity are as follows:

	March 31, 2015			
	Available-for-Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
	(In thousands)			
U.S. government-sponsored enterprises	$ 349,973	$ 3,950	$ (77)	$ 353,846
Mortgage-backed securities	482,501	6,346	(400)	488,447
State and political subdivisions	172,683	6,662	(73)	179,272
Other securities	48,001	467	(288)	48,180
Total	$ 1,053,158	$ 17,425	$ (838)	$ 1,069,745

	Held-to-Maturity			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
	(In thousands)			
U.S. government-sponsored enterprises	$ 4,701	$ 62	$	$ 4,763
Mortgage-backed securities	154,543	1,755	(45)	156,253
State and political subdivisions	185,274	5,427	(44)	190,657
Total	$ 344,518	$ 7,244	$ (89)	$ 351,673

	December 31, 2014			
	Available-for-Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
	(In thousands)			
U.S. government-sponsored enterprises	$ 333,880	$ 2,467	$ (269)	$ 336,078
Mortgage-backed securities	500,292	4,235	(1,445)	503,082
State and political subdivisions	170,207	6,522	(88)	176,641
Other securities	51,375	437	(326)	51,486

Total	$ 1,055,754	$ 13,661	$ (2,128)	$ 1,067,287

	Held-to-Maturity			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
	(In thousands)			
U.S. government-sponsored enterprises	$ 4,724	$ 2	$ (11)	$ 4,715
Mortgage-backed securities	161,051	580	(193)	161,438
State and political subdivisions	191,015	5,178	(74)	196,119
Total	$ 356,790	$ 5,760	$ (278)	$ 362,272

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Assets, principally investment securities, having a carrying value of approximately $1.24 billion and $1.23 billion at March 31, 2015 and December 31, 2014, respectively, were pledged to secure public deposits and for other purposes required or permitted by law. Also, investment securities pledged as collateral for repurchase agreements totaled approximately $178.6 million and $176.5 million at March 31, 2015 and December 31, 2014, respectively.

The amortized cost and estimated fair value of securities classified as available-for-sale and held-to-maturity at March 31, 2015, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In thousands)			
Due in one year or less	$ 358,826	$ 362,143	$ 73,261	$ 74,443
Due after one year through five years	506,870	516,861	160,420	164,396
Due after five years through ten years	144,847	147,481	68,123	69,865
Due after ten years	42,615	43,260	42,714	42,969
Total	$ 1,053,158	$ 1,069,745	$ 344,518	$ 351,673

For purposes of the maturity tables, mortgage-backed securities, which are not due at a single maturity date, have been allocated over maturity groupings based on anticipated maturities. The mortgage-backed securities may mature earlier than their weighted-average contractual maturities because of principal prepayments.

During the three-month period ended March 31, 2015, approximately $931,000, in available-for-sale securities were sold. The gross realized gains on the sales for the three month period ended March 31, 2015 totaled approximately $4,000. The income tax expense/benefit to net security gains and losses was 39.225% of the gross amounts.

During the three-month period ended March 31, 2014, no available-for-sale securities were sold.

The Company evaluates all securities quarterly to determine if any unrealized losses are deemed to be other than temporary. In completing these evaluations the Company follows the requirements of FASB ASC 320, *Investments - Debt and Equity Securities.* Certain investment securities are valued less than their historical cost. These declines are primarily the result of the rate for these investments yielding less than current market rates. Based on evaluation of available evidence, management believes the declines in fair value for these securities are temporary. The Company does not intend to sell or believe it will be required to sell these investments before recovery of their amortized cost bases, which may be maturity. Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

During the three-month period ended March 31, 2015, no securities were deemed to have other-than-temporary impairment besides securities for which impairment was taken in prior periods.

As of March 31, 2015, the Company had investment securities with a fair value of approximately $65.7 million in unrealized losses, which have been in continuous loss positions for more than twelve months. Excluding impairment write downs taken in prior periods, the Company s assessments indicated that the cause of the market depreciation was primarily the change in interest rates and not the issuer s financial condition, or downgrades by rating agencies. In addition, approximately 78.7% of the Company s investment portfolio matures in five years or less. As a result, the Company has the ability and intent to hold such securities until maturity.

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The following shows gross unrealized losses and estimated fair value of investment securities classified as available-for-sale and held-to-maturity with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual investment securities have been in a continuous loss position as of March 31, 2015 and December 31, 2014:

	March 31, 2015					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. government-sponsored enterprises	$ 13,118	$ (51)	$ 11,036	$ (26)	$ 24,154	$ (77)
Mortgage-backed securities	49,220	(121)	40,379	(324)	89,599	(445)
State and political subdivisions	9,965	(92)	1,981	(25)	11,946	(117)
Other securities	9,803	(70)	12,344	(218)	22,147	(288)
Total	$ 82,106	$ (334)	$ 65,740	$ (593)	$ 147,846	$ (927)

	December 31, 2014					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. government-sponsored enterprises	$ 22,004	$ (113)	$ 27,616	$ (167)	$ 49,620	$ (280)
Mortgage-backed securities	221,171	(812)	76,596	(826)	297,767	(1,638)
State and political subdivisions	15,171	(106)	10,038	(56)	25,209	(162)
Other securities	10,054	(51)	12,390	(275)	22,444	(326)
Total	$ 268,400	$ (1,082)	$ 126,640	$ (1,324)	$ 395,040	$ (2,406)

Income earned on securities for the three months ended March 31, 2015 and 2014, is as follows:

	Three Months Ended March 31,	
	2015	2014
	(In thousands)	
Taxable:		
Available-for-sale	$ 4,507	$ 4,420
Held-to-maturity	1,036	50
Non-taxable:		
Available-for-sale	1,346	1,490

Held-to-maturity	1,406	827
Total	$ 8,295	$ 6,787

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4. Loans Receivable Not Covered by Loss Share

The various categories of loans not covered by loss share are summarized as follows:

	March 31, 2015	December 31, 2014
	(In thousands)	
Real estate:		
Commercial real estate loans		
Non-farm/non-residential	$ 2,042,781	$ 1,987,890
Construction/land development	733,564	700,139
Agricultural	82,985	72,211
Residential real estate loans		
Residential 1-4 family	976,719	963,990
Multifamily residential	274,515	250,222
Total real estate	4,110,564	3,974,452
Consumer	51,852	56,720
Commercial and industrial	641,411	670,124
Agricultural	58,317	48,833
Other	67,845	67,185
Loans receivable not covered by loss share	$ 4,929,989	$ 4,817,314

During the three-month periods ended March 31, 2015 and 2014, no SBA loans were sold.

Mortgage loans held for sale of approximately $31.6 million and $33.1 million at March 31, 2015 and December 31, 2014, respectively, are included in residential 1-4 family loans. Mortgage loans held for sale are carried at the lower of cost or fair value, determined using an aggregate basis. Gains and losses resulting from sales of mortgage loans are recognized when the respective loans are sold to investors. Gains and losses are determined by the difference between the selling price and the carrying amount of the loans sold, net of discounts collected or paid. The Company obtains forward commitments to sell mortgage loans to reduce market risk on mortgage loans in the process of origination and mortgage loans held for sale. The forward commitments acquired by the Company for mortgage loans in process of origination are not mandatory forward commitments. These commitments are structured on a best efforts basis; therefore the Company is not required to substitute another loan or to buy back the commitment if the original loan does not fund. Typically, the Company delivers the mortgage loans within a few days after the loans are funded. These commitments are derivative instruments and their fair values at March 31, 2015 and December 31, 2014 were not material.

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5. Loans Receivable Covered by FDIC Loss Share

The Company evaluated loans purchased in conjunction with the acquisitions under purchase and assumption agreements with the FDIC for impairment in accordance with the provisions of FASB ASC Topic 310-30. Purchased covered loans are considered impaired if there is evidence of credit deterioration since origination and if it is probable that not all contractually required payments will be collected.

The following table reflects the carrying value of all purchased FDIC covered impaired loans as of March 31, 2015 and December 31, 2014 for the Company:

	March 31, 2015	December 31, 2014
	(In thousands)	
Real estate:		
Commercial real estate loans		
Non-farm/non-residential	$ 58,251	$ 93,979
Construction/land development	25,495	39,946
Agricultural	875	943
Residential real estate loans		
Residential 1-4 family	76,758	87,309
Multifamily residential	1,421	8,617
Total real estate	162,800	230,794
Consumer	17	16
Commercial and industrial	5,887	8,651
Other	756	727
Loans receivable covered by FDIC loss share	$ 169,460	$ 240,188

The acquired loans were grouped into pools based on common risk characteristics and were recorded at their estimated fair values, which incorporated estimated credit losses at the acquisition dates. These loan pools are systematically reviewed by the Company to determine material changes in cash flow estimates from those identified at the time of the acquisition. Techniques used in determining risk of loss are similar to the Centennial Bank non-covered loan portfolio, with most focus being placed on those loan pools which include the larger loan relationships and those loan pools which exhibit higher risk characteristics. As of March 31, 2015 and December 31, 2014, $14.5 million and $22.5 million, respectively, were accruing loans past due 90 days or more.

6. Allowance for Loan Losses, Credit Quality and Other

The following table presents a summary of changes in the allowance for loan losses for the non-covered and covered loan portfolios for the three months ended March 31, 2015:

	For Loans Not Covered by Loss Share	For Loans Covered by FDIC Loss Share	Total

		(In thousands)	
Allowance for loan losses:			
Beginning balance	$ 52,471	$ 2,540	$ 55,011
Loans charged off	(3,150)	(772)	(3,922)
Recoveries of loans previously charged off	541	265	806
Net loans recovered (charged off)	(2,609)	(507)	(3,116)
Provision for loan losses for non-covered loans	2,869		2,869
Provision for loan losses forecasted outside of loss share		(295)	(295)
Provision for loan losses before benefit attributable to FDIC loss share agreements		2,057	2,057
Change attributable to FDIC loss share agreements		(844)	(844)
Net provision for loan losses for covered loans		918	918
Increase in FDIC indemnification asset		844	844
Balance, March 31, 2015	$ 52,731	$ 3,795	$ 56,526

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Allowance for Loan Losses and Credit Quality for Non-Covered Loans

The following tables present the balance in the allowance for loan losses for the non-covered loan portfolio for the three-month period ended March 31, 2015 and the allowance for loan losses and recorded investment in loans not covered by loss share based on portfolio segment by impairment method as of March 31, 2015. Allocation of a portion of the allowance to one type of loans does not preclude its availability to absorb losses in other categories. Additionally, the Company s discount for credit losses on non-covered loans acquired was $134.7 million, $139.7 million and $164.3 million at March 31, 2015, December 31, 2014 and March 31, 2014, respectively.

	Three Months Ended March 31, 2015						
	Construction/ Land Development	Other Commercial Real Estate	Residential Real Estate	Commercial & Industrial	Consumer & Other	Unallocated	Total
				(In thousands)			
Allowance for loan losses:							
Beginning balance	$ 8,116	$ 17,227	$ 13,446	$ 5,950	$ 5,798	$ 1,934	$ 52,471
Loans charged off	(83)	(802)	(864)	(829)	(572)		(3,150)
Recoveries of loans previously charged off	58	1	157	31	294		541
Net loans recovered (charged off)	(25)	(801)	(707)	(798)	(278)		(2,609)
Provision for loan losses	631	1,079	(1,455)	972	(210)	1,852	2,869
Balance, March 31	$ 8,722	$ 17,505	$ 11,284	$ 6,124	$ 5,310	$ 3,786	$ 52,731

	As of March 31, 2015						
	Construction/ Land Development	Other Commercial Real Estate	Residential Real Estate	Commercial & Industrial	Consumer & Other	Unallocated	Total
				(In thousands)			
Allowance for loan losses:							
Period end amount allocated to:							
Loans individually evaluated for impairment	$ 1,516	$ 2,009	$ 103	$ 9	$	$	$ 3,637
Loans collectively evaluated for impairment	7,206	15,496	11,181	6,115	5,310	3,786	49,094
Loans evaluated for impairment balance, March 31	8,722	17,505	11,284	6,124	5,310	3,786	52,731

Purchased credit impaired loans acquired							
Balance, March 31	$ 8,722	$ 17,505	$ 11,284	$ 6,124	$ 5,310	$ 3,786	$ 52,731
Loans receivable:							
Period end amount allocated to:							
Loans individually evaluated for impairment	$ 23,920	$ 53,783	$ 18,240	$ 3,977	$ 1,053	$	$ 100,973
Loans collectively evaluated for impairment	691,520	1,966,275	1,175,303	623,917	174,596		4,631,611
Loans evaluated for impairment balance, March 31	715,440	2,020,058	1,193,543	627,894	175,649		4,732,584
Purchased credit impaired loans acquired	18,124	105,708	57,691	13,517	2,365		197,405
Balance, March 31	$ 733,564	$ 2,125,766	$ 1,251,234	$ 641,411	$ 178,014	$	$ 4,929,989

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The following tables present the balances in the allowance for loan losses for the non-covered loan portfolio for the three-month period ended March 31, 2014 and the year ended December 31, 2014, and the allowance for loan losses and recorded investment in loans not covered by loss share based on portfolio segment by impairment method as of December 31, 2014. Allocation of a portion of the allowance to one type of loans does not preclude its availability to absorb losses in other categories.

	Year Ended December 31, 2014						
	Construction/ Land Development	Other Commercial Real Estate	Residential Real Estate	Commercial & Industrial	Consumer & Other	Unallocated	Total
				(In thousands)			
Allowance for loan losses:							
Beginning balance	$ 6,282	$ 15,100	$ 8,889	$ 1,933	$ 2,563	$ 4,255	$ 39,022
Loans charged off	(22)	(67)	(613)	(868)	(854)		(2,424)
Recoveries of loans previously charged off	25	22	57	35	349		488
Net loans recovered (charged off)	3	(45)	(556)	(833)	(505)		(1,936)
Provision for loan losses	(160)	1,662	1,423	2,767	1,588	(342)	6,938
Balance, March 31	6,125	16,717	9,756	3,867	3,646	3,913	44,024
Loans charged off	(951)	(2,255)	(2,436)	(1,298)	(1,941)		(8,881)
Recoveries of loans previously charged off	317	220	892	271	806		2,506
Net loans recovered (charged off)	(634)	(2,035)	(1,544)	(1,027)	(1,135)		(6,375)
Provision for loan losses	2,625	2,545	5,234	3,110	3,287	(1,979)	14,822
Balance, December 31	$ 8,116	$ 17,227	$ 13,446	$ 5,950	$ 5,798	$ 1,934	$ 52,471

	As of December 31, 2014						
	Construction/ Land Development	Other Commercial Real Estate	Residential Real Estate	Commercial & Industrial	Consumer & Other	Unallocated	Total
				(In thousands)			
Allowance for loan losses:							
Period end amount allocated to:							
Loans individually evaluated for impairment	$ 1,477	$ 3,080	$ 2,183	$ 6	$	$	$ 6,746

Loans collectively evaluated for impairment	6,624	12,447	10,827	5,880	5,798	1,934	43,510
Loans evaluated for impairment balance, December 31	8,101	15,527	13,010	5,886	5,798	1,934	50,256
Purchased credit impaired loans acquired	15	1,700	436	64			2,215
Balance, December 31	$ 8,116	$ 17,227	$ 13,446	$ 5,950	$ 5,798	$ 1,934	$ 52,471
Loans receivable:							
Period end amount allocated to:							
Loans individually evaluated for impairment	$ 19,037	$ 48,065	$ 21,734	$ 4,084	$ 484	$	$ 93,404
Loans collectively evaluated for impairment	659,465	1,900,472	1,131,021	650,163	169,815		4,510,936
Loans evaluated for impairment balance, December 31	678,502	1,948,537	1,152,755	654,247	170,299		4,604,340
Purchased credit impaired loans acquired	21,637	111,564	61,457	15,877	2,439		212,974
Balance, December 31	$ 700,139	$ 2,060,101	$ 1,214,212	$ 670,124	$ 172,738	$	$ 4,817,314

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The following is an aging analysis for the non-covered loan portfolio as of March 31, 2015 and December 31, 2014:

	March 31, 2015						
	Loans Past Due 30-59 Days	**Loans Past Due 60-89 Days**	**Loans Past Due 90 Days or More**	**Total Past Due**	**Current Loans**	**Total Loans Receivable**	**Accruing Loans Past Due 90 Days or More**
				(In thousands)			
Real estate:							
Commercial real estate loans							
Non-farm/non-residential	$ 3,799	$ 255	$ 14,850	$ 18,904	$ 2,023,877	$ 2,042,781	$ 5,482
Construction/land development	5,157	3,975	2,887	12,019	721,545	733,564	426
Agricultural	20		109	129	82,856	82,985	30
Residential real estate loans							
Residential 1-4 family	8,629	961	13,964	23,554	953,165	976,719	3,492
Multifamily residential			1,334	1,334	273,181	274,515	1
Total real estate	17,605	5,191	33,144	55,940	4,054,624	4,110,564	9,431
Consumer	205	91	609	905	50,947	51,852	26
Commercial and industrial	1,585	87	3,583	5,255	636,156	641,411	2,703
Agricultural and other	483	34	178	695	125,467	126,162	
Total	$ 19,878	$ 5,403	$ 37,514	$ 62,795	$ 4,867,194	$ 4,929,989	$ 12,160

	December 31, 2014						
	Loans Past Due 30-59 Days	**Loans Past Due 60-89 Days**	**Loans Past Due 90 Days or More**	**Total Past Due**	**Current Loans**	**Total Loans Receivable**	**Accruing Loans Past Due 90 Days or More**
				(In thousands)			
Real estate:							
Commercial real estate loans							
Non-farm/non-residential	$ 5,942	$ 1,311	$ 14,781	$ 22,034	$ 1,965,856	$ 1,987,890	$ 5,880
Construction/land development	2,696	847	1,660	5,203	694,936	700,139	734
Agricultural	307		34	341	71,870	72,211	34
Residential real estate loans							
Residential 1-4 family	4,680	1,494	16,077	22,251	941,739	963,990	4,128
Multifamily residential			2,035	2,035	248,187	250,222	691

Total real estate	13,625	3,652	34,587	51,864	3,922,588	3,974,452	11,467
Consumer	368	149	858	1,375	55,345	56,720	579
Commercial and industrial	1,669	549	3,933	6,151	663,973	670,124	2,825
Agricultural and other	463	16	184	663	115,355	116,018	
Total	$ 16,125	$ 4,366	$ 39,562	$ 60,053	$ 4,757,261	$ 4,817,314	$ 14,871

Non-accruing loans not covered by loss share at March 31, 2015 and December 31, 2014 were $25.4 million and $24.7 million, respectively.

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The following is a summary of the non-covered impaired loans as of March 31, 2015 and December 31, 2014:

	March 31, 2015				
				Three Months Ended	
	Unpaid Contractual Principal Balance	Total Recorded Investment	Allocation of Allowance for Loan Losses	Average Recorded Investment	Interest Recognized
			(In thousands)		
Loans without a specific valuation allowance					
Real estate:					
Commercial real estate loans					
Non-farm/non-residential	$	$	$	$	$
Construction/land development					
Agricultural					
Residential real estate loans					
Residential 1-4 family					
Multifamily residential					
Total real estate					
Consumer					
Commercial and industrial					
Agricultural and other					
Total loans without a specific valuation allowance					
Loans with a specific valuation allowance					
Real estate:					
Commercial real estate loans					
Non-farm/non-residential	45,267	42,860	2,009	42,265	276
Construction/land development	21,253	20,750	1,516	19,413	105
Agricultural	145	109		71	
Residential real estate loans					
Residential 1-4 family	16,699	14,629	41	15,340	54
Multifamily residential	3,612	3,611	62	3,969	22
Total real estate	86,976	81,959	3,628	81,058	457
Consumer	911	875		866	4
Commercial and industrial	5,601	3,977	9	4,111	33
Agricultural and other	178	178		182	
Total loans with a specific valuation allowance	93,666	86,989	3,637	86,217	494
Total impaired loans					
Real estate:					
Commercial real estate loans					

Non-farm/non-residential	45,267	42,860	2,009	42,265	276
Construction/land development	21,253	20,750	1,516	19,413	105
Agricultural	145	109		71	
Residential real estate loans					
Residential 1-4 family	16,699	14,629	41	15,340	54
Multifamily residential	3,612	3,611	62	3,969	22
Total real estate	86,976	81,959	3,628	81,058	457
Consumer	911	875		866	4
Commercial and industrial	5,601	3,977	9	4,111	33
Agricultural and other	178	178		182	
Total impaired loans	$ 93,666	$ 86,989	$ 3,637	$ 86,217	$ 494

Note: Purchased non-covered loans acquired with deteriorated credit quality are accounted for on a pooled basis under ASC 310-30. All of these pools are currently considered to be performing resulting in none of the purchased non-covered loans acquired with deteriorated credit quality being classified as non-covered impaired loans as of March 31, 2015.

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	December 31, 2014			Year Ended	
	Unpaid Contractual Principal Balance	Total Recorded Investment	Allocation of Allowance for Loan Losses	Average Recorded Investment	Interest Recognized
			(In thousands)		
Loans without a specific valuation allowance					
Real estate:					
Commercial real estate loans					
Non-farm/non-residential	$	$	$	$ 676	$ 14
Construction/land development					
Agricultural					
Residential real estate loans					
Residential 1-4 family				25	2
Multifamily residential					
Total real estate				701	16
Consumer					
Commercial and industrial					
Agricultural and other					
Total loans without a specific valuation allowance				701	16
Loans with a specific valuation allowance					
Real estate:					
Commercial real estate loans					
Non-farm/non-residential	44,242	41,670	3,080	43,556	1,379
Construction/land development	18,369	18,075	1,477	21,142	656
Agricultural	53	33		60	1
Residential real estate loans					
Residential 1-4 family	18,052	16,051	1,065	16,701	407
Multifamily residential	4,614	4,327	1,118	4,037	120
Total real estate	85,330	80,156	6,740	85,496	2,563
Consumer	890	857		407	14
Commercial and industrial	5,916	4,246	6	5,059	151
Agricultural and other	185	185		114	
Total loans with a specific valuation allowance	92,321	85,444	6,746	91,076	2,728
Total impaired loans					
Real estate:					
Commercial real estate loans					
Non-farm/non-residential	44,242	41,670	3,080	44,232	1,393
Construction/land development	18,369	18,075	1,477	21,142	656
Agricultural	53	33		60	1
Residential real estate loans					
Residential 1-4 family	18,052	16,051	1,065	16,726	409
Multifamily residential	4,614	4,327	1,118	4,037	120

Total real estate	85,330	80,156	6,740	86,197	2,579
Consumer	890	857		407	14
Commercial and industrial	5,916	4,246	6	5,059	151
Agricultural and other	185	185		114	
Total impaired loans	$ 92,321	$ 85,444	$ 6,746	$ 91,777	$ 2,744

Note: Purchased non-covered loans acquired with deteriorated credit quality are accounted for on a pooled basis under ASC 310-30. All of these pools are currently considered to be performing resulting in none of the purchased non-covered loans acquired with deteriorated credit quality being classified as non-covered impaired loans as of December 31, 2014.

Interest recognized on non-covered impaired loans during the three months ended March 31, 2015 and 2014 was approximately $494,000 and $801,000, respectively. The amount of interest recognized on non-covered impaired loans on the cash basis is not materially different than the accrual basis.

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Credit Quality Indicators. As part of the on-going monitoring of the credit quality of the Company s loan portfolio, management tracks certain credit quality indicators including trends related to (i) the risk rating of loans, (ii) the level of classified loans, (iii) net charge-offs, (iv) non-performing loans and (v) the general economic conditions in Florida, Arkansas and Alabama.

The Company utilizes a risk rating matrix to assign a risk rating to each of its loans. Loans are rated on a scale from 1 to 8. Descriptions of the general characteristics of the 8 risk ratings are as follows:

Risk rating 1 Excellent. Loans in this category are to persons or entities of unquestionable financial strength, a highly liquid financial position, with collateral that is liquid and well margined. These borrowers have performed without question on past obligations, and the Bank expects their performance to continue. Internally generated cash flow covers current maturities of long-term debt by a substantial margin. Loans secured by bank certificates of deposit and savings accounts, with appropriate holds placed on the accounts, are to be rated in this category.

Risk rating 2 Good. These are loans to persons or entities with strong financial condition and above-average liquidity that have previously satisfactorily handled their obligations with the Bank. Collateral securing the Bank s debt is margined in accordance with policy guidelines. Internally generated cash flow covers current maturities of long-term debt more than adequately. Unsecured loans to individuals supported by strong financial statements and on which repayment is satisfactory may be included in this classification.

Risk rating 3 Satisfactory. Loans to persons or entities with an average financial condition, adequate collateral margins, adequate cash flow to service long-term debt, and net worth comprised mainly of fixed assets are included in this category. These entities are minimally profitable now, with projections indicating continued profitability into the foreseeable future. Closely held corporations or businesses where a majority of the profits are withdrawn by the owners or paid in dividends are included in this rating category. Overall, these loans are basically sound.

Risk rating 4 Watch. Borrowers who have marginal cash flow, marginal profitability or have experienced an unprofitable year and a declining financial condition characterize these loans. The borrower has in the past satisfactorily handled debts with the Bank, but in recent months has either been late, delinquent in making payments, or made sporadic payments. While the Bank continues to be adequately secured, margins have decreased or are decreasing, despite the borrower s continued satisfactory condition. Other characteristics of borrowers in this class include inadequate credit information, weakness of financial statement and repayment capacity, but with collateral that appears to limit exposure. Included in this category are loans to borrowers in industries that are experiencing elevated risk.

Risk rating 5 Other Loans Especially Mentioned (OLEM). A loan criticized as OLEM has potential weaknesses that deserve management s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution s credit position at some future date. OLEM assets are not adversely classified and do not expose the institution to sufficient risk to warrant adverse classification.

Risk rating 6 Substandard. A loan classified as substandard is inadequately protected by the sound worth and paying capacity of the borrower or the collateral pledged. Loss potential, while existing in the aggregate amount of substandard loans, does not have to exist in individual assets.

Risk rating 7 Doubtful. A loan classified as doubtful has all the weaknesses inherent in a loan classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. These are poor quality loans in which neither the collateral, if any, nor the financial condition of the borrower presently ensure collectability in full in a reasonable period of time; in fact, there is permanent impairment in the collateral securing the loan.

Risk rating 8 Loss. Assets classified as loss are considered uncollectible and of such little value that the continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather, it is not practical or desirable to defer writing off this basically worthless asset, even though partial recovery may occur in the future. This classification is based upon current facts, not probabilities. Assets classified as loss should be charged-off in the period in which they became uncollectible.

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The Company s classified loans include loans in risk ratings 6, 7 and 8. The following is a presentation of classified non-covered loans (excluding loans accounted for under ASC Topic 310-30) by class as of March 31, 2015 and December 31, 2014:

	March 31, 2015			
	Risk Rated 6	Risk Rated 7	Risk Rated 8	Classified Total
	(In thousands)			
Real estate:				
Commercial real estate loans				
Non-farm/non-residential	$ 34,658	$ 1	$	$ 34,659
Construction/land development	16,002			16,002
Agricultural				
Residential real estate loans				
Residential 1-4 family	13,502	55		13,557
Multifamily residential	3,646			3,646
Total real estate	67,808	56		67,864
Consumer	643	19		662
Commercial and industrial	2,283	45		2,328
Agricultural and other	182			182
Total	$ 70,916	$ 120	$	$ 71,036

	December 31, 2014			
	Risk Rated 6	Risk Rated 7	Risk Rated 8	Classified Total
	(In thousands)			
Real estate:				
Commercial real estate loans				
Non-farm/non-residential	$ 34,698	$ 24	$	$ 34,722
Construction/land development	16,112			16,112
Agricultural				
Residential real estate loans				
Residential 1-4 family	15,622	343		15,965
Multifamily residential	3,382			3,382
Total real estate	69,814	367		70,181
Consumer	903	19		922
Commercial and industrial	2,244	5		2,249
Agricultural and other	178			178
Total	$ 73,139	$ 391	$	$ 73,530

Loans may be classified, but not considered impaired, due to one of the following reasons: (1) The Company has established minimum dollar amount thresholds for loan impairment testing. All loans over $2.0 million that are rated 5

8 are individually assessed for impairment on a quarterly basis. Loans rated 5 8 that fall under the threshold amount are not individually tested for impairment and therefore are not included in impaired loans; (2) of the loans that are above the threshold amount and tested for impairment, after testing, some are considered to not be impaired and are not included in impaired loans.

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The following is a presentation of non-covered loans by class and risk rating as of March 31, 2015 and December 31, 2014:

	March 31, 2015						
	Risk Rated 1	Risk Rated 2	Risk Rated 3	Risk Rated 4	Risk Rated 5	Classified Total	Total
				(In thousands)			
Real estate:							
Commercial real estate loans							
Non-farm/non-residential	$ 5,324	$ 16,071	$ 1,336,678	$ 524,066	$ 20,982	$ 34,659	$ 1,937,780
Construction/land development	14	325	275,692	418,599	4,808	16,002	715,440
Agricultural		603	46,573	34,382	720		82,278
Residential real estate loans							
Residential 1-4 family	606	3,581	728,471	166,899	13,949	13,557	927,063
Multifamily residential		423	204,336	55,672	2,403	3,646	266,480
Total real estate	5,944	21,003	2,591,750	1,199,618	42,862	67,864	3,929,041
Consumer	14,279	289	25,560	10,000	154	662	50,944
Commercial and industrial	12,513	14,261	388,924	207,076	2,792	2,328	627,894
Agricultural and other	641	894	82,015	40,390	583	182	124,705
Total risk rated loans	$ 33,377	$ 36,447	$ 3,088,249	$ 1,457,084	$ 46,391	$ 71,036	4,732,584
Purchased credit impaired loans acquired							197,405
Total non-covered loans							$ 4,929,989

	December 31, 2014						
	Risk Rated 1	Risk Rated 2	Risk Rated 3	Risk Rated 4	Risk Rated 5	Classified Total	Total
				(In thousands)			
Real estate:							
Commercial real estate loans							
Non-farm/non-residential	$ 3,674	$ 15,914	$ 1,300,835	$ 501,931	$ 20,115	$ 34,722	$ 1,877,191
Construction/land development	15	355	241,659	415,380	4,981	16,112	678,502
Agricultural		610	35,539	34,469	728		