CenterState Banks, Inc.
Form 10-K
March 03, 2016

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2015

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 000-32017

CENTERSTATE BANKS, INC.

(Name of registrant as specified in its charter)

Florida (State or Other Jurisdiction of Incorporation or Organization)	59-3606741 (I.R.S. Employer Identification No.)
42745 U.S. Highway 27, Davenport, Florida (Address of principal executive offices)	33837 (Zip Code)

Issuer's telephone number, including area code:

(863) 419-7750

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $0.01 per share

Securities registered pursuant to Section 12(g) of the Act:

None

The registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ¨ NO x

The registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ¨ NO x

Check whether the registrant has (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO ¨

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation SK contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark if the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

The registrant is a shell company, as defined in Rule 12b-2 of the Exchange Act. YES ¨ NO x

The aggregate market value of the Common Stock of the registrant held by non-affiliates of the registrant (31,240,711 shares) on June 30, 2015, was approximately $423,413,000. The aggregate market value was computed by reference to the last sale of the Common Stock of the registrant at $13.51 per share on June 30, 2015. For the purposes of this response, directors, executive officers and holders of 5% or more of the registrant's Common Stock are considered the affiliates of the issuer at that date.

As of February 29, 2016 there were outstanding 45,651,827 shares of the registrant's Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on April 28, 2016 to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days of the registrant's fiscal year end are incorporated by reference into Part III, of this Annual Report on Form 10-K.

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PART I

Item 1. Business
General

CenterState Banks, Inc. ("We," "Our," "CenterState," "CSFL," or the "Company") was incorporated under the laws of the Sta of Florida on September 20, 1999. CenterState is a registered financial holding company under the Bank Holding Company Act of 1956, as amended (the "BHC Act"), and owns all the outstanding shares of CenterState Bank of Florida, N.A. ("CSB" or the "Bank"), R4ALL, Inc. ("R4ALL") a non bank subsidiary and CSFL Insurance Corp. ("CSFL IC") the Company's captive insurance subsidiary, also a non bank subsidiary.

The Company was formed and commenced operations by acquiring CenterState Bank Central Florida, N.A. ("Central"), CenterState Bank, N.A. ("CSNA") and First National Bank of Polk County ("FNB/Polk") in June of 2000. Central and CSNA commenced operations in 1989. FNB/Polk commenced operations in 1992.

CSB commenced operations in April of 2000 and was acquired by the Company on December 31, 2002. In January 2006, FNB/Polk was merged with CSB.

The Company purchased CenterState Bank Mid Florida in March of 2006 and merged it with CSNA in November of 2007. In April of 2007 we purchased Valrico State Bank ("VSB"). In December 2010 Central and CSNA were merged into CSB. In June 2012 VSB was merged into CSB.

In September 2009 we formed a separate non bank subsidiary, R4ALL, for the purpose of acquisition and disposition of troubled assets from our subsidiary bank(s).

Through our subsidiary bank, CSB, we acquired assets and deposits from four failed financial institutions from the Federal Deposit Insurance Corporation ("FDIC") in 2009 and 2010, and a fifth and sixth in January of 2012.

In January 2011, we acquired four branch banking offices with approximately $113 million of deposits and approximately $121 million of performing loans from TD Bank, N.A.

In November 2011, we acquired Federal Trust Corporation in Sanford, Florida, with approximately $157 million of selected performing loans, $198 million of deposits and five branch banking offices from The Hartford Insurance Group, Inc., the sole owner of Federal Trust Corporation.

In January 2014, we acquired Gulfstream Bancshares, Inc. ("Gulfstream") which added four additional branches (approximately $479 million of deposits) and two additional counties, Palm Beach and Martin, to our market area.

In June 2014, we acquired First Southern Bancorp, Inc. ("FSB") with approximately $600 million in loans, $853 million in deposits and 17 branches, of which 10 were either sold or closed in September 2014, and added Broward County to our market area.

In July 2015, we purchased the branch real estate, and assumed approximately $15 million in deposits, of SouthBank, F.S.B.'s ("SB") main banking office located in Palm Beach County. On the same date, we closed two nearby existing leased branches and consolidated these offices into the newly acquired location.

In October 2015, we entered into an agreement to acquire Community Bank of South Florida, Inc. and its subsidiary bank, Community Bank of Florida, Inc. with approximately $334 million in loans and $438 million in deposits. Also in October 2015, we entered into an agreement to acquire Hometown of Homestead Banking Company and its subsidiary bank, 1st National Bank of South Florida, with approximately $206 million in loans and $281 million in deposits. Both acquisitions closed on March 1, 2016.

In December 2015, we created CSFL IC for the purpose of initiating a captive insurance subsidiary pursuant to section 831(b) of the U.S. Tax Code.

Headquartered in Davenport, Florida between Orlando and Tampa, we provide a range of consumer and commercial banking services to individuals, businesses and industries throughout our branch network located within 20 counties throughout Central, Northeast and Southeastern Florida. As of December 31, 2015, our 57 bank branch offices were located in the following Florida counties:

Broward	Indian River	Orange	Putnam
Duval	Lake	Osceola	St. Lucie
Hendry	Marion	Palm Beach	Seminole
Hernando	Martin	Pasco	Sumter
Hillsborough	Okeechobee	Polk	Volusia

The basic services we offer include: demand interest-bearing and noninterest-bearing accounts, money market deposit accounts, time deposits, safe deposit services, cash management, direct deposits, notary services, money orders, night depository, travelers' checks, cashier's checks, domestic collections, savings bonds, bank drafts, automated teller services, drive-in tellers, and banking by mail and by internet. In addition, we make residential and commercial real estate loans, secured and unsecured commercial loans and consumer loans. We provide automated teller machine (ATM) cards, thereby permitting customers to utilize the convenience of larger ATM networks. We also offer internet banking services to our customers. We also offer trust services to customers throughout our existing markets in Florida. We also have a wealth management division that offers other financial products to our customers, including mutual funds, annuities and other products.

Our revenue is primarily derived from interest on, and fees received in connection with, real estate and other loans, interest and dividends from investment securities and short-term investments, and commissions on bond sales. The principal sources of funds for our lending activities are customer deposits, repayment of loans, and the sale and maturity of investment securities. Our principal expenses are interest paid on deposits, and operating and general administrative expenses.

In addition to providing traditional deposit and lending products and services to our commercial and retail customers through our 57 locations, we also operate a correspondent banking and capital markets division. The division is integrated with and part of our subsidiary bank, CSB, located in Winter Haven, Florida, although the majority of our bond salesmen, traders and operations personnel are physically housed in leased facilities located in Birmingham, Alabama and Atlanta, Georgia. Its primary revenue generating activities are related to the capital markets division which includes commissions earned on fixed income security sales, fees from hedging services, loan brokerage fees and consulting fees for services related to these activities. Income generated related to the correspondent banking services includes spread income earned on correspondent bank deposits (i.e. federal funds purchased) and fees generated from safe-keeping activities, bond accounting services, asset/liability consulting services, international wires, clearing and corporate checking account services and other correspondent banking related services. The fees derived from the correspondent banking services are less volatile than those generated through the capital markets group. The customer base includes small to medium size financial institutions primarily located throughout the United States.

As is the case with banking institutions generally, our operations are materially and significantly influenced by the real estate market, general economic conditions and by related monetary and fiscal policies of financial institution regulatory agencies, including the Board of Governors of the Federal Reserve System (the "Federal Reserve"). Deposit flows and costs of funds are influenced by interest rates on competing investments and general market rates of interest. Lending activities are affected by the demand for financing of real estate and other types of loans, which in turn is affected by the interest rates at which such financing may be offered and other factors affecting local demand and availability of funds. We face strong competition in the attraction of deposits (our primary source of lendable funds) and in the origination of loans. See "Competition."

At December 31, 2015, our primary asset is our ownership of 100% of the stock of our subsidiary bank. At December 31, 2015, we had total consolidated assets of $4,022,717,000, total consolidated loans of $2,593,776,000, total consolidated deposits of $3,215,178,000, and total consolidated stockholders' equity of $490,514,000.

Note about Forward-Looking Statements

This Form 10-K contains forward-looking statements, such as statements relating to our financial condition, results of operations, plans, objectives, future performance and business operations. These statements relate to expectations concerning matters that are not historical facts. These forward-looking statements reflect our current views and expectations based largely upon the information currently available to us and are subject to inherent risks and uncertainties. Although we believe our expectations are based on reasonable assumptions, they are not guarantees of future performance and there are a number of important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. By making these forward-looking statements, we do not undertake to update them in any manner except as may be required by our disclosure obligations in filings we make with the Securities and Exchange Commission under the Federal securities laws. Our actual results may differ materially from our forward-looking statements.

Lending Activities

We offer a range of lending services, including real estate, consumer and commercial loans, to individuals and small businesses and other organizations that are located in or conduct a substantial portion of their business in our market area. Our consolidated loans at December 31, 2015 and 2014 were $2,593,776,000, or 64% and $2,429,525,000, or 64%, respectively, of total consolidated assets. The interest rates charged on loans vary with the degree of risk, maturity, and amount of the loan, and are further subject to competitive pressures, money market rates, availability of funds, and government regulations. We have no foreign loans or loans for highly leveraged transactions. We do have immaterial amounts of loans with foreigners on property located within our Florida market area, primarily vacation and second homes.

Our loans are concentrated in three major areas: real estate loans, commercial loans and consumer loans. A majority of our loans are made on a secured basis. As of December 31, 2015, approximately 85% of our consolidated loan portfolio consisted of loans secured by mortgages on real estate, 12% of the loan portfolio consisted of commercial loans (not secured by real estate) and 3% of our loan portfolio consisted of consumer and other loans.

At December 31, 2015, approximately 6.8% of our loans, or $177,320,000, were covered by FDIC loss sharing agreements related to the acquisition of three failed financial institutions during the third quarter of 2010, two during the first quarter of 2012 and two were assumed pursuant to our 2014 acquisition of First Southern Bank. Pursuant to the terms of the loss sharing agreements, the FDIC was obligated to reimburse us for losses with respect to the covered loans, subject to the terms of the various agreements. On February 3, 2016, we entered into an agreement with the FDIC to terminate all existing loss share agreements. We will now recognize the full amounts of all future charge-offs and recoveries related to the former covered assets as the FDIC will no longer be sharing in the such amounts.

Our real estate loans are secured by mortgages and consist primarily of loans to individuals and businesses for the purchase, improvement of or investment in real estate, for the construction of single-family residential and commercial units, and for the development of single-family residential building lots. These real estate loans may be made at fixed or variable interest rates. Generally, we do not make fixed-rate commercial real estate loans for terms exceeding five years. Loans in excess of five years are generally adjustable. Our residential real estate loans generally are repayable in monthly installments based on up to a 15-year or a 30-year amortization schedule with variable or fixed interest rates.

Our commercial loan portfolio includes loans to individuals and small-to-medium sized businesses located primarily in twenty Florida counties listed under “Business” or contiguous counties for working capital, equipment purchases, and various other business purposes. A majority of commercial loans are secured by equipment or similar assets, but these loans may also be made on an unsecured basis. Commercial loans may be made at variable or fixed rates of interest. Commercial lines of credit are typically granted on a one-year basis, with loan covenants and monetary thresholds. Other commercial loans with terms or amortization schedules of longer than one year will normally carry interest rates which vary with the prime lending rate and will become payable in full and are generally refinanced in three to five years. Commercial and agricultural loans not secured by real estate amounted to approximately 12% and 12% of our Company’s total loan portfolio as of December 31, 2015 and 2014, respectively.

Our consumer loan portfolio consists primarily of loans to individuals for various consumer purposes, but includes some business purpose loans which are payable on an installment basis. The majority of these loans are for terms of less than five years and are secured by liens on various personal assets of the borrowers, but consumer loans may also be made on an unsecured basis. Consumer loans are made at fixed and variable interest rates, and are often based on up to a five-year amortization schedule.

At December 31, 2015, approximately 49% of our total non-PCI (“Purchased Credit Impaired”) loan portfolio is fixed rate, 20% is floating rate and 31% is variable rate other than floating.

For additional information regarding our loan portfolio, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Loan originations are derived primarily from employee loan officers within our local market areas, but can also be attributed to referrals from existing customers and borrowers, advertising, or walk-in customers.

Certain credit risks are inherent in making loans. These include prepayment risks, risks resulting from uncertainties in the future value of collateral, risks resulting from changes in economic and industry conditions, and risks inherent in dealing with individual borrowers. In particular, longer maturities increase the risk that economic conditions will change and adversely affect collectability. We attempt to minimize credit losses through various means. In particular, on larger credits, we generally rely on the cash flow of a debtor as the source of repayment and secondarily on the value of the underlying collateral. In addition, we attempt to utilize shorter loan terms in order to reduce the risk of a decline in the value of such collateral.

Deposit Activities

Deposits are the major source of our funds for lending and other investment activities. We consider the majority of our regular savings, demand, NOW and money market deposit accounts to be core deposits. These accounts comprised approximately 87% and 84% of our consolidated total deposits at December 31, 2015 and 2014, respectively. Approximately 13% of our consolidated deposits at December 31, 2015, were certificates of deposit compared to 16% at December 31, 2014. Generally, we attempt to maintain the rates paid on our deposits at a competitive level. Time deposits of $100,000 and over made up approximately 8% of consolidated total deposits at December 31, 2015 and 9% at December 31, 2014. The majority of the deposits are generated from market areas where we conduct business. Generally, we do not accept brokered deposits and we do not solicit deposits on a national level. We obtain substantially all of our deposits from customers in our local markets. For additional information regarding the Company's deposit accounts, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Deposits."

Investments

Our investment securities portfolio available for sale was $604,739,000 and $517,457,000 at December 31, 2015 and 2014, respectively, representing 15% and 14% of our total consolidated assets. At December 31, 2015, approximately 94% of this portfolio was invested in U.S. government mortgage backed securities ("MBS"), specifically residential FNMA, FHLMC, and GNMA MBSs. We do not own any private label MBSs. Approximately 6%, or $35,287,000, of this portfolio is invested in municipal securities. Our investments are managed in relation to loan demand and deposit growth, and are generally used to provide for the investment of excess funds at acceptable risks levels while providing liquidity to fund increases in loan demand or to offset fluctuations in deposits. Investment securities available for sale are recorded on our balance sheet at market value at each balance sheet date. Any change in market value is recorded directly in our stockholders' equity account and is not recognized in our income statement unless the security is sold or unless it is impaired and the impairment is other than temporary. During 2015, we sold approximately $16,305,000 of these securities and recognized a net gain on the sales of approximately $4,000.

We have selected these types of investments because such securities generally represent what we believe to be a minimal investment risk. Occasionally, we may purchase certificates of deposits of national and state banks. These investments may exceed $250,000 in any one institution (the limit of FDIC insurance for deposit accounts). Federal funds sold, money market accounts and interest bearing deposits held at the Federal Reserve Bank represent the excess cash we have available over and above daily cash needs. Federal funds sold and money market funds are invested on an overnight basis with approved correspondent banks.

We monitor changes in financial markets. In addition to investments for our portfolio, we monitor daily cash positions to ensure that all available funds earn interest at the earliest possible date. A portion of the investment account is invested in liquid securities that can be readily converted to cash with minimum risk of market loss. These investments usually consist of obligations of U.S. government agencies, mortgage backed securities and federal funds. The remainder of the investment account may be placed in investment securities of different type and/or longer maturity. Daily surplus funds are sold in the federal funds market for one business day. We attempt to stagger the maturities of our securities so as to produce a steady cash-flow in the event cash is needed, or economic conditions change.

We also have a trading securities portfolio managed at our subsidiary bank. For this portfolio, realized and unrealized gains and losses are included in trading securities revenue, a component of non interest income in our Consolidated Statement of Operations and Comprehensive Income. Securities purchased for this portfolio have primarily been municipal securities and are held for short periods of time. During 2015, we purchased approximately $147,693,000 of securities for this portfolio and sold $149,409,000 recognizing a net gain on sale of approximately $403,000. At December 31, 2015 we had $2,107,000 of securities in our trading portfolio.

Our held to maturity securities portfolio was $272,840,000 and $237,362,000 at December 31, 2015 and December 31, 2014, respectively, representing 7% and 6% of our total consolidated assets. These securities had gross unrecognized net gains of approximately $1,143,000 and $1,069,000, resulting in estimated fair values of $273,983,000 and $238,431,000 at December 31, 2015 and 2014, respectively. At December 31, 2015, approximately 57% of this portfolio is invested in mortgage backed securities, 22% in municipal securities and 21% in obligations of U.S. government sponsored entities and agencies. It is anticipated that this portfolio will generally hold longer term securities for the primary purpose of yield. This classification was chosen to minimize temporary effects on our tangible equity and tangible equity ratio due to increases and decreases in general market interest rates.

Correspondent Banking

We have a correspondent banking and capital markets segment which operates as a division within our subsidiary bank. Its primary revenue generating activities are related to the capital markets division which includes commissions earned on fixed income security sales, fees from hedging services, loan brokerage fees and consulting fees for services related to these activities. Income generated related to the correspondent banking services includes spread income earned on correspondent bank deposits (i.e. federal funds purchased) and fees generated from safe-keeping activities, bond accounting services, asset/liability consulting services, international wires, clearing and corporate checking account services and other correspondent banking related services. The fees derived from the correspondent banking services are less volatile than those generated through the capital markets group. The customer base includes small to medium size financial institutions located throughout the United States.

Data Processing

We use a single in-house core data processing solution. The core data processing system provides deposit processing, loan processing and overall accounting services.

A division of our subsidiary bank provides item processing services and certain other information technology ("IT") services for the bank and the Company overall. These services include; sorting, encoding, processing, and imaging checks and rendering checking and other deposit statements to commercial and retail customers, as well as providing IT services, including intranet and internet services for our bank and the Company overall.

Effect of Governmental Policies

Our earnings and business are and will be affected by the policies of various regulatory authorities of the United States, especially the Federal Reserve. The Federal Reserve, among other things, regulates the supply of credit and deals with general economic conditions within the United States. The instruments of monetary policy employed by the Federal Reserve for these purposes influence in various ways the overall level of investments, loans, other extensions of credit and deposits, and the interest rates paid on liabilities and received on assets. The monetary policies of the Federal Reserve have had a significant effect on the operating results of commercial banks and are expected to continue to do so in the future. The monetary policies of the Federal Reserve are influenced by various factors, including inflation, unemployment, and short-term and long-term changes in the international trade balance and in the fiscal policies of the U.S. Government. Future monetary policies and the effect of such policies on the future business and earnings of the Company and our subsidiary bank cannot be predicted.

Supervision and Regulation

Banks and their holding companies, and many of their affiliates, are extensively regulated under both federal and state law. The following is a brief summary of certain statutes, rules, and regulations affecting our Company, and our subsidiary bank. This summary is qualified in its entirety by reference to the particular statutory and regulatory provisions referred to below and is not intended to be an exhaustive description of the statutes or regulations applicable to the business of our Company and subsidiary bank. Proposals to change the laws and regulations governing the banking industry are frequently raised at both the state and federal levels. The likelihood and timing of any changes in these laws and regulations, and the impact such changes may have on the Company and the Bank, are difficult to ascertain. A change in applicable laws and regulations, or in the manner such laws and regulations are interpreted by regulatory agencies or courts, may have a material adverse effect on the Company's and the Bank's business, operations, and earnings. Supervision, regulation, and examination of banks by regulatory agencies are intended primarily for the protection of depositors, rather than shareholders.

Regulation of the Company

Our Company is registered with the Federal Reserve as a financial holding company under the Gramm-Leach-Bliley Act ("GLB Act") and is registered with the Federal Reserve as a bank holding company under the BHC Act. As such, we are subject to the supervision, examination and regulation by the Federal Reserve. The GLB Act, the BHC Act, and other federal laws subject financial holding companies to particular restrictions on the types of activities in which they may engage, and to a range of supervisory requirements and activities, including regulatory enforcement actions for violations of laws and regulations.

Under current law and Federal Reserve policy, a financial holding company is expected to act as a source of financial and managerial strength to its subsidiary bank and to maintain resources adequate to support its bank. The term "source of financial strength" is defined under the Dodd-Frank Act as the ability of a company to provide financial assistance to its insured depository institution subsidiaries in the event of financial distress. The appropriate federal banking agency for such a depository institution may require reports from companies that control the insured depository institution to assess their abilities to serve as a source of strength and to enforce compliance with the source-of-strength requirements. The appropriate federal banking agency may also require a holding company to provide financial assistance to a bank with impaired capital. Under this requirement, in the future, we could be required to provide financial assistance to our subsidiary bank should it experience financial distress. Based on our ownership of a national bank subsidiary, the OCC could assess us if the capital of our subsidiary bank were to become impaired. If a holding company fails to pay an imposed assessment within three months, it could be ordered to sell its stock of its subsidiary bank to cover the deficiency. As disclosed below, holding companies also have minimum capital requirements which must be maintained to remain in regulatory compliance.

The BHC Act requires that a financial holding company obtain the prior approval of the Federal Reserve before (i) acquiring direct or indirect ownership or control of more than 5% of the voting shares of any bank, (ii) taking any action that causes a bank to become a subsidiary of the financial holding company, or (iii) merging or consolidating with any other financial holding company.

The BHC Act further provides that the Federal Reserve may not approve any transaction that would result in a monopoly or would be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any section of the United States, or the effect of which may be substantially to lessen competition or to tend to create a monopoly in any section of the country, or that in any other manner would be in restraint of trade, unless the anticompetitive effects of the proposed transaction are clearly outweighed by the public interest in meeting the convenience and needs of the community to be served. The Federal Reserve is also required to consider the financial and managerial resources and future prospects of the bank holding companies and banks concerned and the convenience, and needs of the community to be served. Consideration of financial resources generally focuses on capital adequacy and consideration of convenience and needs issues includes the parties' performance under the Community Reinvestment Act of 1977 (the "CRA"), both of which are discussed below.

The Federal Reserve requires financial and bank holding companies to maintain capital at adequate levels based on a percentage of assets and off-balance sheet exposures, adjusted for risk weights. The Federal Reserve's requirements provide that a bank holding company must have minimum capital equivalent to 8% of risk-weighted assets to be considered adequately capitalized. At December 31, 2015, our Tier 1 and total risk-based capital ratios were 15.0% and 15.8%, respectively.

Banks are subject to the provisions of the CRA. Under the terms of the CRA, the appropriate federal bank regulatory agency is required, in connection with its examination of a bank, to assess such bank's record in meeting the credit needs of the community served by that bank, including low- and moderate-income neighborhoods. The regulatory agency's assessment of the bank's record is made available to the public. Further, such assessment is required of any bank which has applied to:

·establish a new branch office that will accept deposits,

·relocate an office, or

·merge or consolidate with, or acquire the assets or assume the liabilities of, a federally regulated financial institution

In the case of a financial holding company applying for approval to acquire a bank or other bank holding company, the Federal Reserve will assess the record of each subsidiary bank of the applicant financial holding company, and such records may be the basis for denying the application.

The BHC Act generally prohibits a financial holding company from engaging in activities other than banking, or managing or controlling banks or other permissible subsidiaries, and from acquiring or retaining direct or indirect control of any company engaged in any activities other than those activities determined by the Federal Reserve to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. In determining whether a particular activity is permissible, the Federal Reserve must consider whether the performance of such an activity can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. For example, factoring accounts receivable, acquiring or servicing loans, leasing personal property, conducting securities brokerage activities, performing certain data processing services, acting as agent or broker in selling credit life insurance and certain other types of insurance in connection with credit transactions, and certain insurance underwriting activities have all been determined by regulations of the Federal Reserve to be permissible activities of financial holding companies. Despite prior approval, the Federal Reserve has the power to order a holding company or its subsidiaries to terminate any activity or terminate its ownership or control of any subsidiary, when it has reasonable cause to believe that continuation of such activity or such ownership or control constitutes a serious risk to the financial safety, soundness, or stability of any bank subsidiary of that financial holding company.

Regulation of the Bank

CSB is chartered under the national banking laws and is subject to comprehensive regulation, examination and supervision by the OCC. The deposits of the Bank are insured by the FDIC to the extent provided by law and, accordingly, the Bank is also subject to certain FDIC regulations and the FDIC has backup examination authority and some enforcement powers over the Bank. The Bank also is subject to various federal and state laws and regulations applicable to banks. Such regulations include limitations on loans to a single borrower and to its directors, officers and employees; restrictions on the opening and closing of branch offices; the maintenance of required capital and liquidity ratios; the granting of credit under equal and fair conditions; and the disclosure of the costs and terms of such credit. The Bank submits to its examining agencies periodic reports regarding its financial condition and other matters. The bank regulatory agencies have a broad range of powers to enforce regulations under their jurisdiction, and to take discretionary actions determined to be for the protection and safety and soundness of banks, including the institution of cease and desist orders and the removal of directors and officers. The bank regulatory agencies also have the authority to approve or disapprove mergers, consolidations, and similar corporate actions.

There are various statutory limitations on our ability to pay dividends. The bank regulatory agencies also have the general authority to limit the dividend payment by banks to their holding company parent if such payment may be deemed to constitute an unsafe and unsound practice. For information on the restrictions on the right of our Bank to pay dividends to us, see Part II - Item 5 “Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.”

Transactions with Affiliates. The Bank also is subject to restrictions as to the limit of the size and number of transactions that it may have with its affiliates, as well as restrictions on lending to its and our executive officers and directors and their related interest. Under federal law, federally insured banks are subject, with certain exceptions, to certain restrictions on any extension of credit to their parent holding companies or other affiliates, on investment in the stock or other securities of affiliates, and on the taking of such stock or securities as collateral from any borrower. Also, the Company and the Bank are prohibited from engaging in asset purchases or sales transactions with their officers, directors, or principal shareholders unless the transaction is on market terms and, if the transaction represents greater than 10% of the capital and surplus of the Bank, a majority of the Bank’s disinterested directors has approved the transaction. In addition, banks are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit or the providing of any property or service.

FIRREA. The Financial Institutions Reform, Recovery and Enforcement Act (“FIRREA”) imposed stronger capital standards and stronger civil and criminal enforcement provisions. FIRREA also provides that a depository institution insured by the FDIC can be held liable for any loss incurred by, or reasonably expected to be incurred by, the FDIC in connection with:

·the default of a commonly controlled FDIC insured depository institution; or

·any assistance provided by the FDIC to a commonly controlled FDIC insured institution in danger of default.

FDICIA. The FDIC Improvement Act (“FDICIA”) made a number of reforms addressing the safety and soundness of deposit insurance funds, supervision, accounting, and prompt regulatory action, and also implemented other regulatory improvements. Periodic full- scope, on-site examinations are required of all insured depository institutions. The cost for conducting an examination of an institution may be assessed to that institution, with special consideration given to affiliates and any penalties imposed for failure to provide information requested. Insured state banks also are precluded from engaging as principal in any type of activity that is impermissible for a national bank, including activities relating to insurance and equity investments. The Act also recodified restrictions on extensions of credit to insiders under the Federal Reserve Act.

Basel III. In 2010 the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced an agreement to a strengthened set of capital requirements known as Basel III. The OCC and the Federal Reserve have approved a final rule that establishes a new regulatory capital framework that incorporates revisions to the Basel capital framework, including Basel III and other elements. The rule strengthens the definition of regulatory capital, increases risk- based capital requirements, and amends the methodologies for determining risk-weighted assets. The rule applies to all banks, including national banks. Subject to various transition periods, the rule became effective for certain banks (including the Bank) on January 1, 2015. Among other things, the rule:

·Implements strict eligibility criteria for regulatory capital instruments.

·Revises the Prompt Corrective Act action framework to incorporate new regulatory capital minimum thresholds.

·Adds a new common equity Tier 1 capital ratio of 4.5% and increases the minimum Tier 1 capital ratio requirement from 4% to 6%.

·Improves the measure of risk-weighted assets to enhance risk sensitivity.

·Allows certain depository institution holding companies to continue to include in Tier 1 capital previously issued trust preferred securities and cumulative perpetual preferred stock.

·Limits capital distributions and certain discretionary bonus payments if banks do not maintain a capital conservation buffer of common equity Tier 1 capital above minimum capital requirements.

·Establishes due diligence requirements for securitization exposures.

The Basel III rules provide risk-based capital guidelines designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks, to account for off-balance sheet exposures, and to minimize disincentives for holding certain assets. Under these guidelines, assets and off-balance sheet items are assigned to broad risk categories, each with appropriate risk-weights. The institution's total risk-weighted assets are used to calculate its regulatory capital ratios. Under the Basel III rules, the minimum ratio of total capital to total risk-weighted assets is 8%. The required ratio of "Tier 1 Capital" (consisting generally of shareholders' equity and qualifying preferred stock, less certain goodwill items and other intangible assets) to risk-weighted assets is 6%. There is a new category of capital ratio of "Common Equity Tier 1 Capital" (which generally consists of common stock, retained earnings, certain qualifying capital instruments issued by consolidated subsidiaries, and accumulated other comprehensive income, subject to certain adjustments) to risk-weighted assets, of 4.5%.

In addition, the federal banking agencies have established minimum leverage ratio requirements for banking organizations they supervise, calculated as the ratio of Tier 1 Capital to adjusted average consolidated assets. Under the Basel III rules, as of January 1, 2015, the required minimum leverage ratio for all banks is 4%.

The Basel III rules additionally provide for countercyclical capital requirements so that the required amount of capital increases in times of economic expansion and decreases in times of economic contraction, consistent with safety and soundness. Under the Basel III rules, banks must maintain a capital conservation buffer consisting of additional Common Equity Tier 1 Capital equal to 2.5% of risk-weighted assets above each of the required minimum capital levels in order to avoid limitations on paying dividends, engaging in share repurchases, and paying certain discretionary bonuses. This new capital conversation buffer requirement was phased in beginning January 2016 at 0.625% of risk-weighted assets and will increase each year until fully implemented at 2.5% in January 2019.

As an additional means of identifying problems in the financial management of depository institutions, the federal banking regulatory agencies have established certain non-capital safety and soundness standards for institutions for which they are the primary federal regulator. The standards relate generally to operations and management, asset quality, interest rate exposure, and executive compensation. The agencies are authorized to take action against institutions that fail to meet such standards.

Prompt Corrective Action. FDICIA contains "prompt corrective action" provisions pursuant to which banks are to be classified into one of five categories based upon capital adequacy, ranging from "well capitalized" to "critically undercapitalized" and which require (subject to certain exceptions) the appropriate federal banking agency to take prompt corrective action with respect to an institution which becomes "significantly undercapitalized" or "critically undercapitalized." The classifications depend upon a bank's ratios of its (i) Tier 1 Capital (generally consisting of shareholders' equity and qualifying preferred stock, less certain goodwill items and other intangible assets) to risk-weighted assets, (ii) Total Capital to its risk-weighted assets, (iii) Common Equity Tier 1 Capital to risk-weighted assets, and (iv) leverage ratio (e.g., the ratio of its Tier 1 Capital to its adjusted average consolidated assets). A bank's Total Capital consists of the sum of its Tier 1 Capital and Tier 2 Capital (up the extent of its Tier 1 Capital), less reciprocal holdings of other banking organizations' capital instruments, investments in unconsolidated subsidiaries, and any other deductions as determined by the appropriate regulator. Tier 2 Capital generally consists of a bank's (i) allowance for loan losses of up to 1.25% of risk-weighted assets (ii) preferred stock not qualifying as Tier 1 Capital, (iii) hybrid capital instruments, (iv) perpetual debt, (v) mandatory convertible securities, and (vi) certain subordinated debt and intermediate – term preferred stock up to 50% of Tier 1 Capital. Common Equity Tier 1 Capital generally consists of common stock, retained earnings, certain qualifying capital instruments issued by consolidated subsidiaries, and accumulated other comprehensive income, subject to certain adjustments.

The OCC has issued regulations to implement the "prompt corrective action" provisions of FDICIA. A bank is deemed "well- capitalized" if its leverage ratio, Common Equity Tier 1 ratio, Tier 1 Capital Ratio, and Total Capital ratio meet or exceed 5%, 6.5%, 8%, and 10%, respectively. A bank is deemed to be "adequately capitalized" or better if its leverage, Common Equity Tier 1, Tier 1, and Total Capital ratios meet or exceed the minimum federal regulatory capital requirements, and "undercapitalized" if it fails to meet these minimal capital requirements. An institution is "significantly undercapitalized" if its leverage, Common Equity Tier 1, Tier 1, and Total Capital Ratios fall below 3%, 3%, 4%, and 6%, respectively and "critically undercapitalized" if the institution has a ratio of tangible equity to total assets that is equal to or less than 2%.

The OCC and the FDIC, after an opportunity for a hearing, have authority to downgrade an institution from "well capitalized" to "adequately capitalized" or to subject an "adequately capitalized" or "undercapitalized" institution to the supervisory actions applicable to the next lower category, for supervisory concerns.

Generally, FDICIA requires that an "undercapitalized" institution must submit an acceptable capital restoration plan to the appropriate federal banking agency. The appropriate federal banking agency may not accept a capital restoration plan unless, among other requirements, each company having control of the institution has guaranteed that the institution will comply with the plan until the institution has been adequately capitalized on average during each of the three consecutive calendar quarters and has provided adequate assurances of performance.

An “undercapitalized” institution may not acquire an interest in any company or any other insured depository institution, establish or acquire additional branch offices or engage in any new business unless the appropriate federal banking agency has accepted its capital restoration plan, the institution is implementing the plan, and the agency determines that the proposed action is consistent with and will further the achievement of the plan, or the appropriate Federal banking agency determines the proposed action will further the purpose of the “prompt corrective action” sections of FDICIA.

If an institution is “critically undercapitalized,” it must comply with the restrictions described above. In addition, the appropriate Federal banking agency is authorized to restrict the activities of any “critically undercapitalized” institution and to prohibit such an institution, without the appropriate Federal banking agency’s prior written approval, from:

·entering into any material transaction other than in the usual course of business;

·engaging in any covered transaction with affiliates (as defined in Section 23A(b) of the Federal Reserve Act);

·paying excessive compensation or bonuses; and

·paying interest on new or renewed liabilities at a rate that would increase the institution’s weighted average costs of funds to a level significantly exceeding the prevailing rates of interest on insured deposits in the institution’s normal market areas.

The “prompt corrective action” provisions of FDICIA also provide that in general no institution may make a capital distribution if it would cause the institution to become “undercapitalized.” Capital distributions include cash (but not stock) dividends, stock purchases, redemptions, and other distributions of capital to the owners of an institution.

Additionally, FDICIA requires, among other things, that:

·only a “well capitalized” depository institution may accept brokered deposits without prior regulatory approval and

·the appropriate federal banking agency annually examine all insured depository institutions, with some exceptions for small, “well capitalized” institutions and state-chartered institutions examined by state regulators.

FDICIA also contains a number of consumer banking provisions, including disclosure requirements and substantive contractual limitations with respect to deposit accounts.

Enforcement Powers. Congress has provided the federal bank regulatory agencies with an array of powers to enforce laws, rules, regulations and orders. Among other things, the agencies may require that institutions cease and desist from certain activities, may preclude persons from participating in the affairs of insured depository institutions, may suspend or remove deposit insurance, and may impose civil money penalties against institution-affiliated parties for certain violations.

Maximum Legal Interest Rates. Like the laws of many states, Florida law contains provisions on interest rates that may be charged by banks and other lenders on certain types of loans. Numerous exceptions exist to the general interest limitations imposed by Florida law. The relative importance of these interest limitation laws to the financial operations of the Banks will vary from time to time, depending on a number of factors, including conditions in the money markets, the costs and availability of funds, and prevailing interest rates.

Change of Control. Federal law restricts the amount of voting stock of a bank holding company and a bank that a person may acquire without the prior approval of banking regulators. The overall effect of such laws is to make it more difficult to acquire a bank holding company and a bank by tender offer or similar means than it might be to acquire control of another type of corporation. Consequently, shareholders of the Company may be less likely to benefit from the rapid increases in stock prices that may result from tender offers or similar efforts to acquire control of other companies. Federal law also imposes restrictions on acquisitions of stock in a bank holding company and a state bank. Under the federal Change in Bank Control Act and the regulations thereunder, a person or group must give advance notice to the Federal Reserve before acquiring control of any bank holding company, and the OCC before acquiring control of any national bank. Upon receipt of such notice, the bank regulatory agencies may approve or disapprove the acquisition. The Change in Bank Control Act creates a rebuttable presumption of control if a member or group acquires a certain percentage or more of a bank holding company's or bank's voting stock, or if one or more other control factors set forth in the Act are present.

Anti-Money Laundering Requirements. Under federal law, including the Bank Secrecy Act, the PATRIOT Act and the International Money Laundering Abatement and Anti-Terrorist Financing Act, certain types of financial institutions, including insured depository institutions, must maintain anti-money laundering programs that include established internal policies, procedures and controls; a designated compliance officer; an ongoing employee training program; and testing of the program by an independent audit function. Among other things, these laws are intended to strengthen the ability of U.S. law enforcement agencies and intelligence communities to work together to combat terrorism on a variety of fronts. Financial institutions are prohibited from entering into specified financial transactions and account relationships and must meet enhanced standards for due diligence and customer identification in their dealings with non-U.S. financial institutions and non-U.S. customers. Financial institutions must take reasonable steps to conduct enhanced scrutiny of account relationships to guard against money laundering and to report any suspicious information maintained by financial institutions. Bank regulators routinely examine institutions for compliance with these obligations and they must consider an institution's compliance in connection with the regulatory review of applications, including applications for banking mergers and acquisitions. The regulatory authorities have imposed "cease and desist" orders and civil money penalty sanctions against institutions found to be violating these obligations.

The OFAC is responsible for helping to insure that U.S. entities do not engage in transactions with certain prohibited parties, as defined by various Executive Orders and Acts of Congress. OFAC publishes lists of persons, organizations and countries suspected of aiding, harboring or engaging in terrorist acts, known as Specially Designated Nationals and Blocked Persons. If we or our Bank find a name on any transaction, account or wire transfer that is on an OFAC list, we or our Bank must freeze or block such account or transaction, file a suspicious activity report and notify the appropriate authorities.

Consumer Laws and Regulations. Banks and other financial institutions are subject to numerous laws and regulations intended to protect consumers in their transactions with banks. These laws include, among others, laws regarding unfair and deceptive acts and practices and usury laws, as well as the following consumer protection statutes: Truth in Lending Act, Truth in Savings Act, Electronic Funds Transfer Act, Expedited Funds Availability Act, Equal Credit Opportunity Act, Fair and Accurate Credit Transactions Act, Fair Housing Act, Fair Credit Reporting Act, Fair Debt Collection Practices Act, GLB Act, Home Mortgage Disclosure Act, National Flood Insurance Program, Right to Financial Privacy Act and Real Estate Settlement Procedures Act.

Many states and local jurisdictions have consumer protection laws analogous, and in addition, to those listed above. These federal, state and local laws regulate the manner in which financial institutions deal with customers when taking deposits, making loans or conducting other types of transactions. Failure to comply with these laws and regulations could give rise to regulatory sanctions, customer rescission rights, action by state and local attorneys general and civil or criminal liability.

GLB Act. The GLB Act includes a minimum federal standard of financial privacy. Financial institutions are required to have written privacy policies that must be disclosed to customers. The disclosure of a financial institution's privacy policy must take place at the time a customer relationship is established and not less than annually during the continuation of the relationship. The act also provides for the functional regulation of bank securities activities. The law repealed the exemption that banks were afforded from the definition of "broker," and replaced it with a set of limited exemptions that allow the continuation of some historical activities performed by banks. In addition, the act amended the securities laws to include banks within the general definition of dealer. Regarding new bank products, the law provides a procedure for handling products sold by banks that have securities elements. In the area of CRA activities, the law generally requires that financial institutions address the credit needs of low-to-moderate income individuals and neighborhoods in the communities in which they operate. Bank regulators are required to take the CRA ratings of a bank or of the bank subsidiaries of a holding company into account when acting upon certain branch and bank merger and acquisition applications filed by the institution. Under the law, financial holding companies and banks that desire to engage in new financial activities are required to have satisfactory or better CRA Act ratings when they commence the new activity.

Sarbanes-Oxley Act. In 2002, the Sarbanes-Oxley Act was enacted which imposes a myriad of corporate governance and accounting measures designed that shareholders are treated and have full and accurate information about the public companies in which they invest. All public companies are affected by the Act. Some of the principal provisions of the Act include:

·the creation of an independent accounting oversight board ("PCAOB") to oversee the audit of public companies and auditors who perform such audits;

·auditor independence provisions which restrict non-audit services that independent accountants may provide to their audit clients;

·additional corporate governance and responsibility measures which (a) require the chief executive officer and chief financial officer to certify financial statements and internal controls and to forfeit salary and bonuses in certain situations, and (b) protect whistleblowers and informants;

·expansion of the authority and responsibilities of the company's audit, nominating and compensation committees;

·mandatory disclosure by analysts of potential conflicts of interest; and

·enhanced penalties for fraud and other violations.

Other Provisions of the Dodd-Frank Act. The Dodd-Frank Act, which became law on July 21, 2010, implements far-reaching changes across the financial regulatory landscape. In addition to the reforms previously mentioned, the Dodd-Frank Act also:

·requires bank holding companies and banks to be both well capitalized and well managed in order to acquire banks located outside their home state and requires any bank holding company electing to be treated as a financial holding company to be both well managed and well capitalized;

·eliminates all remaining restrictions on interstate banking by authorizing national and state banks to establish de novo branches in any state that would permit a bank chartered in that state to open a branch at that location;

·repeals Regulation Q, the federal prohibition on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts;

·enhances insider transaction limitations by strengthening loan restrictions to insiders and restricting certain asset sales to and from an insider to an institution, including requirements that such sales be on market terms and, in certain circumstances, approved by the institution's board of directors; and

·strengthens the previous limits on a depository institution's credit exposure to one borrower (whether a person or group of related persons) in an amount exceeding certain thresholds, by expanding the scope of these restrictions to include credit exposure arising from derivative transactions, repurchase agreements, and securities lending and borrowing transactions.

Although a significant number of the rules and regulations mandated by the Dodd-Frank Act have been finalized, many of the new requirements called for have yet to be implemented and will likely be subject to implementing regulations over the course of several years. Given the uncertainty associated with the manner in which the provisions of the Dodd-Frank Act will be implemented by the various agencies, the full extent of the impact such requirements will have on financial institutions' operations is unclear.

Effect of Governmental Policies. Our earnings and businesses are affected by the monetary and fiscal policies of various regulatory authorities of the United States, especially the Federal Reserve. The Federal Reserve, among other things, regulates the supply of credit and deals with general economic conditions within the United States. The instruments of monetary policy employed by the Federal Reserve for those purposes influence in various ways the overall level of investments, loans, other extensions of credit, and deposits, and the interest rates paid on liabilities and received on assets. We cannot project the impact that future changes in monetary and fiscal policies would have on our earnings and business.

Future Legislation and Regulation. Proposals that could further intensify the regulation of the financial services industry have been and are expected to continue to be introduced in the United States Congress, in state legislatures, and by applicable regulatory authorities, from time to time. These proposals may change banking statutes and regulations and the banking environment in substantial and unpredictable ways. If enacted, these proposals could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. We cannot predict whether any of these proposals will be enacted and, if enacted, the effect that these proposals, or any implementing regulations, would have on our business, results of operations or financial condition.

Competition

We encounter strong competition both in making loans and in attracting deposits. The deregulation of the banking industry and the widespread enactment of state laws which permit multi-bank holding companies as well as an increasing level of interstate banking have created a highly competitive environment for commercial banking. In one or more aspects of its business, our Company competes with other commercial banks, savings and loan associations, credit unions, finance companies, mutual funds, insurance companies, brokerage and investment banking companies, and other financial intermediaries. Most of these competitors, some of which are affiliated with bank holding companies, have substantially greater resources and lending limits, and may offer certain services that we do not currently provide. In addition, many of our non-bank competitors are not subject to the same extensive federal regulations that govern bank holding companies and federally insured banks. Legislation has continued to heighten the competitive environment in which financial institutions must conduct their business, and the potential for competition among financial institutions of all types has increased significantly.

To compete, we rely upon specialized services, responsive handling of customer needs, and personal contacts by its officers, directors, and staff. Large multi-branch banking competitors tend to compete primarily by rate and the number and location of branches while smaller, independent financial institutions tend to compete primarily by rate and personal service.

Employees

As of December 31, 2015, we had a total of approximately 784 full-time equivalent employees. The employees are not represented by a collective bargaining unit. We consider relations with employees to be good.

Statistical Profile and Other Financial Data

Reference is hereby made to the statistical and financial data contained in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations," for statistical and financial data providing a review of our Company's business activities.

Availability of Reports furnished or filed with the Securities and Exchange Commission (SEC)

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available on our internet website at www.centerstatebanks.com.

Item 1A. Risk Factors

We have identified risk factors described below, which should be viewed in conjunction with the other information contained in this document and information incorporated by reference, including our consolidated financial statements and related notes. If any of the following risks or other risks which have not been identified or which we may believe are immaterial or unlikely, actually occur, our business, financial condition and results of operations could be harmed. As noted previously, this report contains forward-looking statements that involve risks and uncertainties, including statements about our future plans, objectives, intentions and expectations. Many factors, including those described below, could cause actual results to differ materially from those discussed in forward-looking statements.

Risks relating to our industry and operations

A resumption of recessionary economic conditions could have an adverse effect on our business in the future.

The economic crisis that began several years ago caused many financial institutions to seek additional capital, to reduce or eliminate dividends, to merge with larger and stronger institutions and, in some cases, to fail. This economic turmoil and tightening of credit led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally. The resulting economic pressure on consumers and the lack of confidence in the financial markets adversely affected the banking industry, as well as financial condition and operating results. Although economic conditions have been improving, future market developments could affect consumer confidence levels and cause adverse changes in loan payment patterns, causing increases in delinquencies and default rates, which may impact our charge-offs and the provision for credit losses. Changes in the financial services industry and the effects of the Dodd-Frank Act, Basel III and other regulatory responses to the credit crisis also could negatively affect us by restricting our business operations, including our ability to originate or sell loans, and adversely impact our financial performance.

We are subject to extensive regulation that could limit or restrict our activities.

We operate in a highly regulated industry and are subject to examination, supervision, and comprehensive regulation by various agencies, including the Federal Reserve, the OCC, the FDIC, FINRA, and the SEC. This regulation is to protect depositors, the FDIC deposit insurance fund and the banking system as a whole. Our compliance with these regulations is costly and restricts certain of our activities, including payment of dividends, mergers and acquisitions, investments, loans and interest rates charged, interest rates paid and deposits and locations of our offices. We are also subject to capitalization guidelines established by our regulators, which require us to maintain sufficient capital to support our growth. Regulation of the financial services industry has increased significantly since the global financial crisis. The laws and regulations applicable to the banking industry could change at any time. The extent and timing of any regulatory reform as well as any effect on our business and financial results, are uncertain. Additionally, legislation or regulation may impose unexpected or unintended consequences, the impact of which is difficult to predict. Because government regulation greatly affects the business and financial results of all commercial banks and bank holding companies, our cost of compliance could adversely affect our ability to operate profitably.

Our processes for managing risk may not be effective in mitigating risk or losses to us.

The objectives of our risk management processes are to mitigate risk and loss to our organization. We have established procedures that are intended to identify, measure, monitor report and analyze the types of risks to which we are subject, including liquidity risk, credit risk, market risk, interest rate risk, operational risk, legal and compliance risk, and reputational risk, among others. However, as with any risk management processes, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. The ongoing developments in the financial institutions industry continue to highlight both the importance and some of the limitations of managing unanticipated risks. If our risk management processes prove ineffective, we could suffer unexpected losses and could be materially adversely affected.

The soundness of other financial institutions could adversely affect us.

Our ability to engage in routine funding and other transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. Defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and losses of depositor, creditor and counterparty confidence and could lead to losses or defaults by us or by other institutions. We could experience increases in deposits and assets as a result of other banks’ difficulties or failure, which would increase the capital we need to support our growth.

Our loan portfolio includes commercial and commercial real estate loans that may have higher risks.

Our commercial and commercial real estate loans at December 31, 2015 and 2014 were $1.56 billion and $1.43 billion, respectively, or 66% and 66% of total loans, excluding purchased credit impaired loans. Commercial and commercial real estate loans generally carry larger loan balances and can involve a greater degree of financial and credit risk than other loans. As a result, banking regulators continue to give greater scrutiny to lenders with a high concentration of commercial real estate loans in their portfolios, and such lenders are expected to implement stricter underwriting, internal controls, risk management policies and portfolio stress testing, as well as higher capital levels and loss allowances. The increased financial and credit risk associated with these types of loans are a result of several factors, including the concentration of principal in a limited number of loans and borrowers, the size of loan balances, the effects of general economic conditions on income-producing properties and the increased difficulty of evaluating and monitoring these types of loans.

The federal bank regulatory agencies have guidance on “Concentrations in Commercial Real Estate Lending” (the “Guidance”). The Guidance defines commercial real estate loans as exposures secured by raw land, land development and construction (including 1-4 family residential construction), multi-family property, and non-farm nonresidential property where the primary or a significant source of repayment is derived from rental income associated with the property (that is, loans for which 50% or more of the source of repayment comes from third party, non-affiliated, rental income) or the proceeds of the sale, refinancing, or permanent financing of the property. The Guidance requires that appropriate processes be in place to identify, monitor and control risks associated with real estate lending concentrations. This could include enhanced strategic planning, underwriting policies, risk management, internal controls, portfolio stress testing and risk exposure limits as well as appropriately designed compensation and incentive programs. Higher allowances for loan losses and capital levels may also be required. The Guidance is triggered when commercial real estate loan concentrations exceed either:

- total reported loans for construction, land development, and other land of 100% or more of a bank’s total capital (as of December 31, 2015, our consolidated ratio was 28%); or
- Total reported loans secured by multifamily and nonfarm nonresidential properties and loans for construction, land development, and other land of 300% or more of a bank’s total capital (as of December 31, 2015, our consolidated ratio was 226%).

The Guidance applies to the lending activities of our subsidiary bank. Regulators have the right to request banks to maintain elevated levels of capital or liquidity due to commercial real estate loan concentrations, and could do so, especially if there is a further downturn in our local real estate markets.

In addition, when underwriting a commercial or industrial loan, we may take a security interest in commercial real estate, and, in some instances upon a default by the borrower, we may foreclose on and take title to the property, which may lead to potential financial risks for us under applicable environmental laws. If hazardous substances were discovered on any of these properties, we may be liable to governmental agencies or third parties for the costs of remediation of the hazard, as well as for personal injury and property damage. Many environmental laws can impose liability regardless of whether the Company knew of, or were responsible for, the contamination.

Furthermore, the repayment of loans secured by commercial real estate is typically dependent upon the successful operation of the related real estate or commercial project. If the cash flows from the project are reduced, a borrower’s ability to repay the loan may be impaired. This cash flow shortage may result in the failure to make loan payments. In such cases, we may be compelled to modify the terms of the loan. In addition, the nature of these loans is such that they are generally less predictable and more difficult to evaluate and monitor. As a result, repayment of these loans may, to a greater extent than residential loans, be subject to adverse conditions in the real estate market or economy.

Our business is subject to the success of the local economies where we operate.

Our success significantly depends upon the growth in population, income levels, deposits and housing starts in our primary and secondary markets. During the recent economic downturn, the rate of growth of each of these four factors has decreased substantially and in some cases has turned negative. If the communities in which we operate do not grow or if prevailing economic conditions locally or nationally continue to remain challenging, our business may be adversely affected. Our specific market areas have experienced decreased growth, which has affected the ability of our customers to repay their loans to us and has generally affected our financial condition and results of operations. We are less able than a larger institution to spread the risks of unfavorable local economic conditions across a large number of diversified economies. Moreover, we cannot give any assurance we will benefit from any market growth or favorable economic conditions in our primary market areas if they do occur.

A significant portion of our loan portfolio is secured by real estate, substantially all of which is located in Florida, and events that negatively impact the real estate market could hurt our resultant business.

Substantially all of our loans are concentrated in Florida and subject to the volatility of the state's economy and real estate market. With our loans concentrated in Florida, the decline in local economic conditions has adversely affected the values of our real estate collateral and will likely continue to do so for the foreseeable future. Consequently, a continued decline in local economic conditions may have a greater effect on our earnings and capital than on the earnings and capital of larger financial institutions whose real estate loan portfolios are geographically diverse.

In addition to relying on the financial strength and cash flow characteristics of the borrower in each case, we often secure loans with real estate collateral. At December 31, 2015, approximately 85% of our loans have real estate as a primary or secondary component of collateral. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower but may deteriorate in value during the time credit is extended. If we are required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, our earnings and capital could be adversely affected.

We are subject to environmental risks in our lending activities.

Since a significant portion of our loan portfolio is secured by real property, we may foreclose upon and take title to such property in the ordinary course of business. If hazardous substances are found on such property, we could be liable for remediation costs, as well as for personal injury and property damage. Environmental laws might require us to incur substantial expenses, materially reduce the property's value, or limit our ability to use or sell the property. Although our management has policies requiring environmental reviews before loans secured by real property are made and before foreclosure is commenced, it is still possible that environmental risks might not be detected and that the associated costs might have a material adverse effect on our financial condition and results of operations.

An inadequate allowance for loan losses would reduce our earnings.

The risk of credit losses on loans varies with, among other things, general economic conditions, the type of loan being made, the creditworthiness of the borrower over the term of the loan and, in the case of a collateralized loan, the value and marketability of the collateral for the loan. Management maintains an allowance for loan losses based upon, among other things, historical experience, an evaluation of economic conditions and regular reviews of delinquencies and loan portfolio quality. Based upon such factors, management makes various assumptions and judgments about the ultimate collectability of the loan portfolio and provides an allowance for loan losses based upon a percentage of the outstanding balances and for specific loans when their ultimate collectability is considered questionable. If management's assumptions and judgments prove to be incorrect and the allowance for loan losses is inadequate to absorb losses, or if bank regulatory authorities require us to increase the allowance for loan losses as a part of their examination process, our earnings and capital could be significantly and adversely affected.

We will realize future losses if the proceeds we receive upon liquidation of non-performing assets ("NPAs") are less than the carrying value of such assets.

We record our NPAs on our financial statements at the estimated net realizable valuable that we expect to receive from ultimately disposing of these assets. We could realize losses in the future as a result of deteriorating market conditions if the proceeds we receive upon disposition of the NPAs are less than our carrying value of such assets.

While we use appraisals in deciding whether to make a loan that is secured by real estate, they do not ensure the value of the real property collateral.

In deciding whether to make a loan secured by real property, we generally require an appraisal. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made. If the appraised amount does not reflect the amount that may be obtained upon any sale or foreclosure of the property, we may not realize an amount equal to the indebtedness secured by the property.

Our accounting policies and processes are critical to how we report our financial condition and results of operations and require our management to make estimates about matters that are uncertain.

Accounting policies and processes are fundamental to how we record and report our financial condition and results of operations. Some of these polices require use of estimates and assumptions that may affect the value of our assets or liabilities and financial results. Several of our accounting policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. Pursuant to generally accepted accounting principles, we are required to make certain assumptions and estimates in preparing our financial statements, including and determining credit loss reserves, reserves related to litigation and the fair value of certain assets and liabilities, among other items. If the assumptions or estimates underling our financial statements are incorrect, we may experience material losses.

Certain of our financial instruments, including trading assets and liabilities, securities, and certain loans, among other items, require a determination of their fair value in order to prepare our financial statements. Where quoted market prices are not available, we may make fair value determinations based on internally developed models or other means which ultimately rely to some degree on management judgment. Some of these and other assets and liabilities may have no direct observable price levels, making their valuation particularly subjective, being based on significant estimation and judgment. In addition, some illiquidity in markets and declines in prices of certain loans and securities may make it more difficult to value certain balance sheet items, which may lead to the possibility that such valuations will be subject to further change or adjustment, it could lead to declines in our earnings.

A lack of liquidity could affect our operations and jeopardize our financial condition.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on our liquidity. Our funding sources include federal funds purchased, securities sold under repurchase agreements, non-core deposits, and short- and long-term debt. There are other sources of liquidity available to us should they be needed, including our ability to acquire additional non-core deposits, the issuance and sale of debt securities, and the issuance and sale of preferred or common securities in public or private transactions. Our access to funding sources in amounts adequate to finance or capitalize our activities or on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy in general. Our ability to borrow could be impaired by factors that are not specific to us, such as further disruption in the financial markets or negative views and expectations about the prospects for the financial services industry in light of the recent turmoil faced by banking organizations and the continued deterioration in credit markets.

Our profitability is vulnerable to interest rate fluctuations.

Our profitability depends substantially upon our net interest income. That interest income is the difference between the interest earned on assets (such as loans and securities held in our investment portfolio) and the interest paid for liabilities (such as interest paid on savings and money market accounts and time deposits). Income associated with interest-earning assets and costs associated with interest-bearing liabilities may not be affected uniformly by fluctuations in interest rates. The magnitude and duration of changes in interest rates are events over which we have no control, and such changes may have an adverse effect on our net interest income. Prepayment and early withdrawal levels, which are also impacted by changes in interest rates, can significantly affect our assets and liabilities. For example, an increase in interest rates could, among other things, reduce the demand for loans and decrease loan repayment rates. Such an increase could also adversely affect the ability of our floating-rate borrowers to meet their payment obligations, which could in turn lead to an increase in non-performing assets and net charge-offs. Conversely, a decrease in the general level of interest rates could affect us by, among other things, leading to greater competition for deposits and incentivizing borrowers to prepay or refinance their loans more quickly or frequently than they otherwise would. Generally, interest rates on our interest-earning assets and interest-bearing liabilities do not change at the same rate, to the same extent or on the same basis. Even assets and liabilities with similar maturities or repricing periods may react in different degrees to changes in market interest rates. Interest Rates on certain types of assets and liabilities may fluctuate in advance of changes in general market interest rates, while interest rates on other types of assets and liabilities may lag behind changes in general market rates. Certain assets, such as fixed and adjustable rate mortgage loans, have features that limit changes in interest rates on a short-term basis and over the life of the asset. Changes in interest rates could materially and adversely affect our financial condition and results of operations.

We are required to maintain capital to meet regulatory requirements, and if we fail to maintain sufficient capital, whether due to losses, an inability to raise additional capital or otherwise, our financial condition, liquidity and results of operations, as well as our ability to maintain regulatory compliance, would be adversely affected.

Our financial holding company and our subsidiary bank must meet regulatory capital requirements and maintain sufficient liquidity. Banking organizations experiencing growth, especially those making acquisitions are expected to hold additional capital, above regulatory minimums. From time to time, the regulators implement changes to these regulatory capital adequacy guidelines, such as through the Dodd-Frank Act and the Basel III initiatives described above. It is anticipated that these standards will result in higher and more stringent capital requirements for us and our banking subsidiary. In particular, Basel III will require us to maintain an increased minimum ratio of Tier 1 common equity to risk weighed assets.

Actions (if necessary) to increase capital, may adversely affect us. Our ability to raise additional capital, when and if needed, will depend on conditions in the capital markets, economic conditions and a number of other factors, including investor perceptions regarding the banking industry and market condition, and governmental activities, many of which are outside our control, and on our financial condition and performance. Accordingly, we cannot assure you that we will be able to raise additional capital if needed or on terms acceptable to us. If we fail to meet these capital and other regulatory requirements, our financial condition, liquidity and results of operations would be materially and adversely affected.

Our failure to remain "well capitalized" for bank regulatory purposes could affect customer confidence, our ability to grow, our costs of funds and FDIC insurance costs, our ability to pay dividends on common stock and make distributions on our trust preferred securities, our ability to make acquisitions, and our business, results of operations and financial condition. Under FDIC rules, if our subsidiary bank ceases to be a "well capitalized" institution for bank regulatory purposes, the interest rates that it pays and its ability to accept brokered deposits may be restricted. Although we had no wholesale brokered deposits as of December 31, 2015, we had approximately $20 million of in-market CDARs deposits, $33 million of ICS deposits and approximately $78 million of deposits related to our prepaid card business, which are considered brokered deposits for regulatory purposes.

Our business strategy includes continued growth, and our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively.

We intend to continue pursuing a growth strategy for our business. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in significant growth stages of development. Particularly in light of prevailing economic conditions, we cannot assure you we will be able to expand our market presence in our existing markets or successfully enter new markets or that any such expansion will not adversely affect our results of operations. Failure to manage our growth effectively could have a material adverse effect on our business, future prospects, financial condition or results of operations, and could adversely affect our ability to successfully implement our business strategy. Also, if our growth occurs more slowly than anticipated or declines, our operating results could be materially adversely affected.

Our ability to successfully grow will depend on a variety of factors including the continued availability of desirable business opportunities, the competitive responses from other financial institutions in our market areas, our ability to continue to implement and improve our operational, credit, financial, management and other risks controls and processes and our reporting systems and procedures in order to manage a growing number of client relationships, and our ability to integrate our acquisitions and develop consistent policies throughout our various businesses. While we believe we have the management resources and internal systems in place to successfully manage our future growth, there can be no assurance growth opportunities will be available or growth will be successfully managed. In addition, if we are unable to manage future expansion in our operations, we may experience compliance and operational problems, have to slow the pace of growth, or have to incur additional expenditures beyond current projections to support such growth, any of which could adversely affect our business.

We may face risks with respect to future expansion.

We have historically pursued acquisitions, and in the future we may acquire other financial institutions or parts of those institutions and we may engage in additional de novo branch expansion. We may also consider and enter into new lines of business or offer new products or services. We also may receive future inquiries and have discussions with potential acquirers of us. Acquisitions and mergers involve a number of risks, including:

- the time and costs associated with identifying and evaluating potential acquisitions and merger partners;
- inaccurate estimates and judgments regarding credit, operations, management and market risks of the target institution;
- the time and costs of evaluating new markets, hiring experienced local management and opening new offices, and the time lags between these activities and the generation of sufficient assets and deposits to support the costs of the expansion;
- our ability to receive regulatory approvals on terms that are acceptable to us;
- our ability to finance an acquisition and possible dilution to our existing shareholders;
- the diversion of our management’s attention to the negotiation of a transaction, and the integration of the operations and personnel of the combining businesses;
- entry into new markets where we lack experience;
- the strain of growth on our infrastructure, staff, internal controls and management, which may require additional personnel, time and expenditures;
- exposure to potential asset quality issues with acquired institutions;
- the introduction of new products and services into our business;

- the possibility of unknown or contingent liabilities;
- the incurrence and possible impairment of goodwill associated with an acquisition and possible adverse short-term effects on our results of operations; and
- the risk of loss of key employees and customers.

We may incur substantial costs to expand, and we can give no assurance such expansion will result in the levels of profits we seek. There can be no assurance that integration efforts for any future mergers or acquisitions will be successful. Also, we may issue equity securities, including common stock and securities convertible into shares of our common stock, in connection with future acquisitions, which could cause ownership and economic dilution to our current shareholders and to investors purchasing common stock in this offering. There is no assurance that, following any future mergers or acquisitions, our integration efforts will be successful or our company, after giving effect to the acquisition, will achieve profits comparable to or better than our historical experience.

Attractive acquisition opportunities may not be available to us in the future.

While we seek continued organic growth, as our earnings and capital position improve, we may consider the acquisition of other businesses, including, as discussed above, failed depository institutions offered for sale in FDIC-assisted transactions. The FDIC determines the timing and terms of the sale of failed institutions, and selects the winning bidder based on the “least cost” to the FDIC. The failed banks offered for sale may or may not meet our business objectives. We expect that other banking and financial companies, many of which have significantly greater resources, will compete with us to acquire financial services businesses. This competition could increase prices for potential acquisitions, including the premiums on deposits and the prices paid for assets in FDIC-assisted transactions. This could reduce our potential returns, and reduce the attractiveness of these opportunities and increase their credit and other risks. Also, acquisitions are subject to various regulatory approvals. If we fail to receive the appropriate regulatory approvals, we will not be able to consummate an acquisition that we believe is in our best interests. Among other things, our regulators consider our capital, liquidity, profitability, regulatory compliance and levels of goodwill and intangibles when considering acquisition and expansion proposals. Any acquisition could be dilutive to our earnings and shareholders’ equity per share of our common stock.

Our recent results may not be indicative of our future results.

We may not be able to sustain our historical rate of growth or may not even be able to grow our business at all. In addition, our recent growth may distort some of our historical financial ratios and statistics. Various factors, such as economic conditions, regulatory and legislative considerations and competition, may also impede or prohibit our ability to expand our market presence. If we experience a significant decrease in our historical rate of growth, our results of operations and financial condition may be adversely affected due to a high percentage of our operating costs being fixed expenses.

Our continued pace of growth may require us to raise additional capital in the future, but that capital may not be available when it is needed.

We are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside our control, and on our financial performance. Accordingly, there is no assurance as to our ability to raise additional capital if needed on terms acceptable to us. If we cannot raise additional capital when needed, our ability to further expand our operations through internal growth and acquisitions could be materially impaired.

Our asset and liability structures are monetary in nature and are affected by a variety of factors, including changes in interest rates, which can impact the value of our assets.

Our earnings and cash flows are largely dependent upon our net interest income. Net interest income is the difference between interest income earned on interest-earnings assets, such as loans and investment securities, and interest expense paid on interest-bearing liabilities, such as deposits and borrowed funds. Because different types of assets and liabilities may react differently and at different times to market interest rate changes, changes in interest rates can increase or decrease net interest income. Interest rates are sensitive to many factors that are beyond our control, including general economic conditions, competition and policies of various governmental and regulatory agencies and, in particular, the policies of the Federal Reserve. Changes in monetary policy, including changes in interest rates, could influence not only the interest our Banks receive on loans and investment securities and the amount of interest they pay on deposits and borrowings, but such changes could also affect (i) the Bank’s ability to originate loans and obtain deposits, (ii) the fair value of our financial assets and liabilities, including the available for sale securities portfolio, and (iii) the average duration of our interest-earning assets. Changes in monetary policy could also expose us to the risk that interest-earning assets may be more responsive to changes in interest rates than interest-bearing liabilities, or vice versa (repricing risk), the risk that the individual interest rates or rates indices underlying various interest-earning assets and interest-bearing liabilities may not change in the same degree over a given time period (basis risk), and the risk of changing interest rate relationships across the spectrum of interest-earning asset and interest-bearing liability maturities (yield curve risk), including a prolonged flat or inverted yield curve environment. Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations.

Higher FDIC deposit insurance premiums and assessments could adversely affect our financial condition.

The FDIC insures deposits at FDIC-insured depository institutions, such as our subsidiary bank, up to applicable limits. The amount of a particular institution’s deposit insurance assessment is based on that institution’s risk classification under an FDIC risk- based assessment system. An institution’s risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to its regulators. Market developments have significantly depleted the deposit insurance fund of the FDIC (which is referred to as the “DIF”) and reduced the ratio of reserves to insure deposits. As a result of recent economic conditions and the enactment of the Dodd-Frank Act, the FDIC has increased the deposit insurance assessment rates and thus raised deposit premiums for insured depository institutions. If these increases are insufficient for the DIF to meet its funding requirements, there may need to be further special assessments or increases in deposit insurance premiums. We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. If there are additional bank or financial institution failures, we may be required to pay even higher FDIC premiums than the recently increased levels. Any future additional assessments, increases or required prepayments in FDIC insurance premiums may materially adversely affect results of operations, including by reducing our profitability or limiting our ability to pursue business opportunities.

We are periodically subject to examination and scrutiny by a number of banking agencies and, depending upon the findings and determinations of these agencies, we may be required to make adjustments to our business that could adversely affect us.

The banking agencies periodically conduct examinations of our business, including compliance with applicable laws and regulations. If, as a result of an examination, a banking agency were to determine that the financial condition, capital resources, asset quality, asset concentration, earning prospects, management, liquidity, sensitivity to market risk or other aspects of any of our operations has become unsatisfactory, or that we or our management is in violation of any law or regulation, it could take a number or different remedial actions as it deems appropriate. These actions include the power to enjoin “unsafe or unsound” practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to change the asset composition of our portfolio or balance sheet, to assess civil money penalties against our officers or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance. If we become subject to such regulatory actions, our business, results of operations and reputation may be negatively impacted.

Market volatility could adversely affect our operations or ability to access capital.

The capital and credit markets have experienced volatility and disruption from time to time during the past several years. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers’ underlying financial condition or performance. If these periodic market disruptions and volatility continue or worsen, we may experience adverse effects, which may be material, on our ability to maintain or access capital and on our business, financial condition and results of operations.

Our cost of funds may increase as a result of general economic conditions, FDIC insurance assessments, interest rates and competitive pressures.

Our cost of funds may increase as a result of general economic conditions, FDIC insurance assessments, interest rates and competitive pressures. We have traditionally obtained funds principally through local deposits and we have a base of lower cost transaction deposits. Generally, we believe local deposits are a less expensive and more stable source of funds than other borrowings because interest rates paid for local deposits are typically lower than interest rates charged for borrowings from other institutional lenders and reflect a mix of transaction and time deposits, whereas brokered deposits typically are higher cost time deposits. Our costs of funds and our profitability and liquidity are likely to be adversely affected, if and to the extent we have to rely upon higher cost borrowings from other institutional lenders or brokers to fund loan demand or liquidity needs, and changes in our deposit mix and growth could adversely affect our profitability and the ability to expand our loan portfolio.

Competition from financial institutions and other financial service providers may adversely affect our profitability.

The banking business is highly competitive and we experience competition in our markets from many other financial institutions. We compete with commercial banks, credit unions, mortgage banking firms, consumer finance companies, securities brokerage firms, insurance companies, money market funds, and other mutual funds, as well as other super-regional, national and international financial institutions that operate offices in our primary market areas and elsewhere. Some of these competitors may have a long history of successful operation in our markets, greater ties to local businesses and more expansive banking relationships, as well as better established depositor bases. Competitors with greater resources may possess an advantage by being capable of maintaining numerous banking locations and more convenient sites, operating more ATMs and conducting extensive promotional and advertising campaigns or operating a more developed Internet platform.

We compete with these institutions both in attracting deposits and in making loans. In addition, we have to attract our customer base from other existing financial institutions and from new residents. Many of our competitors are well-established, larger financial institutions. While we believe we can and do successfully compete with these other financial institutions in our primary markets, we may face a competitive disadvantage as a result of our smaller size, lack of geographic diversification and inability to spread our marketing costs across a broader market. Although we compete by concentrating our marketing efforts in our primary markets with local advertisements, personal contacts, and greater flexibility and responsiveness in working with local customers, we can give no assurance this strategy will be successful.

The fiscal and monetary policies of the federal government and its agencies could have a material adverse effect on our earnings.

The Federal Reserve regulates the supply of money and credit in the U.S. as its policies determine in large part the cost of funds for lending and investing and return earned on those loans and investments, both of which affect our net interest margin. They can also materially decrease the value of financial assets we hold. Federal Reserve policies also can adversely affect borrowers, potentially increasing the risk that they may fail to repay their loans, or could result in volatile markets and rapid declining collateral values. Changes in Federal Reserve policies are beyond our control and difficult to predict. Accordingly, the impact of these changes on our activities and results of operations is difficult to predict.

We are dependent upon the services of our management team.

Our future success and profitability are substantially dependent upon the management and banking abilities of our senior executives. Although we currently have employment agreements in place with our senior management team, we cannot guarantee you that our senior executives will remain with us. Changes in key personnel and their responsibilities may be disruptive to our business and could have a material adverse effect on our business, financial condition and results of operations. We believe that our future results will also depend in part upon our attracting and retaining highly skilled and qualified management and sales and marketing personnel. Competition for such personnel is intense, and we cannot assure you that we will be successful in retaining such personnel.

Technological changes affect our business, and we may have fewer resources than many competitors to invest in technological improvements.

The financial services industry continues to undergo rapid technological changes with frequent introductions of new technology- driven products and services. In addition to serving clients better, the effective use of technology may increase efficiency and may enable financial institutions to reduce costs. Our future success will depend, in part, upon our ability to use technology to provide products and services that provide convenience to customers and to create additional efficiencies in operations. We may need to make significant additional capital investments in technology in the future, and we may not be able to effectively implement new technology-driven products and services. Many competitors have substantially greater resources to invest in technological improvements.

We rely on other companies to provide key components of our business infrastructure.

Third parties provide key components of our business infrastructure such as banking services, processing, and internet connections and network access. Any disruption in such services provided by these third parties or any failure of these third parties to handle currently or higher volumes of use could adversely affect our ability to deliver products and services to clients and otherwise to conduct business. Technological or financial difficulties of a third party service provider could adversely affect our business to the extent those difficulties result in the interruption or discontinuation of services provided by that party. Further, in some instances we may responsible for the failure of such third parties to comply with government regulations. We may not be insured against all types of losses as a result of third party failures and our insurance coverage may not be inadequate to cover all losses resulting from system failures or other disruptions. Failures in our business structure could interrupt the operations or increase the cost of doing business.

A failure and/or breach of our operational or securities systems or infrastructure, or those of our third party vendors and other service providers, including as a result of cyber-attacks, could disrupt our business, result in a disclosure or misuse of confidential or propriety information, damage our reputation, increase our costs and cause losses.

We depend on our ability to process, record and monitor a large number of client transactions on a continuous basis. As client, public and regulatory expectations regarding operational and information security have increased, our operational systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions and breakdowns. Our business, financial, accounting, data processing, or other operating systems and facilities may stop operating properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control. Although we have business continuity plans and other safeguards in place, our business operations may be adversely affected by significant and widespread disruption to our physical infrastructure or operating systems that support our businesses and clients.

Information security risks for financial institutions have generally increased in recent years in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of hackers, terrorists, activists, and other external parties. As noted, above, our operations rely on the secure processing, transmission, and storage of confidential information in our computer systems and networks. Our banking and other businesses rely on our digital technologies, computer and e-mail systems, software and networks to conduct our operations. In addition, to access our products and services, our clients may use personal smartphones, tablets, personal computers, and other mobile devices that are beyond our control systems. Although we have information security procedures and controls in places, our technologies, systems, networks and our client’s devices may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss of destruction of our or our client's confidential, proprietary and other information, or otherwise disrupt our or our clients' or other third parties' business operations.

Any failure or interruption in the operation of our communications and information systems could impair or prevent the effective operation of our customer relationship management, general ledger, deposit, lending or other functions. While we have policies and procedures designed to prevent or limit the effect of a failure or interruption in the operation of our information systems, there could be no assurance that any such failures or interruptions will not occur or, if they do, that they will be adequately addressed. The occurrence of any failures or interruptions impacting our information systems could damage our reputation, result in a loss of customer business, and expose us to additional regulatory scrutiny, civil litigation, and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations.

Although to date we have not experienced any material losses related to cyber-attacks or other information security breaches, there can be no assurance that we will not suffer such losses in the future.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

Our disclosure control and procedures are designed to provide reasonable assurance that information required to be disclosed by us in reports we file or submit with the SEC is accurately accumulated and communicated to management, and recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. We believe that any disclosure controls and procedures or controls and procedures, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met.

These inherent limitations include the reality that judgments and decision making can be faulty, that alternative reasoned judgments can be drawn, or that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an authorized override of the controls. Accordingly, because of the inherent limitations in our controls systems, misstatements due to error or fraud may occur and not be detected, which could result in a material weakness in our internally controls over financial reporting and the restatement of previously filed financial statements.

Our ability to maintain our reputation is critical to the success of our business, and the failure to do so may materially adversely affect our performance.

Our reputation is one of the most valuable components of our business. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring, and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers, and caring about our customers and associates. If our reputation is negatively affected by the actions of our employees or otherwise, our business and, therefore, our operating results may be materially adversely affected.

Adverse weather or manmade events could negatively affect our local economies or disrupt our operations, which would have an adverse effect on our business or results of operations.

Our market areas in Florida are susceptible to hurricanes and tropical storms and related flooding and wind damage. Such weather events and manmade events can disrupt operations, result in damage to properties and negatively affect the local economies in the markets where they operate. We cannot predict whether or to what extent damage that may be caused by future natural disasters or manmade events will affect our operations or the economies in our current or future market areas, but such events could result in a decline in loan originations, a decline in the value or destruction of properties securing our loans and an increase in delinquencies, bankruptcies, foreclosures or loan losses that could result in a higher level of non-performing assets, net charge-offs, and provision for loan losses. Our business or results of operations may be adversely affected by these and other negative effects of future hurricanes or tropical storms, including flooding and wind damage, or manmade events. Many of our customers have incurred significantly higher property and casualty insurance premiums on their properties located in our markets, which may adversely affect real estate sales and values in those markets.

We are or may become involved from time to time in suits, legal proceedings, information-gathering requests, investigations, and proceedings by governmental and self-regulatory agencies that may lead to adverse consequences.

Many aspects of the banking business involve a substantial risk of legal liability. The Company and the Bank have been named or threatened to be named as defendants in various law suits arising from our business activities (and in some cases from the activities of companies that we have acquired). In addition, from time to time, we are, or may become, the subject of self-regulatory agency information-gathering requests, reviews, investigations and proceedings, and other forms of regulatory inquiry, including by bank regulatory agencies, the SEC and law enforcement authorities. The results of such proceedings could lead to significant civil or criminal penalties, including monetary penalties, damages, adverse judgments, settlements, fines, injunctions, restrictions on the way the Company and the Bank conduct their business, or reputational harm.

The Bank is subject to numerous laws designed to protect consumers, including the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.

The Community Reinvestment Act ("CRA"), the Equal Credit Opportunity Act, the Fair Housing Act, and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The U.S. Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful regulatory challenge to an institution's performance under the CRA or fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, restrictions on expansion, and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on the Bank's business, financial condition, results of operations, and future prospects.

The Bank is subject to the Bank Secrecy Act and other anti-money laundering statutes and regulations, and any deemed deficiency by the Bank with respect to these laws could result in significant liability.

The Bank Secrecy Act, the USA PATRIOT Act of 2001, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports when appropriate. In addition to other bank regulatory agencies, the federal Financial Crimes Enforcement Network of the Department of the Treasury is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the state and federal banking regulators, as well as the U.S. Department of Justice, Consumer Financial Protection Bureau, Drug Enforcement Administration, and Internal Revenue Service. the Bank is also subject to increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control of the Department of the Treasury regarding, among other things, the prohibition of transacting business with, and the need to freeze assets of, certain persons and organizations identified as a threat to the national security, foreign policy, or economy of the United States. If the Bank's policies, procedures, and systems are deemed deficient, the Bank could be subject to liability, including fines and regulatory actions, which may include restrictions on its ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of its business plan, including acquisition plans. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for the bank. Any of these results could have a material adverse effect on the Bank's business, financial condition, results of operations, and future prospects.

Risks Relating to our Common Stock

We have provisions in our articles of incorporation that could impede a takeover of CenterState.

Our articles of incorporation contain provisions providing for the ability to issue preferred stock without shareholder approval. Although these provisions were not adopted for the express purpose of preventing or impeding the takeover of CenterState without the approval of our board of directors, such provisions may have that effect. Such provisions may prevent our shareholders from taking part in a transaction in which our shareholders could realize a premium over the current price of our common stock.

Shares of our Common Stock are not insured deposits and may lose value.

Shares of our common stock are not savings or deposit accounts and are not insured by the FDIC, or any other agency or private entity. Such shares are subject to investment risk, including the possible loss of some or all of the value of your investment.

Future capital needs could result in dilution of shareholder investment.

Our board of directors may determine from time to time there is a need to obtain additional capital through the issuance of additional shares of our common stock or other securities. These issuances would dilute the ownership interest of our shareholders and may dilute the per share book value of our common stock. New investors also may have rights, preferences and privileges senior to our shareholders which may adversely impact our shareholders.

The trading volume in our common stock and the sale of substantial amounts of our common stock in the public market could depress the price of our common stock

We cannot predict the effect, if any, that future sales of our common stock in the market, or availability of shares of our common stock for sale in the market, will have on the market price of our common stock. Our stock price can fluctuate widely in response to a variety of factors. General market fluctuations, industry factors, and general economic and political conditions and events, such as terrorist attacks, economic slowdowns or recessions, interest rate changes, credit loss trends, or currency fluctuations, also could cause our stock price to decrease regardless of operating results. We therefore can give no assurance that sales of substantial amounts of our common stock in the market, or the potential for large amounts of sales in the market, or any of the other factors discussed above, would not cause the price of our common stock to decline or impair our ability to raise capital through sales of our common stock.

Our ability to pay dividends is limited and we may be unable to pay future dividends

During the last 60 fiscal quarters, we paid cash dividends on our common stock outstanding. Our ability to pay dividends is limited by regulatory restrictions and the need to maintain sufficient consolidated capital. The ability of the Bank to pay dividends to us is limited by its obligations to maintain sufficient capital and by other general restrictions on its dividends that are applicable to national banks that are regulated by the OCC. If we do not satisfy these regulatory requirements, or if the Bank does not have sufficient earnings to make payments to us while maintaining adequate capital levels, we will be unable to pay dividends on our common stock.

Holders of our junior subordinated debentures have rights that are senior to those of our common stockholders

We have helped support our continued growth through the issuance of, and the acquisition of, through prior mergers, trust preferred securities from special purpose trusts and accompanying junior subordinated debentures. At December 31, 2015, we had outstanding trust preferred securities and accompanying junior subordinated debentures totaling $27.5 million. Payments of the principal and interest on these debt instruments are conditionally guaranteed by us. Further, the accompanying junior subordinated debentures we issued to the special purpose trusts are senior to our shares of common stock. As a result, we must make payments on the junior subordinated debentures before any dividends can be paid on our common stock and, in the event of our bankruptcy, dissolution or liquidation, the holders of the junior subordinated debentures must be satisfied before any distributions can be made on our common stock. We have the right to defer distributions on our junior subordinated debentures (and the related trust preferred securities) for up to five years, during which time no dividends may be paid on our common stock.

At December 31, 2015, our shareholders include three funds owning approximately 18% of our common stock and they may exercise significant influence over us and their interests may be different from our other shareholders.

Based on their 13G forms filed for the year end December 31, 2015, our shareholders include three funds that collectively own approximately 18% of the outstanding shares of our common stock. Top ten institutional owners collectively own approximately 44% of our outstanding shares of common stock, as reported by SNL. While the federal banking laws require prior bank regulatory approval if shareholders owning in excess of 9.9% of a financial holding company’s outstanding voting shares desire to act in concert, nonetheless the three or ten institutional owners could vote the same way on matters submitted to our shareholders without being deemed to be acting in concert and, if so, could exercise significant influence over us and actions taken by our shareholders. Interests of institutional funds may be different from our other shareholders. Accordingly, given their collective ownership, the funds could have significant influence over whether or not a proposal submitted to our shareholders receives required shareholder approval.

Item 1B. Unresolved Staff Comments
None

Item 2. Properties
Our Holding Company owns no real property. Our corporate office is leased from our subsidiary bank, and is located at 42745 U.S. Highway 27, Davenport, Florida 33837. At the end of 2015, our Company, through our subsidiary bank, operated a total of 57 full service banking offices in 20 counties in central, southeast and northeast Florida. We own 42 and lease 15 of these offices. We also have four loan production offices of which we own 1 and lease 3. In addition to our banking locations, we lease non-banking office space in Winter Haven, Florida for IT and operations purposes. We also lease office space for our Correspondent banking division, primarily in Birmingham, Alabama and

in Atlanta, Georgia. See Note 8 to the Consolidated Financial Statements of our Company included in this Annual Report on Form 10-K and Managements Discussion and Analysis – Bank Premises and Equipment, for additional information regarding our premises and equipment.

Item 3. Legal Proceedings

Our bank subsidiary is periodically a party to or otherwise involved in legal proceedings arising in the normal course of business, such as claims to enforce liens, claims involving the making and servicing of real property loans, and other issues incident to their respective businesses. We do not believe any pending or threatened legal proceedings in the ordinary course against the bank would have a material adverse effect on our consolidated results of operations or consolidated financial position.

Item 4. [Removed and Reserved]

PART II

Item 5. Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The shares of our Common Stock are traded on the NASDAQ Global Select Market. The following sets forth the high and low trading prices for trades of our Common Stock that occurred during 2015 and 2014.

	2015		2014	
	High	Low	High	Low
1st Quarter	$12.35	$10.94	$11.65	$9.87
2nd Quarter	$13.98	$11.70	$11.60	$10.28
3rd Quarter	$15.00	$12.20	$11.60	$10.03
4th Quarter	$16.24	$14.24	$12.00	$10.10

As of December 31, 2015, there are 45,459,195 shares of common stock outstanding. As of this same date we have approximately 1,037 shareholders of record, as reported by our transfer agent, Continental Stock Transfer & Trust Company.

Dividends

We have historically paid cash dividends on a quarterly basis, on the last business day of the calendar quarter. The following sets forth per share cash dividends paid during 2015 and 2014.

	2015	2014
1st Quarter	$0.01	$0.01
2nd Quarter	$0.02	$0.01
3rd Quarter	$0.02	$0.01
4th Quarter	$0.02	$0.01

The payment of dividends is a decision of our Board of Directors based upon then-existing circumstances, including our rate of growth, profitability, financial condition, existing and anticipated capital requirements, the amount of funds legally available for the payment of cash dividends, regulatory constraints and such other factors as the Board determines relevant. Our source of funds for payment of dividends is dividends received from our Bank, or excess cash available to us. Payments by our subsidiary Bank to us are limited by law and regulations of the bank regulatory authorities. There are various statutory and contractual limitations on the ability of our Bank to pay dividends to us. The bank regulatory agencies also have the general authority to limit the dividends paid by banks if such payment may be deemed to constitute an unsafe and unsound practice. Our Bank may not pay dividends from its paid-in surplus. All dividends must be paid out of undivided profits then on hand, after deducting expenses, including reserves for losses and bad debts. In addition, a national bank is prohibited from declaring a dividend on its shares of common stock until its surplus equals its stated capital, unless there has been transferred to surplus no less than one/tenth of the bank’s net profits of the preceding two consecutive half-year periods (in the case of an annual dividend). The approval of the OCC is required if the total of all dividends declared by a national bank in any calendar year exceeds the total of its net profits for that year combined with its retained net profits for the preceding two years, less any required transfers to surplus.

Share Repurchases

A summary of our common stock repurchases during the fourth quarter of 2015 is set forth in the table below.

Period Beginning	Ending	Total Number of Shares Purchased	Average Price paid per Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	Maximum Number of Shares that may yet be Purchased Under the Plans or Programs
October 1, 2015	October 31, 2015	---	---	---	1,934,735
November 1, 2015	November 30, 2015	---	---	---	1,934,735
December 1, 2015	December 31, 2015	11,385	$15.43	---	1,934,735
Total for quarter ending December 31, 2015		11,385	$15.43	---	1,934,735

(1) We did not repurchase any shares of our common stock during the fourth quarter of 2015 pursuant to our stock repurchase plan currently in place. We repurchased 11,385 shares of our common stock from our employees during December 2015 for settlement of certain tax withholding obligations related to certain equity based compensation awards.

Stock Plans

With respect to information regarding our securities authorized for issuance under equity incentive plans, the information contained in the section entitled “Equity Compensation Plan Information” in our Definitive Proxy Statement for the 2015 Annual Meeting of Shareholders is incorporated herein by reference.

Performance Graph

Shares of our common stock are traded on the Nasdaq Global Select Market. The following graph compares the yearly percentage change in cumulative shareholder return on the Company’s common stock, with the cumulative total return of the S&P 500 Index and the SNL Southeast Bank Index, since December 31, 2010 (assuming a $100 investment on December 31, 2010 and reinvestment of all dividends).

	2010	2011	2012	2013	2014	2015
CenterState Banks, Inc.	100	84	109	130	153	203
S&P 500	100	102	118	157	178	181
SNL Southeast Bank Index	100	59	97	132	148	146

Item 6. Selected Consolidated Financial Data
Use of Non-GAAP Financial Measures and Ratios

The accounting and reporting policies of the Company conform to generally accepted accounting principles (“GAAP”) in the United States and prevailing practices in the banking industry. However, certain non-GAAP performance measures and ratios are used by management to evaluate and measure the Company’s performance. These include tax-equivalent net interest income (including its individual components), net interest margin (including its individual components), the efficiency ratio, tangible assets, tangible shareholders’ equity, tangible book value per common share, and tangible equity to tangible assets. Management believes that these measures and ratios provide users of the Company’s financial information with a more meaningful view of the performance of the interest-earning assets and interest-bearing liabilities and of the Company’s operating efficiency. Other financial holding companies may define or calculate these measures and ratios differently. Management also uses non-GAAP financial measures to help explain the variance in total non-interest expenses excluding merger and acquisition related expenses, impairment of bank property held for sale, credit related expenses and correspondent banking division expenses between the periods presented. Management uses this non-GAAP financial measure in its analysis of the Company’s performance and believes this presentation provides useful supplemental information, and a clearer understanding of the Company’s non-interest expense between periods presented.

Management reviews yields on certain asset categories and the net interest margin of the Company and its banking subsidiaries on a fully taxable equivalent basis. In this non-GAAP presentation, net interest income is adjusted to reflect tax-exempt interest income on an equivalent before-tax basis. This measure ensures the comparability of net interest income arising from both taxable and tax-exempt sources. Net interest income on a fully taxable equivalent basis is also used in the calculation of the Company’s efficiency ratio. The efficiency ratio is calculated by dividing non-interest expense (less nonrecurring items, credit related expenses and intangible amortization) by total taxable-equivalent net interest income and non-interest income (less securities gains or losses, FDIC indemnification income and nonrecurring items). The efficiency ratio is also calculated excluding correspondent income and expense from the calculation. These measures provide an estimate of how much it costs to produce one dollar of revenue. The items excluded from this calculation provide a better match of revenue from daily operations to operational expenses.

Tangible assets is defined as total assets reduced by goodwill and other intangible assets. Tangible common equity is defined as total common equity reduced by goodwill and other intangible assets. Tangible common equity to tangible assets is defined as tangible common equity divided by tangible assets. These measures are important to many investors in the marketplace who are interested in the common equity to assets ratio exclusive of the effect of changes in intangible assets on common equity and total assets.

Tangible common equity per common share outstanding is defined as tangible common equity divided by total common shares outstanding. This measure is important to many investors in the marketplace who are interested in changes from period to period in book value per share exclusive of changes in intangible assets. Goodwill, an intangible asset that is recorded in a purchase business combination, has the effect of increasing total book value while not increasing our tangible book value.

These disclosures should not be considered in isolation or a substitute for results determined in accordance with GAAP, and are not necessarily comparable to non-GAAP performance measures which may be presented by other bank holding companies. Management compensates for these limitations by providing detailed reconciliations between GAAP information and the non-GAAP financial measures.

The following tables present a reconciliation of certain non-GAAP performance measures and ratios used by the Company to evaluate and measure the Company's performance to the most directly comparable GAAP financial measures:

	Years ended December 31,				
(Dollars in thousands)	2015	2014	2013	2012	2011
Income Statement Non-GAAP measures and ratios					
Interest income (GAAP)					
Loans, excluding purchase credit impaired ("PCI") loans	$101,051	$87,094	$55,549	$56,376	$54,235
PCI loans	40,645	34,168	32,725	25,216	11,658
Securities - taxable	16,460	13,991	9,889	11,297	14,296
Securities - tax-exempt	2,641	1,435	1,430	1,423	1,422
Federal funds sold and other	1,523	1,539	785	638	632
Total Interest income (GAAP)	162,320	138,227	100,378	94,950	82,243
Tax equivalent adjustment					
Non PCI loans	819	628	628	646	539
Securities - tax-exempt	1,379	746	744	697	678
Total tax equivalent adjustment	2,198	1,374	1,372	1,343	1,217
Interest income - tax equivalent					
Loans excluding PCI loans	101,870	87,722	56,177	57,022	54,774
PCI loans	40,645	34,168	32,725	25,216	11,658
Securities - taxable	16,460	13,991	9,889	11,297	14,296
Securities - tax-exempt	4,020	2,181	2,174	2,120	2,100
Federal funds sold and other	1,523	1,539	785	638	632
Total interest income - tax equivalent	164,518	139,601	101,750	96,293	83,460
Total Interest expense (GAAP)	(7,286)	(7,356)	(5,885)	(8,481)	(12,207)
Net interest income - tax equivalent	$157,232	$132,245	$95,865	$87,812	$71,253
Net interest income (GAAP)	$155,034	$130,871	$94,493	$86,469	$70,036
Yields and costs					
Yield on Loans excluding PCI - tax equivalent	4.49 %	4.69 %	4.77 %	5.07 %	5.30 %
Yield on loans - tax equivalent	5.66 %	5.64 %	6.18 %	5.67 %	5.46 %
Yield on securities tax-exempt - tax equivalent	5.01 %	5.04 %	5.19 %	5.41 %	5.88 %
Yield on interest earning assets (GAAP)	4.66 %	4.61 %	4.93 %	4.58 %	4.30 %
Yield on interest earning assets - tax equivalent	4.72 %	4.66 %	5.00 %	4.65 %	4.36 %
Cost of interest bearing liabilities (GAAP)	0.32 %	0.36 %	0.39 %	0.51 %	0.81 %
Net interest spread (GAAP)	4.34 %	4.25 %	4.54 %	4.07 %	3.49 %
Net interest spread - tax equivalent	4.40 %	4.30 %	4.61 %	4.14 %	3.55 %
Net interest margin (GAAP)	4.45 %	4.37 %	4.64 %	4.18 %	3.66 %
Net interest margin - tax equivalent	4.51 %	4.41 %	4.71 %	4.24 %	3.72 %

Efficiency ratio					
Non interest income (GAAP)	$37,450	$26,226	$33,946	$59,261	$101,972
Gain on sale of securities	(4)	(46)	(1,060)	(2,423)	(3,464)
FDIC indemnification income	(1,686)	(2,982)	(5,542)	(6,017)	(1,132)
Nonrecurring income	-	-	-	(453)	(57,020)
Adjusted non interest income	35,760	23,198	27,344	50,368	40,356
Correspondent banking non interest income	(27,563)	(20,153)	(20,410)	(35,707)	(27,066)
Adjusted non interest income, ex. Correspondent	8,197	3,045	6,934	14,661	13,290
Net interest income before provision (GAAP)	155,034	130,871	94,493	86,469	70,036
Total tax equivalent adjustment	2,198	1,374	1,372	1,343	1,217
Adjusted net interest income	157,232	132,245	95,865	87,812	71,253
Correspondent net interest income	(6,330)	(3,239)	(2,854)	(4,023)	(3,822)
Adjusted net interest income, ex. Correspondent	150,902	129,006	93,011	83,789	67,431

Income Statement Non-GAAP measures and ratios (continued)

	Years ended December 31,				
continued from previous page	2015	2014	2013	2012	2011
Non interest expense	126,082	$136,181	$110,762	$121,980	$114,689
CDI and Trust intangible amortization	(2,537)	(2,284)	(1,191)	(1,372)	(804)
Credit related expenses	(2,295)	(5,282)	(12,730)	(11,206)	(12,696)
Nonrecurring expense	(827)	(14,306)	(722)	(3,328)	(7,696)
Adjusted non interest expense	120,423	114,309	96,119	106,074	93,493
Correspondent banking non interest expense	(23,414)	(20,638)	(22,491)	(30,651)	(25,467)
Adjusted non interest expense, ex. Correspondent	$97,009	$93,671	$73,628	$75,423	$68,026
Efficiency ratio	62 %	74 %	78 %	77 %	84 %
Efficiency ratio – excluding Correspondent	61 %	71 %	74 %	77 %	84 %

Analysis of changes in interest income and expense	Net change Dec. 31, 2015 versus 2014		
	Volume	Rate	Net change
Loans - tax equivalent	$ 20,280	$ 345	$ 20,625
Securities - tax-exempt - tax equivalent	1,851	(12)	1,839
Total interest income - tax equivalent	25,592	(675)	24,917
Net interest income - tax equivalent	25,404	(417)	24,987

Analysis of changes in interest income and expense	Net change Dec. 31, 2014 versus 2013		
	Volume	Rate	Net change
Loans - tax equivalent	$41,257	$(8,269)	$32,988
Securities - tax-exempt - tax equivalent	72	(65)	7
Total interest income - tax equivalent	45,119	(7,268)	37,851
Net interest income - tax equivalent	43,246	(6,866)	36,380

	Years ended December 31,				
(Dollars in thousands, except per share data)	2015	2014	2013	2012	2011
Balance Sheet Non-GAAP measures and ratios					
Total assets	$4,022,717	$3,776,869	$2,416,011	$2,363,240	$2,284,459
Goodwill	(76,739)	(76,739)	(44,924)	(44,924)	(38,035)
Intangible assets, net	(13,001)	(15,401)	(6,116)	(7,307)	(5,203)
Tangible assets	$3,932,977	$3,684,729	$2,364,971	$2,311,009	$2,241,221
Common stockholders' equity	490,514	$452,477	$273,379	$273,531	$262,633
Goodwill	(76,739)	(76,739)	(44,924)	(44,924)	(38,035)
Intangible assets, net	(13,001)	(15,401)	(6,116)	(7,307)	(5,203)
Tangible common stockholders' equity	$400,774	$360,337	$222,339	$221,300	$219,395
Book value per common share	$10.79	$9.98	$9.08	$9.09	$8.74

Effect of intangible assets	$(1.97)	$(2.03)	$(1.69)	$(1.74)	$(1.44)
Tangible book value per common share	$8.82	$7.95	$7.38	$7.36	$7.30
Equity to total assets	12.19 %	11.98 %	11.32 %	11.57 %	11.50 %
Effect of intangible assets	-2.00 %	-2.20 %	-1.91 %	-2.00 %	-1.71 %
Tangible common equity to tangible assets	10.19 %	9.78 %	9.40 %	9.58 %	9.79 %

The selected consolidated financial data presented below should be read in conjunction with management's discussion and analysis of financial condition and results of operations, and the consolidated financial statements and footnotes thereto, of the Company at December 31, 2015 and 2014, and the three year period ended December 31, 2015, presented elsewhere herein. Operating results for prior periods are not necessarily indicative of results that might be expected for any future period.

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Selected Consolidated Financial Data

For the twelve month period ending or as of December 31

(Dollars in thousands except for share and per share data)	2015	2014	2013	2012	2011
SUMMARY OF OPERATIONS:					
Total interest income	162,320	$138,227	$100,378	$94,950	$82,243
Total interest expense	(7,286)	(7,356)	(5,885)	(8,481)	(12,207)
Net interest income	155,034	130,871	94,493	86,469	70,036
Provision for loan losses	(4,493)	(826)	76	(9,220)	(45,991)
Net interest income after provision for loan losses	150,541	130,045	94,569	77,249	24,045
Non-interest income	9,883	6,027	12,445	20,336	14,422
Income from correspondent banking capital markets division	27,563	20,153	20,410	35,707	27,066
Net gain on sale of securities available for sale	4	46	1,060	2,423	3,464
Bargain purchase gain, acquisition of institution	-	-	-	453	57,020
Gain on sale of bank branch office real estate	-	-	31	342	-
Credit related expenses	(2,295)	(5,282)	(12,730)	(11,206)	(12,696)
Non-interest expense	(123,787)	(130,899)	(98,032)	(110,774)	(101,993)
Income before income taxes	61,909	20,090	17,753	14,530	11,328
Income tax expense	(22,571)	(7,126)	(5,510)	(4,625)	(3,419)
Net income	$39,338	$12,964	$12,243	$9,905	$7,909
PER COMMON SHARE DATA:					
Basic earnings per share	$0.87	$0.32	$0.41	$0.33	$0.26
Diluted earnings per share	$0.85	$0.31	$0.41	$0.33	$0.26
Common equity per common share outstanding	$10.79	$9.98	$9.08	$9.09	$8.74
Tangible common equity per common share outstanding	$8.82	$7.95	$7.38	$7.36	$7.30
Dividends per common share	$0.07	$0.04	$0.04	$0.04	$0.04
Actual shares outstanding	45,459,195	45,323,553	30,112,475	30,079,767	30,055,499
Weighted average common shares outstanding	45,182,224	40,852,002	30,102,777	30,073,959	30,034,573
Diluted weighted average common shares outstanding	45,788,632	41,235,552	30,220,127	30,141,863	30,039,187
BALANCE SHEET DATA:					
Assets	$4,022,717	$3,776,869	$2,415,567	$2,363,240	$2,284,459
Total loans	2,593,776	2,429,525	1,474,179	1,435,863	1,283,766
Allowance for loan losses	22,264	19,898	20,454	26,682	27,944
Total deposits	3,215,178	3,092,040	2,056,231	1,997,232	1,919,789

Short-term borrowings	252,722	179,014	50,366	57,724	69,276
Corporate debentures	24,093	23,917	16,996	16,970	16,945
Common stockholders' equity	490,514	452,477	273,379	273,531	262,633
Total stockholders' equity	490,514	452,477	273,379	273,531	262,633
Tangible capital	400,774	360,337	222,339	221,300	219,395
Goodwill	76,739	76,739	44,924	44,924	38,035
Core deposit intangible (CDI)	12,164	14,417	4,958	5,944	5,203
Trust intangible	837	984	1,158	1,363	-
Average total assets	3,928,523	3,419,541	2,381,620	2,445,902	2,176,571
Average loans	2,518,572	2,160,155	1,439,069	1,451,492	1,216,086
Average interest earning assets	3,484,739	2,995,845	2,034,542	2,070,990	1,914,812
Average deposits	3,178,569	2,891,459	2,087,004	2,062,682	1,800,998
Average interest bearing deposits	2,038,955	1,942,299	1,425,858	1,555,755	1,407,942
Average interest bearing liabilities	2,278,427	2,046,061	1,502,481	1,652,460	1,512,898
Average total stockholders' equity	471,130	391,574	273,852	269,282	253,398

Selected Consolidated Financial Data - continued

For the twelve month period ending or as of December 31

	2015		2014		2013		2012		2011	
SELECTED FINANCIAL RATIOS:										
Return on average assets	1.00	%	0.38	%	0.51	%	0.40	%	0.36	%
Return on average equity	8.35	%	3.31	%	4.47	%	3.68	%	3.12	%
Dividend payout	8	%	13	%	10	%	12	%	15	%
Efficiency ratio (1)	62	%	74	%	78	%	77	%	84	%
Efficiency ratio, excluding correspondent (2)	61	%	71	%	74	%	77	%	84	%
Net interest margin, tax equivalent basis (3)	4.51	%	4.41	%	4.71	%	4.24	%	3.72	%
Net interest spread, tax equivalent basis (4)	4.40	%	4.30	%	4.61	%	4.14	%	3.55	%
CAPITAL RATIOS:										
Tier 1 leverage ratio	10.53	%	10.11	%	10.38	%	9.91	%	10.49	%
Risk-based capital										
Common equity Tier 1	14.39	%	-		-		-		-	
Tier 1	14.99	%	14.36	%	16.64	%	16.63	%	17.79	%
Total	15.79	%	15.14	%	17.89	%	17.89	%	19.05	%
Tangible common equity ratio	10.19	%	9.78	%	9.40	%	9.58	%	9.79	%
ASSET QUALITY RATIOS:										
Net charge-offs to average loans (5)	0.09	%	0.07	%	0.42	%	0.93	%	4.28	%
Allowance to period end loans (5)	0.93	%	0.90	%	1.58	%	2.11	%	2.46	%
Allowance for loan losses to non-performing loans (5)	106	%	76	%	73	%	93	%	71	%
Non-performing assets to total assets (5)	0.56	%	0.92	%	1.39	%	1.41	%	2.16	%
OTHER DATA:										
Banking locations	57		58		55		55		58	
Full-time equivalent employees	784		785		693		689		655	

(1) Efficiency ratio is non-interest expense (less non-recurring items, credit related expenses and intangible amortization) divided by the sum of the tax equivalent net interest income before the provision for loan losses plus non-interest income (less non-recurring items and FDIC indemnification income).
(2) Efficiency ratio is same as (1) above excluding correspondent banking non-interest expense (including indirect expense allocations) from the numerator and excluding correspondent banking net interest income and non-interest income from the denominator.
(3) Net interest margin is net interest income divided by total average earning assets.
(4) Net interest spread is the difference between the average yield on earning assets and the average yield on average interest bearing liabilities.
(5) Excludes purchased credit impaired loans.

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Quarterly Financial Information

The following table sets forth, for the periods indicated, certain consolidated quarterly financial information. This information is derived from our unaudited financial statements which include, in the opinion of management, all normal recurring adjustments which management considers necessary for a fair presentation of the results for such periods. The sum of the four quarters of earnings per share may not equal the total earnings per share for the full year due to rounding and the issuance of stock related to the Gulfstream and FSB acquisitions in 2014. This information should be read in conjunction with our consolidated financial statements and the notes thereto included elsewhere in this document. The results for any quarter are not necessarily indicative of results for future periods.

Selected Quarterly Data

(unaudited)

(Dollars in thousands except	2015				2014			
for per share data)	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Interest income	$41,098	$40,112	$41,625	$39,485	$38,019	$37,347	$33,079	$29,782
Interest expense	(1,819)	(1,784)	(1,818)	(1,865)	(1,848)	(2,097)	(1,822)	(1,589)
Net interest income	39,279	38,328	39,807	37,620	36,171	35,250	31,257	28,193
Provision for loan losses	(543)	-	(2,308)	(1,642)	(18)	(955)	106	41
Net interest income after provision for loan losses	38,736	38,328	37,499	35,978	36,153	34,295	31,363	28,234
Non-interest income	3,425	2,191	1,986	2,281	1,740	1,417	1,041	1,829
Correspondent banking and capital markets division income	6,241	5,935	8,587	6,800	5,795	5,142	5,285	3,931
Gain on sales of securities available for sale	-	4	-	-	-	-	46	-
Non-interest expenses	(32,086)	(30,855)	(32,538)	(30,603)	(32,091)	(35,534)	(36,153)	(32,403)
Income before income tax	16,316	15,603	15,534	14,456	11,597	5,320	1,582	1,591
Income tax expense	(5,920)	(5,687)	(5,656)	(5,308)	(4,316)	(1,727)	(545)	(538)
Net income	$10,396	$9,916	$9,878	$9,148	$7,281	$3,593	$1,037	$1,053
Basic earnings per common share	$0.23	$0.22	$0.22	$0.20	$0.16	$0.08	$0.03	$0.03
Diluted earnings per common share	$0.23	$0.22	$0.21	$0.20	$0.16	$0.08	$0.03	$0.03

The 2014 results were impacted by the merger and acquisition related expenses due to the 2014 acquisitions of Gulfstream and FSB as reflected in the table above. The acquisitions resulted in an increase in net interest income to the extent of the earning assets and deposits acquired while limiting the additional noninterest expense due to significant cost reductions related to the consolidation of back office operations and elimination of branch redundancies created by the acquisitions. In addition, expenses were incurred, primarily in the first quarter of 2014 as reflected above, for branch closures and efficiency initiatives unrelated to the acquisitions. The significant improvement of the fourth quarter 2015 results compared to the fourth quarter 2014 are primarily a reflection of the benefits of the acquisitions noted above and the realization of the expense reductions and efficiencies initiated during the first quarter of 2014.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
(All dollar amounts in this Item 7 are in thousands of dollars, except shares

and per share data or when specifically identified.)

Some of the statements in this report constitute forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995 and the Securities Exchange Act of 1934. These statements related to future events, other future financial performance or business strategies, and include statements containing terminology such as "may," "will," "should," "expects," "scheduled," "plans," "intends," "anticipates," "believes," "estimates," "potential," or " negative of such terms or other comparable terminology. Actual events or results may differ materially from the results anticipated in these forward looking statements, due to a variety of factors, including, without limitation: the effects of future economic conditions; governmental monetary and fiscal policies, as well as legislative and regulatory changes; the risks of changes in interest rates and the level and composition of deposits, loan demand, and the values of loan collateral; and the effects of competition from other commercial banks, thrifts, consumer finance companies, and other financial institutions operating in our market area and elsewhere. All forward looking statements attributable to our Company are expressly qualified in their entirety by these cautionary statements. We disclaim any intent or obligation to update these forward looking statements, whether as a result of new information, future events or otherwise. There is no assurance that future results, levels of activity, performance or goals will be achieved.

Our discussion and analysis of earnings and related financial data are presented herein to assist investors in understanding the financial condition of our Company at December 31, 2015 and 2014, and the results of operations for the years ended December 31, 2015, 2014 and 2013. This discussion should be read in conjunction with the consolidated financial statements and related footnotes of our Company presented elsewhere herein.

Executive Summary

Organizational structure

Our consolidated financial statements include the accounts of CenterState Banks, Inc. (the "Parent Company," "Company," "Corporate," "CenterState," "Holding Company", "CSFL", "we" or "our"), our wholly owned subsidiary bank (" the "Bank"), our non bank subsidiary R4ALL, Inc. ("R4ALL") and our non bank subsidiary CSFL Insurance Corp ("CSFL IC").

As background, in December 2010 we merged our three national chartered banks together, with CSB as the surviving bank. In June of 2012 we merged our state charted bank, Valrico State Bank, into CSB. We currently have one subsidiary bank, and two non bank subsidiaries, R4ALL and CSFL IC. R4ALL has no employees and its sole purpose is to acquire and dispose of troubled assets from our only remaining subsidiary bank. CSFL IC also has no employees and its sole purpose is to serve as a captive insurance subsidiary for our subsidiary bank, CSB. CSB is insuring certain deductibles and excesses related to existing insurance policies with third party providers with CSFL IC. As such, the Company is permitted annual permanent tax deductions for the premiums CSB pays CSFL IC up to $1.2 million per year, effectively reducing the Company's consolidated federal and state income taxes pursuant to Section 831(b) of the U.S. Tax Code. The general administrative and recording keeping activities of both non bank subsidiaries are performed by one of our employees.

At the Holding Company level, we perform functions that include strategic planning, merger and acquisition functions, investor relations, capital management, financial reporting, income tax management and reporting, loan review, internal audit, risk assessment and monitoring, and generally oversee and monitor the activities of our subsidiary bank. All of the operating activities associated with and related to the commercial and retail banking business, as well as the correspondent banking business, is performed and managed at the subsidiary bank level.

A condensed consolidating balance sheet at December 31, 2015 and a condensed consolidating statement of operations for the year ending December 31, 2015 are presented below.

Condensed Consolidating Balance Sheet At December 31, 2015	CSB	CSFL INS. CORP	R4ALL	PARENT COMPANY	Eliminations	Consolidated
Cash and due from banks	$52,243	$1,591	$ 104	$ 15	$ (1,460)	$ 52,493
Federal funds sold and Federal Reserve deposits	101,580	-	-	-	-	101,580
Cash and cash equivalents	153,823	1,591	104	15	(1,460)	154,073
Investment securities	879,686	-	-	-	-	879,686
Purchase credit impaired ("PCI") loans	210,528	-	-	-	-	210,528
Loans, excluding PCI loans	2,383,153	-	95	-	-	2,383,248
Allowance for loan losses	(22,256)	-	(8)	-	-	(22,264)
Bank premises and equipment, net	101,435	-	-	386	-	101,821
Goodwill	76,739	-	-	-	-	76,739
Core deposit intangibles	12,164	-	-	-	-	12,164
OREO covered by FDIC loss share agreements	9,629	-	-	-	-	9,629
OREO not covered by FDIC loss share agreements	1,567	-	-	-	-	1,567
Investment in subsidiaries	-	-	-	485,686	(485,686)	-
All other assets	207,307	25	8	34,315	(26,129)	215,526
Total assets	$4,013,775	$1,616	$ 199	$ 520,402	$ (513,275)	$ 4,022,717
Deposits	$3,216,638	$ -	$ -	$ -	$ (1,460)	$ 3,215,178
Other borrowings	252,722	-	-	24,093	-	276,815
All other liabilities	59,422	1,121	1	5,795	(26,129)	40,210
Total stockholders’ equity	484,993	495	198	490,514	(485,686)	490,514
Total liabilities and stockholders' equity	$4,013,775	$1,616	$ 199	$ 520,402	$ (513,275)	$ 4,022,717

Condensed Consolidating Statement of Operations For the 12 month period ending December 31, 2015	CSB	CSFL INS. CORP	R4ALL	PARENT COMPANY	Eliminations	Consolidated
Interest income	$162,320	$ -	$ -	$ -	$ -	$ 162,320
Interest expense	(6,318)	-	-	(968)	-	(7,286)
Net interest income	156,002	-	-	(968)	-	155,034
Provision for loan losses	(4,494)	-	1	-	-	(4,493)
Net interest income after loan loss provision	151,508	-	1	(968)	-	150,541
Non interest income	37,567	58	-	42,663	(42,838)	37,450
Non interest expense	(121,850)	(65)	79	(4,421)	175	(126,082)
Net income before income tax provision	67,225	(7)	80	37,274	(42,663)	61,909
Income tax (provision) benefit	(24,629)	25	(31)	2,064	-	(22,571)

Net income	$42,596	$ 18	$ 49	$ 39,338	$ (42,663)	$ 39,338

Through our subsidiary bank, we conduct commercial and retail banking business consisting of attracting deposits from the general public and applying those funds to the origination of commercial real estate loans, residential real estate loans, construction, development and land loans, and commercial loans and consumer loans. Most of our loans are secured by real estate located in Florida.

Our profitability depends primarily on net interest income, which is the difference between interest income generated from interest-earning assets (i.e. loans and investments) less the interest expense incurred on interest-bearing liabilities (i.e. customer deposits and borrowed funds). Net interest income is affected by the relative amounts of interest-earning assets and interest-bearing liabilities, and the interest rate earned and paid on these balances. Net interest income is dependent upon the interest rate spread which is the difference between the average yield earned on our interest-earning assets and the average rate paid on our interest-bearing liabilities. The interest rate spread is impacted by interest rates, deposit flows, and loan demand. Additionally, our profitability is affected by such factors as the level of non-interest income and expenses, the provision for credit losses, and the effective tax rate. Non-interest income consists primarily of service fees on deposit accounts and related services, and also includes commissions earned on bond sales, brokering single family home loans, Trust services, sale of mutual funds, annuities and other non-traditional and non-insured investments. Non-interest expense consists of compensation, employee benefits, occupancy and equipment expenses, and other operating expenses.

At December 31, 2015, our subsidiary bank operated through 57 bank branch locations in 20 counties in Florida as summarized in the table below:

Broward	Indian River	Orange	Putnam
Duval	Lake	Osceola	St. Lucie
Hendry	Marion	Palm Beach	Seminole
Hernando	Martin	Pasco	Sumter
Hillsborough	Okeechobee	Polk	Volusia

In addition to full service bank branches, we also originate loans in four loan production offices located in Tampa, Gainesville, Crystal River and Ft. Myers, Florida.

On July 2, 2015, we converted our bank holding company into a financial holding company, which allows additional flexibility such as initiating a captive insurance subsidiary.

On July 17, 2015, upon recommendation of Chairman and CEO Pinner, our Board of Directors appointed John Corbett as the Company’s President and CEO. Mr. Pinner assumed the new role of Executive Chairman. See the Company’s 2016 Proxy Statement for additional information relating to this transition.

On July 24, 2015, we purchased the branch real estate, and assumed approximately $15 million in deposits, of SouthBank, F.S.B.’s (“SB”) main banking office located in Palm Beach County. On the same date, we closed two nearby existing leased branches and consolidated these offices into the newly acquired location.

In October 2015, we announced two acquisitions in Homestead, Florida, Community Bank of South Florida, Inc. (approximately $486 million of total assets) and Hometown of Homestead Banking Company (approximately $348 million of total assets). Both transactions closed on March 1, 2016.

On December 14, 2015, we formed a captive insurance subsidiary in order to insure current deductibles, excess limits and uninsured exposures. CSFL IC made an election per Section 831(b) in the US Tax Code to exempt the premium income from federal income tax as allowed by the Code.

Correspondent banking division

We also operate a correspondent banking and capital markets division. The division is integrated with and part of our subsidiary bank, CSB, located in Winter Haven, Florida, although the majority of our bond salesmen, traders and operations personnel are physically housed in leased facilities located in Birmingham, Alabama and Atlanta, Georgia. Its primary revenue generating activities are related to the capital markets division which includes commissions earned on fixed income security sales, fees from hedging services, loan brokerage fees and consulting fees for services related to these activities. Income generated related to the correspondent banking services includes spread income earned on correspondent bank deposits (i.e. federal funds purchased) and fees generated from safe-keeping activities, bond accounting services, asset/liability consulting services, international wires, clearing and corporate checking account services and other correspondent banking related services. The fees derived from the correspondent banking services are less volatile than those generated through the capital markets group. The customer base includes small to medium size financial institutions located throughout the United States.

Critical Accounting Policies

Our accounting policies are integral to understanding the results reported. Accounting policies are described in detail in Note 1 of the notes to the consolidated financial statements. The critical accounting policies require management's judgment to ascertain the valuation of assets, liabilities, commitments and contingencies. We have established policies and control procedures that are intended to ensure valuation methods are well controlled and applied consistently from period to period. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. The following is a brief description of our current accounting policies involving significant management valuation judgments.

Allowance for Loan Losses

The allowance for loan losses represents our estimate of probable incurred losses inherent in the existing loan portfolio. The allowance for loan losses is increased by the provision for loan losses charged to expense and reduced by loans charged off, net of recoveries. The allowance for loan losses is determined based on our assessment of several factors: reviews and evaluation of individual loans, changes in the nature and volume of the loan portfolio, current economic conditions and the related impact on specific borrowers and industry concentrations, historical loan loss experiences and the level of classified and nonperforming loans.

Changes in the financial condition of individual borrowers, in economic conditions, in historical loss experience and in the condition of the various markets in which collateral may be sold may all affect the required level of the allowance for loan losses and the associated provision for loan losses.

We use a standardized loan grading system which is integral to our risk assessment function related to lending. Loan officers assign a loan grade to newly originated loans in accordance with the standard loan grades. Throughout the lending relationship, the loan officer is responsible for periodic reviews, and if warranted he/she will downgrade or upgrade a particular loan based on specific events and/or analyses. We use a loan grading system of 1 through 7. Grade 1 is "excellent" and grade 7 is "doubtful." Loans graded 5 or higher are placed on a watch list each month end and reported to the special asset committee, which includes CEO Corbett, Executive Chairman Pinner and CSB's Chief Credit Officer. Our loan review officers, who are independent of the lending function periodically review loan portfolios and lending relationships. The loan review officer may disagree with the bank's grade on a particular loan and subsequently downgrade or upgrade such loan(s) based on his risk analysis.

Our Chief Credit Officer ("CCO"), our Chief Special Asset Disposition Manager ("CSPA") and their teams are responsible for identifying and reporting all impaired loans, non-accrual loans, TDRs and OREO. They hold quarterly meetings with our CEO, our Executive Chairman, and a senior level accounting officer who along with the CCO and CSPA is ultimately responsible for preparing the Company's allowance for loan loss calculations each quarter. The Company's CFO and others also attend these meetings periodically. The CCO, CSPA and their teams make sure that all non-performing loans, subject to ASC 310, as well as OREO properties have a current appraisal (less than one year old) and that the asset is written down to 90% of the current appraisal, or less under certain circumstances, such as a listing price in the case of OREO, or a time value adjustment in the case of loans with appraisals approaching their one year life, and the related collateral is either in a type of category or in a market area with declining values. When these quarterly meetings start, these teams have already evaluated their positions and have identified the course of action on each of the troubled assets listed. The purpose of the meetings is to allow the sharing of information and allow our CEO and Executive Chairman to review these evaluations with our CCO and CSPA, and either approve or modify their recommendations.

We maintain an allowance for loan losses that we believe is adequate to absorb probable incurred losses inherent in our loan portfolio. The allowance consists of three components. The first component consists of amounts specifically reserved ("specific allowance") for specific loans identified as impaired, as defined by FASB Accounting Standards Codification No. 310 ("ASC 310"). Impaired loans are those loans that management has estimated will not repay as agreed pursuant to the loan agreement. Each of these loans is required to have a written analysis supporting the amount of specific reserve allocated to the particular loan, if any. That is to say, a loan may be impaired (i.e. not expected to repay as agreed), but may be sufficiently collateralized such that we expect to recover all principal and interest eventually, and therefore no specific reserve is warranted.

The second component is a general reserve ("general allowance") on all of the Company's loans other than those identified as impaired. We group these loans into categories with similar characteristics and then apply a loss factor to each group which is derived from our historical loss factor for that category adjusted for current internal and external environmental factors, as well as for certain loan grading factors.

The third component consists of amounts reserved for purchased credit-impaired loans. On a quarterly basis, the Company updates the amount of loan principal and interest cash flows expected to be collected, incorporating assumptions regarding default rates, loss severities, the amounts and timing of prepayments and other factors that are reflective of current market conditions. Probable decreases in expected loan principal cash flows trigger the recognition of impairment, which is then measured as the present value of the expected principal loss plus any related foregone interest cash flows discounted at the pool's effective interest rate. Impairments that occur after the acquisition date are recognized through the provision for loan losses. Probable and significant increases in expected principal cash flows would first reverse any previously recorded allowance for loan losses; any remaining increases are recognized prospectively as interest income. The impacts of (i) prepayments, (ii) changes in variable interest rates, and (iii) any other changes in the timing of expected cash flows are recognized prospectively as adjustments to interest income. Disposals of loans, which may include sales of loans, receipt of payments in full by the borrower, or foreclosure, result in removal of the loan from the purchased credit impaired portfolio. The aggregate of these three components results in our total allowance for loan losses.

Goodwill and Intangible Assets

Goodwill resulting from business combinations prior to January 1, 2009 represents the excess of the purchase price over the fair value of the net assets of businesses acquired. Goodwill resulting from business combinations after January 1, 2009, is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any non-controlling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually.
The Company has selected November 30 as the date to perform the annual impairment test. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. Goodwill is the only intangible asset with an indefinite life on our balance sheet. We have $77 million of goodwill on our consolidated balance sheet at December 31, 2015. Other intangible assets consist of core deposit intangible and trust intangible assets arising from whole bank and

branch acquisitions. They are initially measured at fair value and then amortized on an accelerated method over their estimated useful lives, generally 10 years.

Goodwill and intangible assets are described further in Note 9 of the notes to the consolidated financial statements.

Income Taxes

We determine our income tax expense based on management's judgments and estimates regarding permanent differences in the treatment of specific items of income and expense for financial statement and income tax purposes. These permanent differences result in an effective tax rate, which differs from the federal statutory rate. In addition, we recognize deferred tax assets and liabilities, recorded in the Consolidated Statements of Financial Condition, based on management's judgment and estimates regarding timing differences in the recognition of income and expenses for financial statement and income tax purposes.

We must also assess the likelihood that any deferred tax assets will be realized through the reduction or refund of taxes in future periods and establish a valuation allowance for those assets for which recovery is not more likely than not. In making this assessment, management must make judgments and estimates regarding the ability to realize the asset through carryback to taxable income in prior years, the future reversal of existing taxable temporary differences, future taxable income, and the possible application of future tax planning strategies. Management believes that it is more likely than not that deferred tax assets included in the accompanying Consolidated Statements of Financial Condition will be fully realized, although there is no guarantee that those assets will be recognizable in future periods. We have a net deferred tax asset of $46.2 million in our consolidated balance sheet at December 31, 2015. For additional discussion of income taxes, see Notes 1 and 15 of "Notes to Consolidated Financial Statements" in Item 8 of this Form 10-K.

Purchased Credit-Impaired ("PCI") Loans

We account for acquisitions under the purchase accounting method. All identifiable assets acquired and liabilities assumed are recorded at fair value. We review each loan or loan pool acquired to determine whether there is evidence of deterioration in credit quality since inception and if it is probable that the Company will be unable to collect all amounts due under the contractual loan agreements. We consider expected prepayments and estimated cash flows including principal and interest payments at the date of acquisition. The amount in excess of the estimated future cash flows is not accreted into earnings. The amount in excess of the estimated future cash flows over the book value of the loan is accreted into interest income over the remaining life of the loan (accretable yield). The Company records these loans on the acquisition date at their net realizable value. Thus, an allowance for estimated future losses is not established on the acquisition date. We refine our estimates of the fair value of loans acquired for up to one year from the date of acquisition. Subsequent to the date of acquisition, we update the expected future cash flows on loans acquired on a quarterly basis. Losses or a reduction in cash flow which arise subsequent to the date of acquisition are reflected as a charge through the provision for loan losses. An increase in the expected cash flows adjusts the level of the accretable yield recognized on a prospective basis over the remaining life of the loan.

FDIC Loss Share Receivable

We entered into agreements with the FDIC for reimbursement of losses within acquired loan portfolios. The FDIC loss share receivable was recorded at fair value on the date of acquisition based upon the expected reimbursements to be received from the FDIC adjusted by a discount rate which reflects counter party credit risk and other uncertainties. Changes in the underlying credit quality of the loans covered by the FDIC loss share receivable resulted in either an increase or a decrease in the FDIC loss share receivable. Deterioration in loan credit quality increased the FDIC loss share receivable; increases in credit quality decreased the FDIC loss share receivable. Proceeds received for reimbursement of incurred losses reduced the FDIC loss share receivable.

The FDIC bought out the remaining FDIC loss share arrangements on February 3, 2016 resulting in a pre-tax loss of approximately $17.5 million. See Form 8K filed on February 4, 2016 for additional information.

COMPARISON OF RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014.

Net Income

Our net income for the year ended December 31, 2015 was $39,338 or $0.87 and $0.85 per share basic and diluted, respectively, compared to $12,964 or $0.32 and $0.31 per share basic and diluted for the year ended December 31, 2014. Our net income, excluding merger related and efficiency initiative expenses and gain on sale of securities, for year 2015 was $39,862 ($0.87 per share diluted), compared to $22,403 ($0.54 per share diluted) for year 2014. The increase of $17,459 was primarily due to the January 2014 acquisition of Gulfstream and the June 2014 acquisition of FSB.

Net Interest Income/Margin

Net interest income consists of interest income generated by earning assets, less interest expense.

Net interest income increased $24,163, or 18% to $155,034 during the year ended December 31, 2015 compared to $130,871 for the same period in 2014. The increase was the result of a $24,093 increase in interest income and a $70 decrease in interest expense.

Interest earning assets averaged $3,484,739 during the year ended December 31, 2015 as compared to $2,995,845 for the same period in 2014, an increase of $488,894, or 16%. The yield on average interest earning assets increased 5 basis points ("bps") to 4.66% (6bps to 4.72% tax equivalent basis) during the year ended December 31, 2015, compared to 4.61% (4.66% tax equivalent basis) for the same period in 2014. The combined net effects of the $488,894 increase in average interest earning assets and the increase in yields on average interest earning assets resulted in the $24,093 ($24,917 tax equivalent basis) increase in interest income between the two years.

Interest bearing liabilities averaged $2,278,427 during the year ended December 31, 2015 as compared to $2,046,061 for the same period in 2014, an increase of $232,366, or 11%. The cost of average interest bearing liabilities decreased 4 bps to 0.32% during the year ended December 31, 2015, compared to 0.36% for 2014. The combined net effects of the $232,366 increase in average interest bearing liabilities and the 4 bps decrease in cost of average interest bearing liabilities resulted in the $70 decrease in interest expense between the two years. See the tables "Average Balances – Yields & Rates," and "Analysis of Changes in Interest Income and Expenses" below.

Average Balances (8) – Yields & Rates

	Years Ended December 31,					
	2015			2014		
	Average Balance	Interest Inc / Exp	Average Rate	Average Balance	Interest Inc / Exp	Average Rate
ASSETS:						
Loans, excluding PCI (1) (2) (7)	$2,270,525	$101,870	4.49 %	$1,869,859	$87,722	4.69 %
Purchased credit impaired loans (9)	248,047	40,645	16.39 %	290,296	34,168	11.77 %
Securities - taxable	696,386	16,460	2.36 %	534,326	13,991	2.62 %
Securities - tax exempt (7)	80,240	4,020	5.01 %	43,303	2,181	5.04 %
Federal funds sold and other	189,541	1,523	0.80 %	258,061	1,539	0.60 %
TOTAL INTEREST EARNING ASSETS	$3,484,739	$164,518	4.72 %	$2,995,845	$139,601	4.66 %
Allowance for loan losses	(21,521)			(20,690)		
All other assets	465,305			444,386		
TOTAL ASSETS	$3,928,523			$3,419,541		
LIABILITIES & STOCKHOLDERS' EQUITY						
Deposits:						
Now	$625,274	$520	0.08 %	$560,813	$470	0.08 %
Money market	726,159	1,954	0.27 %	645,420	1628	0.25 %
Savings	241,921	129	0.05 %	233,977	125	0.05 %
Time deposits	445,601	2,903	0.65 %	502,089	3,959	0.79 %
Repurchase agreements	30,727	186	0.61 %	30,316	181	0.60 %

Federal funds purchased	184,451	622	0.34	%	49,899	51	0.10	%
Other borrowed funds (3)	289	4	1.38	%	-	-	-	
Corporate debenture (4)	24,005	968	4.03	%	23,547	942	4.00	%
TOTAL INTEREST BEARING LIABILITIES	$2,278,427	$7,286	0.32	%	$2,046,061	$7,356	0.36	%
Demand deposits	1,139,614				949,160			
Other liabilities	39,352				32,746			
Total stockholders' equity	471,130				391,574			
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$3,928,523				$3,419,541			
NET INTEREST SPREAD (tax equivalent basis) (5)			4.40	%			4.30	%
NET INTEREST INCOME (tax equivalent basis)		$157,232				$132,245		
NET INTEREST MARGIN (tax equivalent basis) (6)			4.51	%			4.41	%

(1) Loan balances are net of deferred origination fees and costs. Non-accrual loans are included in total loan balances.
(2) Interest income on average loans includes loan fee recognition of $295 and $665 for the years ended December 31, 2015 and 2014, respectively.
(3) Includes short-term (usually overnight) Federal Home Loan Bank advances and other short term borrowings.

(4) Includes net amortization of origination costs and amortization of purchase accounting adjustment of $176 and $176 during year ended December 31, 2015 and 2014, respectively.
(5) Represents the average rate earned on interest earning assets minus the average rate paid on interest bearing liabilities.
(6) Represents net interest income divided by total earning assets.
(7) Interest income and rates include the effects of a tax equivalent adjustment using applicable statutory tax rates to adjust tax exempt investment income on tax exempt investment securities and loans to a fully taxable basis.
(8) Averages balances are average daily balances.
(9) Purchased credit-impaired ("PCI") loans are loans accounted for under ASC Topic 310-30.

Non-accrual loans: A loan is moved to nonaccrual status in accordance with our policy typically after 90 days of non-payment, or less than 90 days of non-payment if management determines that the full timely collection of principal and interest becomes doubtful. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. All interest accrued but not received for loans placed on nonaccrual, is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Analysis of Changes in Interest Income and Expenses

	Net Change Dec 31, 2015 versus 2014		
	Volume	Rate	Net Change
INTEREST INCOME			
Loans (tax equivalent basis)	$20,280	$345	$20,625
Securities – taxable	3,931	(1,462)	2,469
Securities – tax exempt	1,851	(12)	1,839
Federal funds sold and other	(470)	454	(16)
TOTAL INTEREST INCOME (tax equivalent basis)	$25,592	$(675)	$24,917
INTEREST EXPENSE			
Deposits			
NOW accounts	$54	$(4)	$50
Money market accounts	213	113	326
Savings	4	-	4
Time deposits	(415)	(641)	(1,056)
Repurchase agreements	2	3	5
Federal funds purchased	308	263	571
Other borrowed funds	4	-	4
Corporate debentures	18	8	26
TOTAL INTEREST EXPENSE	$188	$(258)	$(70)
NET INTEREST INCOME (tax equivalent basis)	$25,404	$(417)	$24,987

The table above details the components of the changes in net interest income for the last two years. For each major category of interest earning assets and interest bearing liabilities, information is provided with respect to changes due to average volume and changes due to rates, with the changes in both volumes and rates allocated to these two categories based on the proportionate absolute changes in each category.

Provision for Loan Losses

The provision for loan losses increased $3,667 to $4,493 during the year ending December 31, 2015 compared to a provision of $826 for the comparable period in 2014. The provision for loan losses for the current year included $1,834 for the Gulfstream loans and $878 for the First Southern loans acquired in January and June 2014, respectively. Our policy is to maintain the allowance for loan losses at a level sufficient to absorb probable incurred losses inherent in the loan portfolio. The allowance is increased by the provision for loan losses, which is a charge to current period earnings, and is decreased by charge-offs, net of recoveries on prior loan charge-offs. Therefore, the provision for loan losses (Income Statement effect) is a residual of management’s determination of allowance for loan losses (Balance Sheet approach). In determining the adequacy of the allowance for loan losses, we consider those levels maintained by conditions of individual borrowers, the historical loan loss experience, the general economic environment, the overall portfolio composition, and other information. As these factors change, the level of loan loss provision changes. Our loss factors associated with our general allowance for loan losses is the primary reason causing the decrease in our provision expense due to our continued improvement in substantially all of our credit metrics, in particular our historical loss factors which is a derivative of our historical charge-off rates. See "credit quality and allowance for loan losses" regarding the allowance for loan losses for additional information.

Non-Interest Income

Non-interest income for the year ended December 31, 2015 was $37,450 compared to $26,226 for the comparable period in 2014. This increase of $11,224 was the result of the following components listed in the table below.

	2015	2014	$ increase (decrease)	% increase (decrease)
Correspondent banking capital markets revenue	23,225	$16,400	$ 6,825	41.6 %
Other correspondent banking related revenue	4,338	3,753	585	15.6 %
Wealth management related revenue	3,813	4,239	(426)	-10.0 %
Service charges on deposit accounts	9,745	9,542	203	2.1 %
Debit, prepaid, ATM and merchant card related fees	6,913	6,250	663	10.6 %
Bank owned life insurance income	2,346	1,767	579	32.8 %
Other service charges and fees	1,943	1,990	(47)	-2.4 %
Gain on sale of securities	4	46	(42)	-91.3 %
Subtotal	52,327	43,987	8,340	19.0 %
FDIC indemnification asset- amortization	(16,563)	(20,743)	4,180	-20.2 %
FDIC indemnification income	1,686	2,982	(1,296)	-43.5 %
Total non-interest income	$37,450	$26,226	$ 11,224	42.8 %

As shown in the table above, the primary reason for the increase in non-interest income year to year is the increase in correspondent banking capital markets revenue and the decrease in FDIC indemnification asset amortization.

Correspondent banking capital markets revenue includes bond sales revenue and brokerage revenue from interest rate swaps and C&I loan sales to correspondent bank clients. The increase in revenue in 2015 is mainly due to revenue generated from the facilitation of interest rate swaps for correspondent client banks and their customers. This line of business began in 2014 producing $1,344 of gross revenue and increased to $7,903 in 2015.

The FDIC indemnification asset ("IA") was producing amortization (versus accretion) due to reductions in the estimated losses in the FDIC covered loan portfolio. To the extent current projected losses in the covered loan portfolio were less than previously projected losses, the related projected reimbursements from the FDIC contemplated in the IA were less, which produced a negative income accretion in non-interest income. This event corresponded to the increase in yields in the FDIC covered loan portfolio, although there was not a perfect correlation. Higher expected cash flows (i.e. less expected future losses) on the loan side of the equation was accreted into interest income over the life of the related loan pool. The lower expected reimbursement from the FDIC was amortized over the lesser of the remaining life of the related loan pool(s) or the remaining term of the loss share period.

At December 31, 2015, the total IA on our balance sheet was $25,795. Of this amount, we estimated to receive reimbursements from the FDIC of approximately $4,250 related to future estimated losses, and estimated to expense approximately $21,545 for previously estimated losses that are no longer expected. The $21,545 was estimated to be paid, or has been paid, by the borrower (or has been or is estimated to be realized upon the sale of OREO) instead of a reimbursement from the FDIC. At December 31, 2015, the $21,545 previously estimated reimbursements from the FDIC was expected to be amortized as expense (negative accretion) in our non-interest income as summarized below.

Year		Year	
2016	$10,230	2020	$1,512
2017	3,875	2021	639
2018	2,876	2022 thru 2022	49
2019	2,364	Total	$21,545

On February 3, 2016, the FDIC bought out our remaining FDIC loss share agreements. As such, our IA was written off and we recognized a pre-tax loss on the transaction of approximately $17,560 during the first quarter of 2016, effectively accelerating the $21,545 of future IA amortization expense summarized in the table above.

Our other FDIC income related line item in the table above, FDIC indemnification income, has two components. The first relates to losses on FDIC covered OREO. To the extent we incur a loss on the sale of OREO, the FDIC is obligated to reimburse us at various coverage rates pursuant to the applicable loss sharing agreements. The reimbursable amount is recognized as FDIC indemnification income in this line item during the same period the expense or loss on OREO is recognized in our non-interest expenses. The second component relates to provision for loan loss expenses related to impairments on any of our covered loan pools. To the extent we incur a loan loss provision expense, we recognize FDIC indemnification income pursuant to the applicable coverages outlined in the loss sharing agreements during the same period the expense was recognized in provision for loan loss expense. These reimbursements have also ceased effective with our February 3, 2016, FDIC loss share buy-out as described in the preceeding paragraph.

Non-Interest Expense

Non-interest expense for the year ended December 31, 2015 decreased $10,099, or 7.4%, to $126,082, compared to $136,181 for 2014. The table below breaks down the individual components.

	2015	2014	$ increase (decrease)	% increase (decrease)
Employee salaries and wages	$58,209	$53,939	$4,270	7.9 %
Employee incentive/bonus compensation	6,522	5,036	1,486	29.5 %
Employee stock based compensation	3,283	1,577	1,706	108.2 %
Employer 401K matching contributions	1,617	1,398	219	15.7 %
Deferred compensation expense	618	580	38	6.6 %
Health insurance and other employee benefits	4,865	5,072	(207)	-4.1 %
Payroll taxes	3,855	3,823	32	0.8 %
Other employee related expenses	1,118	1,257	(139)	-11.1 %
Incremental direct cost of loan origination	(2,689)	(2,307)	(382)	16.6 %
Total salaries, wages and employee benefits	77,398	70,375	7,023	10.0 %
Gain on sale of OREO	(403)	(67)	(336)	501.5 %
Gain on sale of FDIC covered OREO	(850)	(721)	(129)	17.9 %
Valuation write down of OREO	257	985	(728)	-73.9 %
Valuation write down of FDIC covered OREO	950	2,265	(1,315)	-58.1 %
Loss on repossessed assets other than real estate	7	45	(38)	-84.4 %
Foreclosure and repossession related expenses	1,425	1,722	(297)	-17.2 %
Foreclosure and repo expenses, FDIC (note 1)	909	1,053	(144)	-13.7 %
Total credit related fees	2,295	5,282	(2,987)	-56.6 %
Occupancy expense	9,957	10,163	(206)	-2.0 %
Depreciation of premises and equipment	5,716	6,066	(350)	-5.8 %
Supplies, stationary and printing	1,436	1,319	117	8.9 %
Marketing expenses	2,317	2,731	(414)	-15.2 %
Data processing expense	4,679	5,484	(805)	-14.7 %
Legal, auditing and other professional fees	2,954	4,066	(1,112)	-27.3 %
Bank regulatory related expenses	3,173	3,209	(36)	-1.1 %
Postage and delivery	1,389	1,413	(24)	-1.7 %
ATM and debit card related expenses	1,893	1,918	(25)	-1.3 %
CDI amortization	2,390	2,110	280	13.3 %
Trust intangible amortization	147	174	(27)	-15.5 %

Internet and telephone banking	2,167	1,698	469	27.6	%
Operational write-offs and losses	582	242	340	140.5	%
Correspondent accounts and Federal Reserve charges	655	641	14	2.2	%
Conferences/Seminars/Education/Training	520	409	111	27.1	%
Director fees	693	601	92	15.3	%
Travel expenses	446	396	50	12.6	%
Other expenses	4,448	3,578	870	24.3	%
Subtotal	125,255	121,875	3,380	2.8	%
Merger, acquisition and conversion related expenses	693	11,542	(10,849)	-94.0	%
Expenses related to branch closures and efficiency initiatives	134	2,764	(2,630)	-95.2	%
Total non-interest expense	$126,082	$136,181	$(10,099)	-7.4	%

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note 1: These are foreclosure related expenses related to FDIC covered assets, and are shown net of FDIC reimbursable amounts pursuant to FDIC loss share agreements.

Excluding merger, acquisition and conversion related expenses and nonrecurring expenses related to branch closure and efficiency initiatives, total non-interest expense increased $3,380 or 2.8% year to year as shown in the above table. The increase is primarily due to our acquisition of FSB in June 2014.

Income Tax Provision

We recognized an income tax expense for the year ended December 31, 2015 of $22,571 (an effective tax rate of 36.5%) compared to $7,126 (an effective tax rate of 35.5%) for the year ended December 31, 2014. The primary reason for the increase was due to a smaller percentage of tax exempt interest income relative to total revenue.

COMPARISON OF RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013.

Net Income

Our net income for the year ended December 31, 2014 was $12,964 or $0.32 and $0.31 per share basic and diluted, respectively, compared to $12,243 or $0.41 per share basic and diluted for the year ended December 31, 2013. Our net income, excluding merger related and efficiency initiative expenses and gain on sale of securities, for year 2014 was $22,403 ($0.54 per share diluted), compared to $12,010 ($0.40 per share diluted) for year 2013. The increase of $10,393 was primarily due to the January 2014 acquisition of Gulfstream and the June 2014 acquisition of FSB.

Net Interest Income/Margin

Net interest income consists of interest income generated by earning assets, less interest expense.

Net interest income increased $36,378, or 38% to $130,871 during the year ended December 31, 2014 compared to $94,493 for the same period in 2013. The increase was the result of a $37,849 increase in interest income less a $1,471 increase in interest expense.

Interest earning assets averaged $2,995,845 during the year ended December 31, 2014 as compared to $2,034,542 for the same period in 2013, an increase of $961,303, or 47%. The yield on average interest earning assets decreased 32 basis points ("bps") to 4.61% (34 bps to 4.66% tax equivalent basis) during the year ended December 31, 2014, compared to 4.93% (5.00% tax equivalent basis) for the same period in 2013. The combined net effects of the $961,303 increase in average interest earning assets and the decrease in yields on average interest earning assets resulted in the $37,849 ($37,851 tax equivalent basis) increase in interest income between the two years.

Interest bearing liabilities averaged $2,046,061 during the year ended December 31, 2014 as compared to $1,502,481 for the same period in 2013, an increase of $543,580, or 36%. The cost of average interest bearing liabilities decreased 3 bps to 0.36% during the year ended December 31, 2014, compared to 0.39% for 2013. The combined net effects of the $543,580 increase in average interest bearing liabilities and the 3 bps decrease in cost of average interest bearing liabilities resulted in the $1,471 increase in interest expense between the two years. See the tables "Average Balances – Yields & Rates," and "Analysis of Changes in Interest Income and Expenses" below.

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Average Balances (8) – Yields & Rates

	Years Ended December 31,					
	2014			2013		
	Average Balance	Interest Inc / Exp	Average Rate	Average Balance	Interest Inc / Exp	Average Rate
ASSETS:						
Loans, excluding PCI (1) (2) (7)	$1,869,859	$87,722	4.69 %	$1,177,493	$56,177	4.77 %
Purchased credit impaired loans (9)	290,296	34,168	11.77 %	261,576	32,725	12.51 %
Securities - taxable	534,326	13,991	2.62 %	413,840	9,889	2.39 %
Securities - tax exempt (7)	43,303	2,181	5.04 %	41,888	2,174	5.19 %
Federal funds sold and other	258,061	1,539	0.60 %	139,745	785	0.56 %
TOTAL INTEREST EARNING ASSETS	$2,995,845	$139,601	4.66 %	$2,034,542	$101,750	5.00 %
Allowance for loan losses	(20,690)			(23,985)		
All other assets	444,386			371,063		
TOTAL ASSETS	$3,419,541			$2,381,620		
LIABILITIES & STOCKHOLDERS' EQUITY						
Deposits:						
Now	$560,813	$470	0.08 %	$457,856	$362	0.08 %
Money market	645,420	1,628	0.25 %	312,151	476	0.15 %
Savings	233,977	125	0.05 %	238,497	132	0.06 %
Time deposits	502,089	3,959	0.79 %	417,354	4,215	1.01 %
Repurchase agreements	30,316	181	0.60 %	21,693	78	0.36 %
Federal funds purchased	49,899	51	0.10 %	37,941	20	0.05 %
Other borrowed funds (3)	—	—	—	5	—	0.00 %
Corporate debentures (4)	23,547	942	4.00 %	16,984	602	3.54 %
TOTAL INTEREST BEARING LIABILITIES	$2,046,061	$7,356	0.36 %	$1,502,481	$5,885	0.39 %
Demand deposits	949,160			584,523		
Other liabilities	32,746			20,764		
Total stockholders' equity	391,574			273,852		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$3,419,541			$2,381,620		
NET INTEREST SPREAD (tax equivalent basis) (5)			4.30 %			4.61 %
NET INTEREST INCOME (tax equivalent basis)		$132,245			$95,865	
NET INTEREST MARGIN (tax equivalent basis) (6)			4.41 %			4.71 %

(1) Loan balances are net of deferred origination fees and costs. Non-accrual loans are included in total loan balances.

(2) Interest income on average loans includes loan fee recognition of $665 and $408 for the years ended December 31, 2014 and 2013, respectively.

(3) Includes short-term (usually overnight) Federal Home Loan Bank advances and other short term borrowings.
(4) Includes net amortization of origination costs and amortization of purchase accounting adjustment of $176 and $26 during year ended December 31, 2014 and 2013, respectively.
(5) Represents the average rate earned on interest earning assets minus the average rate paid on interest bearing liabilities.
(6) Represents net interest income divided by total earning assets.
(7) Interest income and rates include the effects of a tax equivalent adjustment using applicable statutory tax rates to adjust tax exempt investment income on tax exempt investment securities and loans to a fully taxable basis.
(8) Averages balances are average daily balances.
(9) Purchased credit-impaired ("PCI") loans are loans accounted for under ASC Topic 310-30.

Non-accrual loans: A loan is moved to nonaccrual status in accordance with our policy typically after 90 days of non-payment, or less than 90 days of non-payment if management determines that the full timely collection of principal and interest becomes doubtful. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. All interest accrued but not received for loans placed on nonaccrual, is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Analysis of Changes in Interest Income and Expenses

	Net Change Dec 31, 2014 versus 2013		
	Volume	Rate	Net Change
INTEREST INCOME			
Loans (tax equivalent basis)	$41,257	$(8,269)	$32,988
Securities – taxable	3,087	1,015	4,102
Securities – tax exempt	72	(65)	7
Federal funds sold and other	703	51	754
TOTAL INTEREST INCOME (tax equivalent basis)	$45,119	$(7,268)	$37,851
INTEREST EXPENSE			
Deposits			
NOW accounts	$85	$24	$109
Money market accounts	714	438	1,152
Savings	(2)	(5)	(7)
Time deposits	766	(1,022)	(256)
Repurchase agreements	39	64	103
Federal funds purchased	8	22	30
Other borrowed funds	—	—	—
Corporate debentures	263	77	340
TOTAL INTEREST EXPENSE	$1,873	$(402)	$1,471
NET INTEREST INCOME (tax equivalent basis)	$43,246	$(6,866)	$36,380

The table above details the components of the changes in net interest income for the last two years. For each major category of interest earning assets and interest bearing liabilities, information is provided with respect to changes due to average volume and changes due to rates, with the changes in both volumes and rates allocated to these two categories based on the proportionate absolute changes in each category.

Provision for Loan Losses

The provision for loan losses increased $902 to $826 during the year ending December 31, 2014 compared to a negative provision of $(76) for the comparable period in 2013. The provision for loan losses for the current year included $1,682 for the Gulfstream loans acquired in 2014. Our policy is to maintain the allowance for loan losses at a level sufficient to absorb probable incurred losses inherent in the loan portfolio. The allowance is increased by the provision for loan losses, which is a charge to current period earnings, and is decreased by charge-offs, net of recoveries on prior loan charge-offs. Therefore, the provision for loan losses (Income Statement effect) is a residual of management's determination of allowance for loan losses (Balance Sheet approach). In determining the adequacy of the allowance for loan losses, we consider those levels maintained by conditions of individual borrowers, the historical loan loss experience, the general economic environment, the overall portfolio composition, and other information. As these factors change, the level of loan loss provision changes. Our loss factors associated with our general allowance for loan losses is the primary reason causing the decrease in our provision expense due to our continued improvement in substantially all of our credit metrics, in particular our historical loss factors which is a derivative of our historical charge-off rates. See "credit quality and allowance for loan losses" regarding the allowance for loan losses for additional information.

Non-Interest Income

Non-interest income for the year ended December 31, 2014 was $26,226 compared to $33,946 for the comparable period in 2013. This decrease was the result of the following components listed in the table below.

	2014	2013	$ increase (decrease)	% increase (decrease)
Correspondent banking capital markets revenue	$16,400	$17,189	$ (789)	-4.6 %
Other correspondent banking related revenue	3,753	3,221	532	16.5 %
Wealth management related revenue	4,239	4,551	(312)	-6.9 %
Service charges on deposit accounts	9,542	8,457	1,085	12.8 %
Debit, prepaid, ATM and merchant card related fees	6,250	5,420	830	15.3 %
Bank owned life insurance income	1,767	1,328	439	33.1 %
Other service charges and fees	1,990	985	1,005	102.0 %
Gain on sale of securities	46	1,060	(1,014)	-95.7 %
Subtotal	43,987	42,211	1,776	4.2 %
FDIC indemnification asset- amortization	(20,743)	(13,807)	(6,936)	50.2 %
FDIC indemnification income	2,982	5,542	(2,560)	-46.2 %
Total non-interest income	$26,226	$33,946	$ (7,720)	-22.7 %

As shown in the table above, the primary reason for the decrease in non-interest income year to year is the increase in FDIC indemnification asset amortization.

The FDIC indemnification asset ("IA") was producing amortization (versus accretion) due to reductions in the estimated losses in the FDIC covered loan portfolio. To the extent current projected losses in the covered loan portfolio were less than previously projected losses, the related projected reimbursements from the FDIC contemplated in the IA were less, which produced a negative income accretion in non-interest income. This event corresponded to the increase in yields in the FDIC covered loan portfolio, although there was not perfect correlation. Higher expected cash flows (i.e. less expected future losses) on the loan side of the equation was accreted into interest income over the life of the related loan pool. The lower expected reimbursement from the FDIC was amortized over the lesser of the remaining life of the related loan pool(s) or the remaining term of the loss share period.

Our other FDIC income related line item in the table above, FDIC indemnification income, had two components. The first related to losses on FDIC covered OREO. To the extent we incurred a loss on the sale of OREO, the FDIC was obligated to reimburse us at various coverage rates pursuant to the applicable loss sharing agreements. The reimbursable amount was recognized as FDIC indemnification income in this line item during the same period the expense or loss on OREO was recognized in our non-interest expenses. The second component related to provision for loan loss expenses related to impairments on any of our covered loan pools. To the extent we incurred a loan loss provision expense, we recognized FDIC indemnification income pursuant to the applicable coverages outlined in the loss sharing agreements during the same period the expense was recognized in provision for loan loss expense.

On February 3, 2016, the FDIC bought out our remaining FDIC loss share agreements. As such, our IA was written-off effectively accelerating all future IA amortization expense as well as ending any future FDIC indemnification income as discussed above. See discussion on page 39.

Non-Interest Expense

Non-interest expense for the year ended December 31, 2014 increased $25,419, or 22.9%, to $136,181, compared to $110,762 for 2013. The table below breaks down the individual components.

	2014	2013	$ increase (decrease)	% increase (decrease)
Employee salaries and wages	$53,939	$47,175	$6,764	14.3 %
Employee incentive/bonus compensation	5,036	4,965	71	1.4 %
Employee stock based compensation	1,577	609	968	159.0 %
Employer 401K matching contributions	1,398	1,219	179	14.7 %
Deferred compensation expense	580	569	11	1.9 %
Health insurance and other employee benefits	5,072	3,557	1,515	42.6 %
Payroll taxes	3,823	3,018	805	26.7 %
Other employee related expenses	1,257	1,293	(36)	-2.8 %
Incremental direct cost of loan origination	(2,307)	(2,036)	(271)	13.3 %
Total salaries, wages and employee benefits	70,375	60,369	10,006	16.6 %
(Gain) loss on sale of OREO	(67)	228	(295)	-129.4 %
(Gain) loss on sale of FDIC covered OREO	(721)	2,894	(3,615)	-124.9 %
Valuation write down of OREO	985	1,085	(100)	-9.2 %
Valuation write down of FDIC covered OREO	2,265	4,927	(2,662)	-54.0 %
Loss on repossessed assets other than real estate	45	401	(356)	-88.8 %
Loan put back expense	-	4	(4)	-100.0 %
Foreclosure and repossession related expenses	1,722	1,732	(10)	-0.6 %
Foreclosure and repo expenses, FDIC (note 1)	1,053	1,459	(406)	-27.8 %
Total credit related fees	5,282	12,730	(7,448)	-58.5 %
Occupancy expense	10,163	7,702	2,461	32.0 %
Depreciation of premises and equipment	6,066	5,876	190	3.2 %
Supplies, stationary and printing	1,319	1,121	198	17.7 %
Marketing expenses	2,731	2,517	214	8.5 %
Data processing expense	5,484	3,784	1,700	44.9 %
Legal, auditing and other professional fees	4,066	3,754	312	8.3 %
Bank regulatory related expenses	3,209	2,369	840	35.5 %
Postage and delivery	1,413	1,084	329	30.4 %
ATM and debit card related expenses	1,918	1,802	116	6.4 %
CDI amortization	2,110	986	1,124	114.0 %
Trust intangible amortization	174	204	(30)	-14.7 %
Internet and telephone banking	1,698	1,083	615	56.8 %
Operational write-offs and losses	242	118	124	105.1 %
Correspondent accounts and Federal Reserve charges	641	459	182	39.7 %
Conferences/Seminars/Education/Training	409	584	(175)	-30.0 %
Director fees	601	405	196	48.4 %
Travel expenses	396	399	(3)	-0.8 %
Other expenses	3,578	2,694	884	32.8 %

Subtotal	121,875	110,040	11,835	10.8	%
Merger, acquisition and conversion related expenses	11,542	722	10,820	1498.6	%
Nonrecurring expenses	2,764	-	2,764	n/a	
Total non-interest expense	$136,181	$110,762	$ 25,419	22.9	%

note 1: These are foreclosure related expenses related to FDIC covered assets, and are shown net of FDIC reimbursable amounts pursuant to FDIC loss share agreements.

Excluding merger, acquisition and conversion related expenses and nonrecurring expenses related to branch closure and efficiency initiatives, total non-interest expense increased $11,835 or 10.8% year to year as shown in the above table. The increase is primarily due to our acquisition of Gulfstream in January 2014 and of FSB in June 2014.

Income Tax Provision

We recognized an income tax expense for the year ended December 31, 2014 of $7,126 (an effective tax rate of 35.5%) compared to $5,510 (an effective tax rate of 31.0%) for the year ended December 31, 2013. The primary reason for the increase was due to a smaller percentage of tax exempt interest income relative to total revenue and higher non-deductible expenses for tax purposes, primarily related to certain merger related expenses.

COMPARISON OF BALANCE SHEETS AT DECEMBER 31, 2015 AND DECEMBER 31, 2014

Overview

Our total assets grew by $245,848, or 6.5%, from $3,776,869 at December 31, 2014 to $4,022,717 at December 31, 2015, primarily due to organic loan growth and investment in AFS securities. This increase was funded by organic growth in deposits and to a lesser amount from federal funds purchased through our correspondent division bank clients.

Investment securities available for sale

We have an available for sale securities portfolio which we account for at fair value. Unrealized holding gains and losses are included as a separate component of shareholders' equity, net of the effect of deferred income taxes.

We invest primarily in direct obligations of the United States, obligations guaranteed as to the principal and interest by the United States, mortgage backed securities, municipal securities and obligations of government sponsored entities and agencies of the United States. The Federal Reserve Bank and the Federal Home Loan Bank also require equity investments to be maintained by us, which are shown separately in our consolidated balance sheet.

Our available for sale portfolio totaled $604,739 at December 31, 2015 and $517,457 at December 31, 2014, or 15% and 14%, respectively, of total assets. See note (3) in our Consolidated Financial Statements for a summary of security type, maturity, amortized cost basis, gross unrealized gains and gross unrealized losses.

We use our security portfolio primarily as a tool to manage our balance sheet, manage our regulatory capital ratios, as a source of liquidity and a base from which to pledge assets for repurchase agreements and public deposits. When our liquidity position exceeds expected loan demand, other investments are considered as a secondary earnings alternative. Approximately 94% of investment securities available for sale are mortgage backed securities. The cash flows from these securities are used to meet cash needs or will be reinvested to maintain a desired liquidity position. We classify the majority of our securities as "available-for-sale" to provide for greater flexibility to respond to changes in interest rates as well as future liquidity needs. We believe the composition of the portfolio offers flexibility in managing our liquidity position and interest rate sensitivity, without adversely impacting our regulatory capital levels. The available for sale portfolio is carried at fair market value and had a net unrealized gain of approximately $2,342 (which includes gross unrealized losses of $2,916) at December 31, 2015, compared to a net unrealized gain of approximately $6,598 at December 31, 2014.

If our management intends to sell or it is more likely than not we will be required to sell the security before recovery of our amortized cost basis, less any current period credit loss, the other than temporary impairment ("OTTI") will be recognized in earnings equal to the entire difference between the investment's amortized cost basis and its fair value at the balance sheet date. If our management does not intend to sell the security and it is not more likely than not that we will be required to sell the security before recovery of its amortized cost basis less any current period loss, the OTTI will be separated into the amount representing the credit loss and the amount related to all other factors. The amount of the total OTTI related to the credit loss is determined based on the present value of cash flows expected to be collected and is recognized in earnings. The amount of the total OTTI related to other factors is recognized in other comprehensive income, net of applicable taxes. The previous amortized cost basis less the OTTI recognized in earnings becomes the new amortized cost basis of the investment. The assessment of whether an OTTI decline exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time. Because the decline in fair value is attributable to changes in interest rates and not credit quality, and because we do not have the intent to sell these securities and its more likely than not we will be required to sell these securities before their anticipated recovery, we do not consider any of our securities, that have an unrealized loss associated with them, to be other than temporarily impaired.

Trading Securities

We also have a trading securities portfolio. For this portfolio, realized and unrealized gains and losses are included in trading securities revenue, a component of non interest income in our Consolidated Statement of Operations and Comprehensive Income. Securities purchased for this portfolio have primarily been municipal securities and are held for short periods of time. This activity was initiated to take advantage of market opportunities, when presented, for short term revenue gains. See note (2) in our Consolidated Financial Statements for a summary of purchases, sales and revenue recognized for the year ending December 31, 2015 and 2014.

Investment securities held to maturity

During 2014, we initiated a held to maturity securities portfolio. At December 31, 2015 the portfolio had securities of $272,840 at amortized cost. We anticipate that this portfolio will generally hold longer term securities for the primary purpose of yield. This classification was chosen to minimize temporary effects on our tangible equity and tangible equity ratio due to increases and decreases in general market interest rates. At December 31, 2015, these securities had gross unrecognized gains of approximately $1,778 and $635 of gross unrecognized losses. Similar to our available for sale portfolio, because the decline in fair value is attributable to changes in interest rates and not credit quality, and because we do not have the intent to sell these securities and its more likely than not we will be required to sell these securities before their anticipated recovery, we do not consider any of our securities, that have an unrealized loss associated with them, to be other than temporarily impaired. See note (3) in our Consolidated Financial Statements for a summary of security type, maturity, estimated fair value, gross unrecognized gains and gross unrecognized losses.

Loans

Lending-related income is the most important component of our net interest income and is a major contributor to profitability. The loan portfolio is the largest component of earning assets, and it therefore generates the largest portion of revenues. The absolute volume of loans and the volume of loans as a percentage of earning assets is an important determinant of net interest margin as loans are expected to produce higher yields than securities and other earning assets. Average loans during the year ended December 31, 2015, were $2,518,572, or 72% of average earning assets, as compared to $2,160,155, or 72% of average earning assets, for the year ending December 31, 2014. Total loans at December 31, 2015 and 2014 were $2,593,776 and $2,429,525, respectively, an increase of $164,251, or 7%. This also represents a loan to total asset ratio of 64% and 64% and a loan to deposit ratio of 81% and 79%, at December 31, 2015 and 2014, respectively.

Approximately 6.8% of our total loans, or $177,320, were covered by FDIC loss sharing agreements related to the acquisition of three failed financial institutions during the third quarter of 2010, two during the first quarter of 2012 and two acquired pursuant to our acquisition of FSB

FDIC covered loans were included in both our PCI loan portfolio and non-PCI loan portfolio. Approximately 71% of our PCI loan portfolio were FDIC covered loans.

On February 3, 2016, the FDIC bought out our remaining FDIC loss share agreements. See Form 8-K filed on February 4, 2016 for additional information.

In the aggregate, approximately 85% are collateralized by real estate, 12% are commercial non real estate loans and the remaining 3% are consumer and other non real estate loans. The loans collateralized by real estate are further delineated as follows.

Residential real estate loans: These are single family home loans primarily originated within our local market areas by employee loan officers or acquired pursuant to an acquisition of either an FDIC assisted transaction, a whole bank transaction or an acquisition of branches including selected performing loans (i.e. loans purchased from TD Bank, N.A. in 2011). We do not use loan brokers to originate loans for our own portfolio, nor do we generally acquire loans outside of our geographical markets. The aggregate size of this category is $733,600 representing approximately 28% of our total loans. Approximately $86,104 of this total amount is included in our PCI loan portfolio. Of the remaining $647,496 that are not PCI loans, approximately $9,540 or 1.5% are non performing (non-accrual) at December 31, 2015.

Commercial real estate loans: This is the largest category ($1,360,411) of our loan portfolio representing approximately 52% of our total loans. This category, along with commercial non real estate lending, is our primary business. There is no significant concentration by type of property in this category but there is a geographical concentration such that the properties are substantially all located within Florida. The borrowers are a mix of professionals, doctors, lawyers, and other small business owners. Approximately 37% of these loans are owner occupied. Approximately $105,629 are included in our PCI loan portfolio. Of the remaining $1,254,782 that are not PCI loans, approximately $9,145 or 0.7% are non performing (non-accrual) at December 31, 2015.

Land, development and construction loans: We have no construction or development loans with national builders. We do business with local builders and developers that have typically been long time customers. This category represents approximately 4% ($120,824) of our total loan portfolio. The majority of this amount is land development, lots, and other land loans. Approximately $15,548 of these loans are included in our PCI loan portfolio. Of the remaining $105,276 that are not PCI loans, approximately $1,608 or 2% are non performing (non-accrual) at December 31, 2015.

Loan concentrations are considered to exist where there are amounts loaned to multiple borrowers engaged in similar activities, which collectively could be similarly impacted by economic or other conditions and when the total of such amounts would exceed 25% of total capital. Due to the lack of diversified industry and the relative proximity of markets served, we have concentrations in geographic regions as well as in types of loans funded. The tables below provide a summary of the loan portfolio composition and maturities for the periods provided below.

Loan Portfolio Composition

Types of Loans at December 31:	2015	2014	2013	2012	2011
Loans excluding PCI loans					
Real estate loans:					
Residential	$647,496	$589,068	$458,331	$428,554	$405,923
Commercial	1,254,782	1,132,933	528,710	480,494	447,459
Land, development and construction	105,276	79,002	62,503	55,474	89,517
Total real estate loans	2,007,554	1,801,003	1,049,544	964,522	942,899
Commercial	307,321	294,493	143,263	124,225	126,064
Consumer and other loans	67,500	56,334	49,547	48,547	49,999
Total loans – gross	2,382,375	2,151,830	1,242,354	1,137,294	1,118,962
Less: unearned fees/costs	873	929	404	(458)	(639)
Total loans excluding PCI loans	2,383,248	2,152,759	1,242,758	1,136,836	1,118,323
PCI loans					
Real estate loans:					
Residential	86,104	102,009	120,030	142,480	99,270
Commercial	105,629	140,977	100,012	134,413	54,184
Land, development and construction	15,548	24,032	6,381	13,259	8,231
Total real estate loans	207,281	267,018	226,423	290,152	161,685
Commercial	2,771	8,953	3,850	6,143	2,366
Consumer and other loans	476	795	1,148	2,732	1,392
Total PCI loans	210,528	276,766	231,421	299,027	165,443
Total loans	$2,593,776	$2,429,525	$1,474,179	$1,435,863	$1,283,766

The repayment of loans is a source of additional liquidity for us. The following table sets forth the loans maturing within specific intervals at December 31, 2015, excluding unearned net fees and costs.

Loan Maturity Schedule

	December 31, 2015			
	0 – 12 Months	1 – 5 Years	Over 5 Years	Total
All loans other than construction, development, land	$140,532	$849,794	$1,481,753	$2,472,079
Real estate – land, development and construction	21,496	40,942	58,386	120,824
Total	$162,028	$890,736	$1,540,139	$2,592,903
Fixed interest rate	$122,325	$736,454	$400,706	$1,259,485
Variable interest rate	39,703	154,282	1,139,433	1,333,418
Total	$162,028	$890,736	$1,540,139	$2,592,903

The information presented in the above table is based upon the contractual maturities of the individual loans, including loans which may be subject to renewal at their contractual maturity. Renewal of such loans is subject to review and credit approval, as well as modification of terms upon their maturity. Consequently, management believes this treatment presents fairly the maturity structure of the loan portfolio. See “Liquidity and Market Risk Management” for a discussion regarding the repricing structure of the loan portfolio.

Credit Quality and Allowance for Loan Losses

We maintain an allowance for loan losses that we believe is adequate to absorb probable incurred losses inherent in our loan portfolio. The allowance is increased by the provision for loan losses, which is a charge to current period earnings and decreased by loan charge-offs net of recoveries of prior period loan charge-offs. Loans are charged against the allowance when management believes collection of the principal is unlikely.

The allowance consists of three components. The first component consists of amounts reserved for impaired loans, as defined by ASC 310. Impaired loans are those loans that management has estimated will not repay as agreed pursuant to the loan contract. Each of these loans is required to have a written analysis supporting the amount of specific reserve allocated to the particular loan, if any. That is to say, a loan may be impaired (i.e. not expected to repay as agreed), but may be sufficiently collateralized such that we expect to recover all principal and interest eventually, and therefore no specific reserve is warranted.

The second component is a general reserve on all of our loans other than those identified as impaired and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced over the most recent two years. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. The following portfolio segments have been identified:

Residential real estate

Commercial real estate

Construction and land development

Commercial and industrial (not collateralized by real estate)

Consumer (not collateralized by real estate)

The historical loss factors for each portfolio segment is adjusted for current internal and external environmental factors, as well as for certain loan grading factors. The environmental factors that we consider are listed below.

We consider changes in the levels of and trends in past due loans, non-accrual loans and impaired loans, and the volume and severity of adversely classified or graded loans. Also, we consider changes in the value of underlying collateral for collateral-dependent loans.

We consider levels of and trends in charge-offs and recoveries.

We consider changes in the nature and volume of the portfolio and in the terms of loans.

We consider changes in lending policies, procedures and practices, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses. We also consider changes in the quality of our loan review system.

We consider changes in the experience, ability, and depth of our lending management and other relevant staff.

We consider changes in international, national, regional, and local economic and business conditions and developments that affect the collectibility of the portfolio, including the condition of various market segments (national and local economic trends and conditions).

We consider the effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in our existing portfolio (industry conditions).

We consider the existence and effect of any concentrations of credit, and changes in the level of such concentrations.

The third component consists of amounts reserved for purchased credit-impaired loans. On a quarterly basis, we update the amount of loan principal and interest cash flows expected to be collected, incorporating assumptions regarding default rates, loss severities, the amounts and timing of prepayments and other factors that are reflective of current market conditions. Probable decreases in expected loan principal cash flows trigger the recognition of impairment, which is then measured as the present value of the expected principal loss plus any related foregone interest cash flows discounted at the pool's effective interest rate. Impairments that occur after the acquisition date are recognized through the provision for loan losses. Probable and significant increases in expected principal cash flows would first reverse any previously recorded allowance for loan losses; any remaining increases are recognized prospectively as interest income. The impacts of (i) prepayments, (ii) changes in variable interest rates, and (iii) any other changes in the timing of expected cash flows are recognized prospectively as adjustments to interest income. Disposals of loans, which may include sales of loans, receipt of payments in full by the borrower, or foreclosure, result in removal of the loan from the purchased credit impaired portfolio. The aggregate of these three components results in our total allowance for loan losses.

In the table below we have shown the components, as discussed above, of our allowance for loan losses at December 31, 2015 and 2014.

	December 31, 2015			December 31, 2014			increase (decrease)		
	Loan balance	ALLL balance	%	Loan balance	ALLL balance	%	Loan balance	ALLL balance	
Non impaired loans	$1,770,747	$18,351	1.04%	$1,407,781	$16,587	1.18%	$362,966	$1,764	-14 bps
Gulfstream loans (note 1)	223,678	1,834	0.82%	280,331	1,682	0.60%	(56,653)	152	22 bps
FSB loans (note 2)	365,648	878	0.24%	439,397	-	-	(73,749)	878	24 bps
Impaired loans	23,175	1,080	4.66%	25,250	1,115	4.42%	(2,075)	(35)	24 bps
Non-PCI loans	2,383,248	22,143	0.93%	2,152,759	19,384	0.90%	230,489	2,759	3 bps
PCI loans (note 3)	210,528	121		276,766	514		(66,238)	(393)	
Total loans	$2,593,776	$22,264	0.86%	$2,429,525	$19,898	0.82%	$164,251	$2,366	4 bps

note 1: Loans acquired pursuant to the January 17, 2014 acquisition of Gulfstream that are not PCI loans. These are performing loans recorded at estimated fair value at the acquisition date. The fair value adjustment at the acquisition date was approximately $7,680, or approximately 2.3% of the outstanding aggregate loan balances. This amount is accreted into interest income over the remaining lives of the related loans on a level yield basis. At December 31, 2015, management evaluated the performance of this group of loans over a 23 month period subsequent to the acquisition date and based on this evaluation has estimated a probable incurred loss amount at December 31, 2015 as listed in the table above.

note 2: Loans acquired pursuant to the June 1, 2014 acquisition of FSB that are not PCI loans. These are performing loans recorded at estimated fair value at the acquisition date. The fair value adjustment at the acquisition date was approximately $10,081, or approximately 2% of the outstanding aggregate loan balances. This amount is accreted into interest income over the remaining lives of the related loans on a level yield basis. At December 31, 2015, management evaluated the performance of this group of loans over an 18 month period subsequent to the acquisition date and based on this evaluation has estimated a probable incurred loss amount at December 31, 2015 as listed in the table above. Included in the $365,648 of FSB non-PCI loans are $26,982 of loans that are covered by FDIC loss sharing agreements and $36,280 of loans that are guaranteed by the California University System.

note 3: Included in the $210,528 PCI loans at December 31, 2015 are $150,338 of loans that are covered by FDIC loss sharing agreements. The FDIC bought out the remaining FDIC loss share agreements on February 3, 2016.

The general loan loss allowance (non-impaired loans, which includes Gulfstream and FSB acquired loans) increased by a net amount of $2,794. Excluding Gulfstream and FSB loans, the general loan loss allowance increased by $1,764 resulting primarily from growth in loan balances of approximately $362,966, offset by a decrease in the loss factors due to the continued improvement in the local economy and real estate market, and the continued decline in the Company's two year charge-off history. At December 31, 2015, the Company's qualitative factors increased the current two year historical loss ratios that are used to estimate the general loan loss allowance.

As of the end of the current year, the Company has a 23 month history with the performing loans acquired from Gulfstream as discussed in note 1 above. The Company estimated the probable incurred losses in this group of loans and this estimate exceeded the fair value discount at December 31, 2015. As a result, a general loan loss allowance of $1,834 was recorded at December 31, 2015. Management considered the levels of and trends in non-performing loans, past-due loans, adverse loan grade classification changes and impaired loans in arriving at its estimate. There was $120 of charge-offs in this group of loans during 2015.

Performing loans acquired in our June 2014 acquisition of FSB were recorded at estimated fair value at the acquisition date. The fair value adjustment at the acquisition date was approximately $10,081, or approximately 2% of the outstanding aggregate loan balances. As described in note 2 above, this amount is accreted into interest income over the remaining lives of the related loans on a level yield basis. As of the end of the current year, the Company has an 18 month history with the performing loans acquired from FSB as discussed in note 2 above. The Company estimated the probable incurred losses in this group of loans and this estimate exceeded the fair value discount at December 31, 2015. As a result, a general loan loss allowance of $878 was recorded at December 31, 2015. Management considered the levels of and trends in non-performing loans, past-due loans, adverse loan grade classification changes and impaired loans in arriving at its estimate. There were no charge-offs in the group of loans during 2015.

The specific loan loss allowance (impaired loans) is the aggregate of the results of individual analyses prepared for each one of the impaired loans, excluding PCI loans. The Company recorded partial charge offs in lieu of specific allowance for a number of the impaired loans. The Company’s impaired loans have been written down by $1,715 to $23,175 ($22,095 when the $1,080 specific allowance is considered) from their legal unpaid principal balance outstanding of $24,890. In the aggregate, total impaired loans have been written down to approximately 89% of their legal unpaid principal balance when the related specific allowance is considered and non-performing impaired loans have been written down to approximately 81% of their legal unpaid principal balance when the related specific allowance is considered. The Company's total non-performing loans (non-accrual loans plus loans past due greater than 90 days and still accruing, $20,833 at December 31, 2015) have been written down to approximately 80% of their legal unpaid principal balance, when the related specific allowance is also considered.

Approximately $13,718 of the Company's impaired loans (59%) are accruing performing loans. This group of impaired loans is not included in the Company's non-performing loans or non-performing assets categories.

PCI loans are accounted for pursuant to ASC Topic 310-30. PCI loan pools are evaluated for impairment each quarter. If a pool is impaired, an allowance for loan loss is recorded.

The allowance is increased by the provision for loan losses, which is a charge to current period earnings and decreased by loan charge-offs net of recoveries of prior period loan charge-offs. Loans are charged against the allowance when management believes collection of the principal is unlikely. We believe our allowance for loan losses was adequate at December 31, 2015. However, we recognize that many factors can adversely impact various segments of the Company's markets and customers, and therefore there is no assurance as to the amount of losses or probable losses which may develop in the future. The tables below summarize the changes in allowance for loan losses during the periods presented.

Activity in Allowance for Loan Losses December 31,	2015	2014	2013	2012	2011
Loans excluding PCI loans					
Balance, beginning of year	$19,384	$19,694	$24,033	$27,559	$26,267
Loans charged-off:					
Residential real estate	(1,283)	(1,382)	(3,701)	(3,968)	(9,306)
Commercial real estate	(173)	(353)	(1,144)	(2,862)	(11,179)
Construction & land development	(461)	(124)	(310)	(4,646)	(7,717)
Commercial & industrial	(1,121)	(699)	(120)	(231)	(1,971)
Consumer	(853)	(879)	(903)	(807)	(1,091)
Total loans charged-off	(3,891)	(3,437)	(6,178)	(12,514)	(31,264)
Loans charged-off - loan sales:					
Residential real estate	-	-	-	-	(3,019)
Commercial real estate	-	-	-	-	(11,153)
Construction & land development	-	-	-	-	(456)
Commercial & industrial	-	-	-	-	(220)
Total loans charged-off - loan sales	-	-	-	-	(14,848)
Recoveries on loans previously charged-off:					
Residential real estate	901	1018	432	378	542
Commercial real estate	485	763	417	871	665
Construction & land development	5	106	193	604	251
Commercial & industrial	344	85	51	22	82
Consumer	156	184	181	157	258
Total loan recoveries	1,891	2,156	1,274	2,032	1,798
Net charge-offs	(2,000)	(1,281)	(4,904)	(10,482)	(44,314)
Provision for loan losses charged to expense	4,759	971	565	6,956	45,606
Allowance for loan losses for loans that are not PCI loans	$22,143	$19,384	$19,694	$24,033	$27,559
PCI loans					
Balance, beginning of year	$514	$760	$2,649	$385	$-
Loans charged-off:					
Residential real estate	-	-	-	-	-
Commercial real estate	(77)	-	(1,248)	-	-
Construction & land development	-	-	-	-	(293)
Commercial & industrial	-	(101)	-	-	-
Consumer	(50)	-	-	-	-
Total loans charged-off	(127)	(101)	(1,248)	-	(293)
Recoveries on loans previously charged-off:					
Residential real estate	-	-	-	-	-
Commercial real estate	-	-	-	-	-

Construction & land development	-	-	-	-	293
Commercial & industrial	-	-	-	-	-
Consumer	-	-	-	-	-
Total loan recoveries	-	-	-	-	293
Net charge-offs	(127)	(101)	(1,248)	-	-
Provision for loan losses charged to expense	(266)	(145)	(641)	2,264	385
Allowance for loan losses on PCI loans	$121	$514	$760	$2,649	$385
Total allowance at end of period	$22,264	$19,898	$20,454	$26,682	$27,944

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	2015	2014	2013	2012	2011
Loans at year end (note 1)	$2,383,248	$2,152,759	$1,242,758	$1,136,836	$1,118,323
Average loans outstanding (note 1)	$2,270,525	$1,869,859	$1,177,493	$1,124,251	$1,032,959
Net charge-offs (note 1)	$2,000	$1,281	$4,904	$10,482	$44,314
Allowance for loan losses as percentage of year end loans (note 1)	0.93 %	0.90 %	1.58 %	2.11 %	2.46 %
Net charge-offs as a percentage of average loans outstanding (note 1)	0.09 %	0.07 %	0.42 %	0.93 %	4.28 %

Note 1: Excludes PCI loans.

Non-performing loans consist of non-accrual loans and loans past due 90 days or more and still accruing interest, excluding loans that were covered by FDIC loss share agreements. Non-performing assets consist of non-performing loans plus (a) OREO (i.e. real estate acquired through foreclosure or deed in lieu of foreclosure); (b) other repossessed assets that are not real estate; and (c) were not covered by FDIC loss share agreements. We place loans on non-accrual status when they are past due 90 days and management believes the borrower's financial condition, after giving consideration to economic conditions and collection efforts, is such that collection of interest is doubtful. When we place a loan on non-accrual status, interest accruals cease and uncollected interest is reversed and charged against current income. Subsequent collections reduce the principal balance of the loan until the loan is returned to accrual status or interest is recognized only to extent received in cash.

The largest component of non-performing loans is non-accrual loans, which as of December 31, 2015 totaled $20,833 (168 loans). This amount is further delineated by loan category as follows:

Non-accrual loans at 12/31/15	aggregate loan amounts	% of non-accrual by category	number of loans
Residential real estate	$ 9,540	46%	89
Commercial real estate	9,145	44%	35
Land, development, construction	1,608	8%	11
Commercial	187	1%	8
Consumer and other	353	1%	25
Total	$ 20,833	100%	168

The other component of non-performing loans are loans past due greater than 90 days and still accruing interest. Loans which are past due greater than 90 days are placed on non-accrual status, unless they are both well secured and in the process of collection.

At December 31, 2015, total OREO was $11,196. Of this amount, $9,629 was covered by FDIC loss share agreements.

OREO not covered by FDIC loss share agreements was $1,567 at December 31, 2015, and is included in our non-performing assets ("NPA"). OREO is carried at the lower of cost or market less the estimated cost to sell. Further declines in real estate values can affect the market value of these assets. Any further decline in market value beyond its cost basis is recorded as a current expense in our Consolidated Statement of Operations and Comprehensive Income. OREO is further delineated in the following table.

Description of repossessed real estate (OREO)	carrying amount

	at Dec 31, 2015
5 single family homes	$ 436
1 residential building lot	18
6 commercial buildings	708
Land / various acreages	405
Total, excluding OREO covered by FDIC loss share agreements	$ 1,567

At December 31, 2015 we also had repossessed assets other than real estate with an aggregate estimated fair value of approximately $145. Interest income not recognized on non-accrual loans was approximately $835, $982 and $827 for the years ended December 31, 2015, 2014 and 2013, respectively. The table below summarizes non performing loans and assets for the periods provided.

Non Performing Loans and Non Performing Assets

	December 31,				
	2015	2014	2013	2012	2011
Non-accrual loans (note 1)	$20,833	$25,595	$27,077	$25,448	$38,858
Past due loans 90 days or more and still accruing interest (note 1)	-	-	-	293	120
Total non-performing loans (note 1)	20,833	25,595	27,077	25,741	38,978
Repossessed real estate ("OREO") (note 1)	1,567	8,896	6,409	6,875	8,712
Repossessed assets other than real estate (note 1)	145	87	150	770	1,619
Total non-performing assets (note 1)	$22,545	$34,578	$33,636	$33,386	$49,309
OREO covered by FDIC loss share agreements:					
80% covered	4,828	7,264	19,111	26,783	9,469
75% covered	-	606	-	-	-
70% covered	-	1,755	-	-	-
30% covered	4,742	9,779			
0% covered	59	-	-	-	-
Total non-performing assets including FDIC covered OREO	$32,174	$53,982	$52,747	$60,169	$58,778
Non-performing loans as percentage of total loans excluding PCI loans	0.87 %	1.19 %	2.18 %	2.26 %	3.48 %
Non-performing assets as percentage of total assets					
Excluding FDIC covered OREO	0.56 %	0.92 %	1.39 %	1.41 %	2.16 %
Including FDIC covered OREO	0.80 %	1.43 %	2.18 %	2.55 %	2.57 %
Non-performing assets as percentage of loans and OREO plus other repossessed assets (note 1)					
Excluding FDIC covered OREO	0.95 %	1.60 %	2.69 %	2.92 %	4.37 %
Including FDIC covered OREO	1.34 %	2.47 %	4.16 %	5.14 %	5.16 %
Loans past due 30 thru 89 days and accruing interest as a percentage of total loans (note 1)	0.62 %	0.61 %	0.85 %	0.65 %	1.45 %
Allowance for loan losses as a percentage of non-performing loans (note 1)	106 %	76 %	73 %	93 %	71 %

note 1: Excludes PCI loans.

note 2: Excludes OREO that were covered by FDIC loss share agreements.

Management considers a loan to be impaired when it is probable that we will not be repaid as agreed pursuant to the contractual terms of the loan agreement. Once the loan has been identified as impaired, a written analysis is performed to determine if there is a potential for a loss. If it is probable that a loss may occur, a specific allowance, or a partial charge down, for that particular loan is then recognized. The loan is then placed on non-accrual status and included in non-performing loans. If the analysis indicates that a loss is not probable, then no specific allowance, or partial charge down, is recognized. If the loan is still accruing, it is not included in non-performing loans.

Loans that are monitored for impairment pursuant to ASC 310 generally include commercial, commercial real estate, land, acquisition & development of land, and construction loans greater than $500,000. Smaller homogeneous loans, such as single family first and second mortgages, consumer loans, and small business and commercial related loans are not generally subject to impairment monitoring pursuant to ASC 310, but are analyzed for potential losses based on historical loss factors, current environmental factors and to some extent loan grading.

Interest income recognized on impaired loans was approximately $584, $579 and $1,223 for the years ended December 31, 2015, 2014 and 2013, respectively. The average recorded investment in impaired loans during 2015, 2014 and 2013 were $22,770, $26,301 and $38,674, respectively.

We may restructure or modify the terms of certain loans under certain conditions. In certain circumstances it may be more beneficial to restructure the terms of a loan and work with the borrower for the benefit of both parties, versus forcing the property into foreclosure and having to dispose of it in a distressed sale. When we have modified the terms of a loan, we usually reduce the monthly payment and/or interest rate for generally twelve to 24 months. At December 31, 2015, we had approximately $15,127 of troubled debt restructures (“TDRs”). Of this amount $10,254 were performing pursuant to their modified terms, and $4,873 were not performing and have been placed on non-accrual status and included in our non performing loans (“NPLs”). TDRs are included in our impaired loans, whether they are performing or not performing. Only non performing TDRs are included in our NPLs. The table below summarizes our impaired loans and TDRs for the periods provided.

Impaired Loans and Troubled Debt Restructure ("TDRs")

	December 31,				
	2015	2014	2013	2012	2011
Performing TDRs	$10,254	$11,418	$10,763	$8,841	$6,554
Non performing TDRs	4,873	3,648	4,684	5,819	5,807
Total TDRs	$15,127	$15,066	$15,447	$14,660	$12,361
Impaired loans that are not TDRs	8,048	$10,184	$8,663	$33,519	$41,307
Impaired loans that are TDRs	15,127	15,066	15,447	14,660	12,361
Recorded investment in impaired loans	$23,175	$25,250	$24,110	$48,179	$53,668
Allowance for loan losses related to impaired loans	$1,080	$1,115	$1,811	$1,022	$3,304

TDRs as of December 31, 2015 quantified by loan type classified separately as accrual (performing loans) and non-accrual (non-performing loans) are presented in the table below.

TDRs	Accruing	Non-Accrual	Total
Real estate loans:			
Residential	$5,987	$ 2,108	$8,095
Commercial	2,458	2,558	5,016
Construction, development, land	593	93	686
Total real estate loans	9,038	4,759	13,797
Commercial	991	66	1057
Consumer and other	225	48	273
Total TDRs	$10,254	$ 4,873	$15,127

Our policy is to return non-accrual TDR loans to accrual status when all the principal and interest amounts contractually due, pursuant to its modified terms, are brought current and future payments are reasonably assured. Our policy also considers the payment history of the borrower, but is not dependent upon a specific number of payments.

Loans are modified to minimize loan losses when we believe the modification will improve the borrower's financial condition and ability to repay the loan. We typically do not forgive principal. We generally either reduce interest rates or decrease monthly payments for a temporary period of time and those reductions of cash flows are capitalized into the loan balance. We may also extend maturities, convert balloon loans to longer term amortizing loans, or vice versa, or change interest rates between variable and fixed rate. Each borrower and situation is unique and we try to accommodate the borrower and minimize the Company's potential losses. Approximately 68% of our TDRs at December 31, 2015 were current pursuant to their modified terms, and about $4,873, or approximately 32% of our total TDRs are not performing pursuant to their modified terms. There does not appear to be any significant difference in success rates with one type of concession versus another.

We are continually analyzing our loan portfolio in an effort to recognize and resolve our problem assets as quickly and efficiently as possible. While we believe we use the best information available at the time to make a determination with respect to the allowance for loan losses, we recognize that many factors can adversely impact various segments of our markets, and subsequent adjustments in the allowance may be necessary if future economic indications or other factors differ from the assumptions used in making the initial determination or if regulatory policies change. We continuously focus our attention on promptly identifying and providing for potential problem loans, as they arise.

The table below summarizes our accruing loans past due greater than 30 days and less than 90 days for the periods presented, excluding loans that were covered by FDIC loss share agreements.

	December 31,				
	2015	2014	2013	2012	2011
past due loans 30-89 days	$14,723	$13,108	$10,516	$7,422	$16,257
as percentage of total loans	0.62 %	0.61 %	0.85 %	0.65 %	1.45 %

Although the total allowance for loan losses is available to absorb losses from all loans, management allocates the allowance among loan portfolio categories for informational and regulatory reporting purposes. Regulatory examiners may require us to recognize additions to the allowance based upon the regulators' judgments about the information available to them at the time of their examination, which may differ from our judgments about the allowance for loan losses.

While no portion of the allowance is in any way restricted to any individual loan or group of loans, and the entire allowance is available to absorb losses from any and all loans, the following table summarizes our allocation of allowance for loan losses by loan category and loans in each category as a percentage of total loans, for the periods presented, excluding PCI loans.

	December 31, 2015		2014		2013		2012		2011	
Real estate loans:										
Residential	$6,015	27 %	$6,743	27 %	$8,785	37 %	$6,831	28 %	$6,700	24 %
Commercial	10,662	53 %	8,269	53 %	6,441	42 %	8,272	35 %	8,825	32 %
Land, development, construction	937	4 %	752	4 %	3,069	5 %	6,211	26 %	9,098	33 %
Total real estate loans	17,614	84 %	15,764	84 %	18,295	84 %	21,314	89 %	24,623	89 %
Commercial loans	3,215	13 %	2,330	14 %	510	12 %	1,745	7 %	1,984	7 %
Consumer and other loans	1,435	3 %	1,290	2 %	889	4 %	974	4 %	952	4 %
Unallocated	-		-		-		-		-	
Total	$22,264	100%	$19,384	100%	$19,694	100%	$24,033	100%	$27,559	100%

Bank Premises and Equipment

Bank premises and equipment was $101,821 at December 31, 2015 compared to $98,848 at December 31, 2014, an increase of $2,973 or 3%. The primary components of the increase was leasehold improvement cost of $2,895 mostly relating to renovations to our new operations center location, the purchase of land of $921 for the site of an existing branch and the purchase of land of $341 for a future branch site. In addition, the purchase of a new branch building and land for $1,950 from SouthBank, F.S.B. in Palm Beach Gardens, Florida in which we consolidated two other leased branch offices in the newly acquired office. See “Executive Summary” for additional information regarding this transaction. Finally, other purchases net of disposals of $2,582 less depreciation expense of $5,716. A summary of the activity for 2015 is presented in the table below.

$98,848	balance at 12/31/14
1,950	acquisition of SouthBank real estate
6,739	net additions
(5,716)	depreciation
$101,821	balance at 12/31/15

At December 31, 2015, we operated from 57 full service banking offices in 20 counties in central, southeast and northeast Florida. We own 42 and lease 15 of these offices. We also have four loan production offices of which we own 1 and lease 3. In addition to our banking locations, we lease non-banking office space in Winter Haven, Florida for IT and operations purposes. We also lease office space for our Correspondent banking division, primarily in Birmingham, Alabama, Atlanta, Georgia and Walnut Creek, California.

At December 31, 2015 we have 4 pieces of bank property (3 closed branches and 1 residential property) included in our bank property held for sale with an aggregate carrying balance of $1,665.

Deposits

Total deposits increased $123,138, or 4%, to $3,215,178 as of December 31, 2015, compared to $3,092,040 at December 31, 2014. We assumed deposits of approximately $15,000 pursuant to the acquisition of SouthBank, F.S.B on July 24, 2015. Our strategy has been to attract and grow relationships in our core deposit accounts, which we define as non-time deposits, and not aggressively seek deposits based on pricing. Our time deposits represent only 13% of our total deposits at December 31, 2015 compared to 16% at December 31, 2014. In addition, our total checking accounts represent approximately 56% of our total deposits at December 31, 2015. Our cost of deposits, including non-interest bearing checking accounts, was approximately 0.16% during the fourth quarter of 2015. The tables below summarize selected deposit information for the periods indicated.

	December 31,					
	2015		2014		2013	
Non time deposits	$2,792,758	87 %	$2,604,228	84 %	$1,671,356	81 %
Time deposits	422,420	13 %	487,812	16 %	384,875	19 %
Total deposits	$3,215,178	100%	$3,092,040	100%	$2,056,231	100%

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Average deposit balance by type and average interest rates

	2015 Average Balance	Average Rate		2014 Average Balance	Average Rate		2013 Average Balance	Average Rate	
Non interest bearing demand deposits	$1,139,614	—	%	$949,160	—	%	$584,523	—	%
NOW accounts	625,274	0.08	%	560,813	0.08	%	457,856	0.08	%
Money market accounts	726,159	0.27	%	645,420	0.25	%	312,151	0.15	%
Savings accounts	241,921	0.05	%	233,977	0.05	%	238,496	0.06	%
Time deposits	445,601	0.65	%	502,089	0.79	%	417,354	1.01	%
Total	$3,178,569	0.17	%	$2,891,459	0.21	%	$2,010,380	0.26	%

Maturity of time deposits of $100,000 or more

	December 31, 2015	2014	2013
Three months or less	$38,365	$56,062	$29,092
Three through six months	53,893	51,270	34,617
Six through twelve months	64,623	63,011	54,265
Over twelve months	88,251	98,448	85,266
Total	$245,132	$268,791	$203,240

Repurchase Agreements

We enter into borrowing arrangements with retail business customers by agreements to repurchase (“repurchase agreements”) under which we pledge investment securities owned and under our control as collateral against the one-day borrowing arrangement. These arrangements are not transactions with investment bankers or brokerage firms, but rather, with several of our larger commercial customers who periodically have excess cash balances and do not want to keep those balances in non-interest bearing checking accounts. We offer an arrangement through a repurchase agreement whereby balances are transferred from a checking account into a repurchase agreement arrangement on which we will pay a negotiated daily adjustable interest rate generally tied to the federal funds rate.

The daily average balance of these short-term borrowing agreements for the years ended December 31, 2015, 2014 and 2013, was approximately $30,737, $30,289 and $21,693, respectively. Interest expense for the same periods was approximately $186, $181 and $78, respectively, resulting in an average rate paid of 0.61%, 0.60% and 0.36% for the years ended December 31, 2015, 2014, and 2013, respectively. The following table summarizes our repurchase agreements for the periods presented.

Schedule of short-term borrowing (1)

	Maximum	Average	Average	Ending

	Outstanding at any month end	balance	interest rate during the year	Balance	Weighted Average interest rate at year end
Year ended December 31,					
2015	$ 40,198	$30,727	0.61 %	$27,472	0.36 %
2014	$ 34,681	$30,289	0.60 %	$27,022	0.72 %
2013	$ 24,483	$21,693	0.36 %	$20,457	0.40 %

(1) Consist of securities sold under agreements to repurchase

Other borrowed funds

From time to time we borrow on a short-term basis, usually overnight, either through Federal Home Loan Bank advances, Federal Reserve Bank discount window or Federal Funds Purchased. Included in Federal Funds Purchased are overnight deposits from correspondent banks. We began accepting correspondent bank deposits (classified as Federal Funds Purchased) in September 2008 pursuant to the initiation of our new correspondent banking division. At December 31, 2015 we had $200,250 overnight Federal Funds Purchased correspondent bank deposits and $25,000 in a discount window overnight borrowing at the Federal Reserve Bank. During the year, these deposits had a daily average balance of approximately $184,740. These accounts are included with other Federal Funds Purchased, Federal Home Loan Bank advances and other borrowings in the table below, which summarizes our other borrowings for the periods presented. For additional information refer to Notes 12 and 13 in our Notes to Consolidated Financial Statements.

Schedule of short-term borrowing (1)

	Maximum outstanding at any month end	Average balance	Average interest rate during the year	Ending Balance	Weighted Average interest rate at year end
Year ended December 31,					
2015	$ 225,250	$184,740	0.33 %	$225,250	0.40 %
2014	$ 151,992	$49,899	0.10 %	$151,992	0.29 %
2013	$ 53,274	$37,941	0.06 %	$29,909	0.05 %

(1) Consist of Federal Home Loan Bank advances, Federal Reserve Bank advances and Federal Funds Purchased

Corporate debentures

We have formed and assumed through various acquisitions five statutory trust entities and the related corporate debentures as listed in the table below. See Note 14 of our 2015 Audited Consolidated Financial Statements for further information describing these securities. Interest rates are adjusted on a quarterly basis as described below. LIBOR, in the table below, means three-month LIBOR.

	Amount	Interest Rate	Maturity
CenterState Banks of Florida Statutory Trust I	$10,000	LIBOR + 3.05%	Sep. 2033
Valrico Capital Statutory Trust	$2,500	LIBOR + 2.70%	Sep. 2034
Federal Trust Statutory Trust I	$5,000	LIBOR + 2.95%	Sep. 2033
Gulfstream Bancshares Capital Trust II	$3,000	LIBOR + 1.70%	Mar. 2037
Gulfstream Bancshares Capital Trust I (note 1)	$7,000	LIBOR + 1.90%	Jan. 2035

note (1) On January 22, 2016, the Company purchased, redeemed and terminated this agreement and recognized a gain on extinguishment of debt of approximately $308.

Liquidity and Market Risk Management

Market and public confidence in our financial strength and financial institutions in general will largely determine our access to appropriate levels of liquidity. This confidence is significantly dependent on our ability to maintain sound asset quality and appropriate levels of capital reserves.

Liquidity is defined as the ability to meet anticipated customer demands for funds under credit commitments and deposit withdrawals at a reasonable cost and on a timely basis. We measure our liquidity position by giving consideration to both on- and off-balance sheet sources of and demands for funds on a daily and weekly basis.

Liquidity risk involves the risk of being unable to fund assets with the appropriate duration and rate-based liabilities, as well as the risk of not being able to meet unexpected cash needs. Liquidity planning and management are necessary to ensure the ability to fund operations cost-effectively and to meet current and future potential obligations such as loan commitments, lease obligations, and unexpected deposit outflows. In this process, we focus on both assets and liabilities and on the manner in which they combine to provide adequate liquidity to meet our needs.

Interest rate sensitivity refers to the responsiveness of interest-earning assets and interest-bearing liabilities to changes in market interest rates. The rate sensitive position, or gap, is the difference in the volume of rate-sensitive assets and liabilities, at a given time interval, including both floating rate instruments and instruments which are approaching maturity. The measurement of our interest rate sensitivity, or gap, is one of the principal techniques we use in our asset/liability management effort. Our bank generally attempts to maintain a range set by policy between rate-sensitive assets and liabilities by repricing periods. The range set by the bank has been approved by its board of directors. If our bank falls outside their pre-approved range, it requires board action and board approval, by the bank's board of directors. The asset mix of our balance sheet is evaluated continually in terms of several variables: yield, credit quality, and appropriate funding sources and liquidity. Management of the liability mix of the balance sheet focuses on expanding the various funding sources.

Our gap and liquidity positions are reviewed periodically to determine whether or not changes in policies and procedures are necessary to achieve financial goals. At December 31, 2015, approximately 51% of total gross loans were adjustable rate. Approximately 82% of our investment securities ($723,864 fair value) are invested in U.S. Government Agency mortgage backed securities. Although most of these have maturities in excess of five years, these are amortizing instruments that generate cash flows each month. The duration (average life of expected cash flows) of our securities at December 31, 2015 was approximately 3.6 years. Deposit liabilities, at that date, consisted of approximately $679,714 (21%) in NOW accounts, $979,906 (31%) in money market accounts and savings, $422,420 (13%) in time deposits and $1,133,138 (35%) in non-interest bearing demand accounts.

The table below presents the market risk associated with our financial instruments. In the "Rate Sensitivity Analysis" table, rate sensitive assets and liabilities are shown by repricing periods.

RATE SENSITIVITY ANALYSIS
December 31, 2015

	0-1Yr	1-2Yrs	2-3Yrs	3-4Yrs	4-5Yrs	5Yrs+	Total
Interest earning assets							
Fixed rate loans (1)	$122,325	$122,701	$183,534	$177,326	$252,893	$400,706	$1,259,485
Variable rate loans (1)	804,364	88,035	123,718	102,818	180,691	33,792	1,333,418
Investment securities (2)	674	1,628	910	597	4,054	867,374	875,237
Federal funds sold and other (3)	101,580	-	-	-	-	-	101,580
Other earning assets (4)	16,148	-	-	-	-	-	16,148
Total interest earning assets	$1,045,091	$212,364	$308,162	$280,741	$437,638	$1,301,872	$3,585,868
Interest bearing liabilities							
NOW accounts	$679,714	$-	$-	$-	$-	$-	$679,714
Money market accounts	241,605	-	-	-	-	-	241,605
Savings accounts	738,301	-	-	-	-	-	738,301
Time deposits (5)	270,473	76,295	29,038	21,314	25,035	265	422,420
Repurchase agreements (6)	27,472	-	-	-	-	-	27,472
Federal funds purchased	200,250	-	-	-	-	-	200,250
Corporate debentures	27,500	-	-	-	-	-	27,500
Total interest bearing liabilities	$2,185,315	$76,295	$29,038	$21,314	$25,035	$265	$2,337,262
Interest sensitivity gap	(1,140,224)	136,069	279,124	259,427	412,603	1,301,607	
Cumulative gap	(1,140,224)	(1,004,155)	(725,031)	(465,604)	(53,001)	1,248,606	
Cumulative gap RSA/RSL (7)	0.48	0.56	0.68	0.80	0.98	1.53	

(1) Loans are shown at gross values and do not include $873 of net deferred origination fees and costs. Estimated fair value of fixed loans and variable rate loans combined at December 31, 2015 is approximately $2,574,516.
(2) Securities are shown at amortized cost. Includes $723,864 (amortized cost basis) of mortgage backed securities of which the majority are fixed rate. Although most have maturities greater than five years, these are amortizing

instruments which generate cash flows on a monthly basis. Estimated fair value of securities at December 31, 2015 is approximately $878,722.

(3) Includes Federal Funds sold and interest bearing deposits at the Federal Reserve Bank.

(4) Includes Federal Home Loan Bank stock and Federal Reserve Bank Stock.

(5) Time deposits are shown at carrying value. Estimated fair value at December 31, 2015 is approximately $423,391.

(6) Includes securities sold under agreements to repurchase. These are short-term borrowings, generally overnight, from our retail business customers.

(7) Rate sensitive assets (RSA) divided by rate sensitive liabilities (RSL), cumulative basis.

As stated earlier, the rate sensitivity table above summarizes our interest earning assets and interest bearing liabilities by repricing periods at a point in time. It does not include assumptions about sensitivity to changes in various interest rates by asset or liability type, correlation between macro environment market rates and specific product types, lag periods, cash flows or other assumptions and projections. However, in addition to static gap analysis, our Bank also uses simulation models to estimate the sensitivity of its net interest income to changes in interest rates. Simulation is a better technique than gap analysis because variables are changed for the various rate conditions. Each category's interest change is calculated as rates ramp up and down. In addition, the repayment speeds and repricing speeds are changed. Rate Shock is a method for stress testing the net interest margin over the next four quarters under several rate change levels. These levels span in 100bps increments up and down from the current interest rates. In order to simulate activity, maturing balances are replaced with the new balances at the new rate level, and repricing balances are adjusted to the new rate shock level. The interest is recalculated for each level along with the new average yield. Net interest margin is then calculated and a margin risk profile is developed. The result of these calculations, as of December 31, 2015 looking four quarters into the future, for our combined Bank, is summarized in the table below.

change in interest rates	-300 bps	-200 bps	-100 bps	0 bps	+100 bps	+200 bps	+300 bps
resulting effect on net interest income (a)	-8.96%	-7.40%	-3.60%	current	+1.07%	+1.14%	+0.84%

(a) The percentage change in each of these boxes represents a percentage change from the net interest income (dollars) that the model projected for the next four quarters. To put this in perspective, as an example, our net interest income for 2015 was $155,034. Assuming a 100bps decrease in rates, our model is suggesting that our net interest income would decrease by 3.60%, or approximately $5,581. Likewise, assuming a 100bps increase in rates, our model is suggesting that our net interest income would increase by 1.07%, or approximately $1,659. It is important to reiterate again, that these models are built on a multitude of assumptions and predictions. This is not an exact science. The benefit that we see is measuring our overall interest rate risk profile. Although we are by no means suggesting the exactness of the numbers above, what we see as a take away is that in general, it appears that if market interest rates increase, it would suggest a benefit to our net interest income. If market interest rates decrease, it would suggest a negative effect on our net interest income. We believe that our interest rate risk is manageable as of December 31, 2015.

Simulation and rate shock stress testing our net interest income ("NIM") is a forward looking analysis. That is, it estimates, based on various assumptions, what the effect on our NIM might be given various changes in future interest rates. Another way of analyzing our interest rate risk profile is looking at history. The tables below measures the correlation between our NIM and market interest rates over a 15 year period starting at the beginning of 2000 and ending on December 31, 2015. We used the one and ten year U.S. Treasury rates as surrogates for market interest rates. This simple correlation is not perfect because we ignore changes in duration of our asset/liability portfolio over time and changes in the slope of the yield curve over time, as well as other significant environmental changes that may occur, such as the recent banking crisis. However, it will demonstrate that over time our asset/liability portfolio generally tended to be asset sensitive. That is, in general, over this historical period, when market interest rates increased, our NIM increased, and when market interest rates decreased, our NIM decreased. In the following tables, the U.S. Treasury rates are measured by the vertical bars, and their scale is on the left hand side of the graph. Each bar represents a quarterly average. Our NIM is represented by the line graph and its scale is on the right hand side of the graph. The line graph is connecting a series of dots, which represents our NIM for a given quarter.

Net Interest Margin vs. U.S. Treasury Rates(1)

(1) US Treasury rates obtained from Statistical Releases and Historical Data as provided by the Federal Reserve Bank.

Managing interest rate risk is a dynamic process. Our philosophy is to not try to guess the market in either direction. We do not want to be excessively assets sensitive or excessively liability sensitive. We try to manage our asset/liability portfolio with the goal of optimizing our yield without taking on excessive interest rate risk.

Contractual Obligations

While our liquidity monitoring and management considers both present and future demands for and sources of liquidity, the following table of contractual commitments focuses only on our future obligations. In the table, all deposits with indeterminate maturities, such as demand deposits, checking accounts, savings accounts and money market accounts, are presented as having a maturity of one year or less.

	December 31, 2015				
	Total	Due in one year or less	Due over one year and less than three years	Due over three years and less than five years	Due over five Years
Contractual commitments:					
Deposit maturities	$3,215,178	$ 3,063,231	$105,333	$ 46,614	-
Securities sold under agreements to repurchase	27,472	27,472	-	-	-
Corporate debenture	24,093	-	-	-	24,093
Federal funds purchased	200,250	200,250	-	-	-
Other borrowings	25,000	25,000			
Deferred compensation	27,487	11,205	744	912	14,626
Operating lease obligations	13,054	2,411	3,902	2,285	4,456
Total	$ 3,532,534	$ 3,329,569	$109,979	$ 49,811	$43,175

Primary Sources and Uses of Funds

Our primary sources and uses of funds during the year ended December 31, 2015 are summarized in the table below.

Sale of investments	$16,513
Net cash from acquisitions	12,537
Net increase in federal funds purchased	48,258
Mortgage backed securities pay-downs	129,107
Proceeds from the sale of OREO	31,941
Net increase in other borrowings	25,000
Net decrease in cash and cash equivalents	5,931
Proceeds from sale of bank property held for sale	1,518
Cash received from FDIC loss share agreements	4,662
Calls and maturities of securities	57,830
Net cash from operations	43,003
Net increase in deposits	109,202
Proceeds from stock options exercised	784
Net increase repurchase agreements	450
Proceeds from sale of equipment and property	389
Total sources of funds	$487,125

Purchases of investments	$339,331
Increase in loans, net	135,984
Net decrease in payable to shareholders for acquisitions	466
Purchase equipment	7,147
Cash dividends paid on common stock	3,181
Stock repurchase	1,016
Total uses of funds	$487,125

Capital Resources

Total stockholders' equity at December 31, 2015 was $490,514, or 12.0% of total assets compared to $452,477, or 12.0% of total assets at December 31, 2014. The $38,037 increase was the result of the following items: net income of $39,338, plus $5,511 stock based compensation, less $2,615 net change in unrealized losses in securities available for sale, less $1,016 in stock repurchases and less $3,181 cash dividends paid on our common stock.

The bank regulatory agencies have established risk-based capital requirements for banks. These guidelines are intended to provide an additional measure of a bank's capital adequacy by assigning weighted levels of risk to asset categories. Banks are also required to systematically maintain capital against such "off- balance sheet" activities as loans sold with recourse, loan commitments, guarantees and standby letters of credit. These guidelines are intended to strengthen the quality of capital by increasing the emphasis on common equity and restricting the amount of loan loss reserves and other forms of equity such as preferred stock that may be included in capital. Our subsidiary Bank's objective is to maintain its current status as a "well-capitalized institution" as that term is defined by its regulators.

Under the terms of the guidelines, banks must meet minimum capital adequacy based upon both total assets and risk-adjusted assets. All banks are required to maintain a minimum ratio of total capital to risk-weighted assets of 8%, a minimum ratio of Tier 1 capital to risk-weighted assets of 6%, a minimum common equity Tier 1 to risk-weighted assets of 4.5% and a minimum ratio of Tier 1 capital to average assets of 4% ("leverage ratio"). Adherence to these guidelines has not had an adverse impact on our Company. In addition, our bank has an agreement with its primary regulator to maintain a Tier 1 leverage ratio (Tier 1 Capital divided by average assets) of at least 8%.

Selected consolidated capital ratios at December 31, 2015, and 2014 were as follows:

	Actual		For capital adequacy purposes		Excess
	Amount	Ratio	Amount	Ratio	Amount
As of December 31, 2015:					
Total capital (to risk weighted assets)	$438,748	15.8 %	$222,322	8.0 %	$216,426
Tier 1 capital (to risk weighted assets)	$416,484	15.0 %	$166,742	6.0 %	$249,743
Common equity Tier 1 (to risk weighted assets)	$399,876	14.4 %	$125,056	4.5 %	$274,820
Tier 1 capital (to average assets)	$416,484	10.5 %	$158,206	4.0 %	$258,278
As of December 31, 2014:					
Total capital (to risk weighted assets)	$384,162	15.1 %	$202,946	8.0 %	$181,216
Tier 1 capital (to risk weighted assets)	$364,264	14.4 %	$101,473	4.0 %	$262,791
Tier 1 capital (to average assets)	$364,264	10.1 %	$144,051	4.0 %	$220,213

Effects of Inflation and Changing Prices

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering the change in the relative purchasing power of money over time due to inflation. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant impact on the performance of a financial institution than the effects of general levels of inflation. Although interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services, increases in inflation generally have resulted in increased interest rates. In addition, inflation affects financial institutions' increased cost of goods and services purchased, the cost of salaries and benefits, occupancy expense, and similar items. Inflation and related increases in interest rates generally decrease the market value of investments and loans held and may adversely affect liquidity, earnings, and shareholders' equity. Commercial and other loan originations and refinancings tend to slow as interest rates increase, and can reduce our earnings from such activities.

Off-Balance Sheet Arrangements

We generally do not have any off-balance sheet arrangements, other than approved and unfunded loans and letters and lines of credit to our customers in the ordinary course of business.

Our correspondent and capital markets division arranges interest rate swaps between client financial institutions for a fee. Our subsidiary bank also enters into interest rate swaps with certain commercial loan clients. Under these arrangements, the Company enters into a fixed rate loan with a client in addition to a swap agreement. The swap agreement effectively converts the client's fixed rate loan into a variable rate loan. The Company then enters into a matching swap agreement with a third party dealer in order to offset its exposure on the customer swap. For additional information on these derivatives refer to Note 27 in our Notes to Consolidated Financial Statements.

Accounting Pronouncements

Refer to Note 1(ai) in our Notes to Consolidated Financial Statements for a discussion on the effects of new accounting pronouncements.

Item 7 A. Quantitative and Qualitative Disclosures about Market Risk.

Market risk is the risk of economic loss from adverse changes in the fair value of financial instruments due to changes in (a) interest rates, (b) foreign exchange rates, or (c) other factors that relate to market volatility of the rate, index, or price underlying the financial instrument. Our market risk is composed primarily of interest rate risk. Our Asset/Liability Committee ("ALCO") is responsible for reviewing the interest rate sensitivity position, and establishing policies to monitor and limit the exposure to interest rate risk. Substantially all of our interest rate risk exposure relates to the financial instrument activity of our subsidiary Bank. As such, the board of directors of our subsidiary Bank is responsible to review and approve the policies and guidelines established by their Bank's ALCO.

The primary objective of asset/liability management is to provide an optimum and stable net interest margin, after-tax return on assets and return on equity capital, as well as adequate liquidity and capital. Interest rate risk is measured and monitored through gap analysis and simulation analysis, which measures the amount of repricing risk associated with the balance sheet at specific points in time. See "Liquidity and Market Risk Management" presented in Item 7 above for quantitative disclosures in tabular format, as well as additional qualitative disclosures.

Item 8. Financial Statements and Supplementary Data

The financial statements of our Company as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 are set forth in this Form 10-K beginning at page 68.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures. As of December 31, 2015, the end of the period covered by this Annual Report on Form 10-K, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer each concluded that as of December 31, 2015, the end of the period covered by this Annual Report on Form 10-K, we maintained effective disclosure controls and procedures and there have been no significant changes in our internal control during our most recently completed fiscal quarter that materially affected, or is likely to materially affect, our internal control over financial reporting.

(b) Management's report on internal control over financial reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations in 2013, also referred to as the Treadway Commission. Based upon our evaluation under the framework in Internal Control – Integrated Framework, management concluded that our internal control over financial reporting was effective as of December 31, 2015. The effectiveness of the Company's internal control over financial reporting as of December 31, 2015 has been audited by Crowe Horwath LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Our Company has a Code of Ethics that applies to our principal executive officer and principal financial officer (who is also our principal accounting officer), a copy of which is included on the Company's website, www.centerstatebanks.com, at Investor Relations / Governance Documents. The website also includes a copy of the Company's Audit Committee Charter, Compensation Committee Charter and Nominating Committee Charter. The information contained under the sections captioned "Directors" and "Senior Executive Officers" under "Proposal One – Election of Directors," and in the sections captioned "Nominating Committee," "Audit Committee Report" and "Section 16(a) Beneficial Ownership Reporting Compliance," in the registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 28, 2016, to be filed with the SEC pursuant to Regulation 14A within 120 days of our fiscal year end (the "Proxy Statement"), is incorporated herein by reference.

Item 11. Executive Compensation

The information contained in the sections captioned “Information About the Board of Directors and Its Committees” under “Proposal One – Election of Directors,” and the sections captioned “Executive Compensation,” “Director Compensation,” “Compensation Committee Interlocks and Insider Participation,” and “Compensation Committee Report,” in the Proxy Statement, is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information contained in the section captioned “Management and Principal Stock Ownership” under “Election of Directors,” and under the table captioned “Equity Compensation Plan Information” under “Executive Compensation” in the Proxy Statement, is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information contained in the section entitled “Certain Related Transactions” and the section entitled “Director Independence” under “Election of Directors” in the Proxy Statement is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information contained in the section captioned “Ratification of Appointment of Independent Registered Public Accounting Firm” in the Proxy Statement is incorporated herein by reference.

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. Financial Statements

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2015 and 2014

Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2015, 2014 and 2013

Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013

Consolidated Statement of Changes in Stockholders’ Equity for the years ended December 31, 2015, 2014 and 2013

Notes to Consolidated Financial Statements

2. Financial Statement Schedules

All schedules have been omitted as the required information is either inapplicable or included in the Notes to Consolidated Financial Statements.

3. Exhibits

3.1	-	Articles of Incorporation (Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-4, File No. 333-95087, dated January 20, 2000 (the "Initial Registration Statement")
3.2	-	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 99.1 to the Company's Form 8-K dated April 25, 2006)
3.3	-	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.1 to the Company's Form 8-K dated December 16, 2009)
3.4	-	Articles of Amendment to the Articles of Incorporation (Incorporated by reference to Exhibit 3.6 to the Company's Form 10-K dated March 4, 2010)
3.5	-	Bylaws (Incorporated by reference to Exhibit 3.2 to the Initial Registration Statement)
3.6	-	Amendment to Bylaws (Incorporated by reference to Exhibit 3.4 to the Company's Form 10-K dated March 7, 2008.)
3.7	-	Articles of Amendment to the Articles of Incorporation authorizing the Preferred Shares (Incorporated by reference to Exhibit 3.1 to the Company's Form 8-K dated November 24, 2008.)
3.8	-	Articles of Amendment to the Articles of Incorporation increasing the number of authorized common shares from 40,000,000 to 100,000,000 (Incorporated by reference to Exhibit 3.1 to the Company's Form 8-K dated December 16, 2009.)
4.1	-	Specimen Stock Certificate of CenterState Banks, Inc. (Incorporated by reference to Exhibit 4.2 to the Registration Statement)
10.1	-	CenterState Banks, Inc. Stock Option Plan (Incorporated by reference to Exhibit 10.1 to the Registration Statement)*
10.3	-	Form of CenterState Banks, Inc. Split Dollar Agreement (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated January 11, 2006)*
10.4	-	CenterState Banks, Inc. 2007 Equity Incentive Plan (Incorporated by reference to Appendix D to the Company's Proxy Statement dated March 30, 2007)*
10.5	-	Executive Deferred Compensation Agreement between the Company and Ernest S. Pinner, its Chairman of the Board, Chief Executive Officer and President (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated December 31, 2008.)*
10.6	-	Supplemental Executive Retirement Agreements ("SERP") between the Company and John C. Corbett and James J. Antal (Incorporated by reference to Exhibits 10.1 and 10.2 to the Company's Form 8-K dated July 14, 2010.)*
10.7	-	Employment Agreements between the Company and John C. Corbett and James J. Antal (Incorporated by reference to Exhibits 10.4 and 10.5 to the Company's Form 8-K dated July 14, 2010.)*

10.8	-	Supplemental Executive Retirement Agreement ("SERP") between the Company and Stephen D. Young, its Treasurer and Executive Vice President of the Company's subsidiary bank, CenterState Bank of Florida, N.A. (Incorporated by reference to Exhibit 10.8 to the Company's Form 10-K dated March 16, 2011.)*
10.9	-	Employment Agreement between the Company and Stephen D. Young, its Treasurer and Executive Vice President of the Company's subsidiary bank, CenterState Bank of Florida, N.A. (Incorporated by reference to Exhibit 10.10 to the Company's Form 10-K dated March 16, 2011.)*
10.10	-	Employment Agreement between the Company and Ernest S. Pinner, its President, Chief Executive Officer and Chairman of the Board of Directors (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated February 14, 2011.)*
10.11	-	CenterState Banks, Inc. 2013 Equity Incentive Plan, as amended September 17, 2015 (Incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q dated November 3, 2015)*

10.12	-	Employment Agreement between the Company and Daniel E. Bockhorst, its Chief Risk Officer (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated September 22, 2014.)*
10.13	-	Employment Agreement between the Company and John E. Tranter, its Chief Banking Officer*
10.14	-	Split Dollar Agreement between the Company and John E. Tranter, its Chief Banking Officer*
14.1	-	Code of Ethics (Incorporated by reference to Exhibit 14.1 to the Company's December 31, 2003 Form 10-K dated March 26, 2004)
21.1	-	List of Subsidiaries of CenterState Banks, Inc.
23.1	-	Consent of Crowe Horwath LLP
31.1	-	Certification of President and Chief Executive Officer under Section 302 of the Sarbanes–Oxley Act of 2002
31.2	-	Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002
32.1	-	Certification of President and Chief Executive Officer under Section 906 of the Sarbanes–Oxley Act of 2002
32.2	-	Certification of Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002
101.INS		XBRL Instance Document
101.SCH		XBRL Schema Document
101.CAL		XBRL Calculation Linkbase Document
101.DEF		XBRL Definition Linkbase Document
101.LAB		XBRL Label Linkbase Document
101.PRE		XBRL Presentation Linkbase Document

*Represents a management contract or compensatory plan or arrangement required to be filed as an exhibit.

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CENTERSTATE BANKS, INC. and SUBSIDIARIES

Index to consolidated financial statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

CenterState Banks, Inc.

Davenport, Florida

We have audited the accompanying consolidated balance sheets of CenterState Banks, Inc. as of December 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015. We also have audited the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's report on internal control over financial reporting contained in Item 9A. of the accompanying Form 10-K. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of authorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CenterState Banks, Inc. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ Crowe Horwath LLP
Crowe Horwath LLP

Fort Lauderdale, Florida

March 3, 2016

CENTERSTATE BANKS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2015 and 2014

(in thousands of dollars, except per share data)

ASSETS	2015	2014
Cash and due from banks	$50,902	$52,067
Federal funds sold and Federal Reserve Bank deposits	101,580	106,346
Cash and cash equivalents	152,482	158,413
Trading securities, at fair value	2,107	3,420
Investment securities available for sale, at fair value	604,739	517,457
Investment securities held to maturity (fair value of $273,983 and $238,431		
at December 31, 2015 and December 31, 2014, respectively)	272,840	237,362
Loans held for sale	1,529	1,251
Loans, excluding purchased credit impaired	2,383,248	2,152,759
Purchased credit impaired loans	210,528	276,766
Allowance for loan losses	(22,264)	(19,898)
Net Loans	2,571,512	2,409,627
Bank premises and equipment, net	101,821	98,848
Accrued interest receivable	10,286	8,999
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	14,041	14,219
Goodwill	76,739	76,739
Core deposit intangible, net	12,164	14,417
Trust intangible, net	837	984
Bank owned life insurance	85,890	83,544
Other repossessed real estate owned covered by FDIC loss share agreements	9,629	19,404
Other repossessed real estate owned	1,567	8,896
FDIC indemnification asset	25,795	49,054
Deferred income tax asset, net	46,220	49,587
Bank property held for sale	1,665	2,675
Prepaid expense and other assets	30,854	21,973
TOTAL ASSETS	$4,022,717	$3,776,869
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Interest bearing	$2,082,040	$2,043,166
Non-interest bearing	1,133,138	1,048,874
Total deposits	3,215,178	3,092,040
Securities sold under agreement to repurchase	27,472	27,022
Federal funds purchased	200,250	151,992
Other borrowed funds	25,000	-

Corporate debentures	24,093	23,917
Accrued interest payable	218	336
Payables and accrued expenses	39,992	29,085
Total liabilities	3,532,203	3,324,392
Stockholders' equity:		
Common stock, $.01 par value: 100,000,000 shares		
authorized; 45,459,195 and 45,323,553 shares issued and outstanding		
at December 31, 2015 and December 31, 2014, respectively	455	453
Additional paid-in capital	393,191	388,698
Retained earnings	95,430	59,273
Accumulated other comprehensive income	1,438	4,053
Total stockholders' equity	490,514	452,477
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$4,022,717	$3,776,869

See accompanying notes to the consolidated financial statements

CENTERSTATE BANKS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Income

Years ended December 31, 2015, 2014 and 2013

(in thousands of dollars, except per share data)

	2015	2014	2013
Interest income:			
Loans	$141,696	$121,262	$88,274
Investment securities available for sale:			
Taxable	16,460	13,991	9,889
Tax-exempt	2,641	1,435	1,430
Federal funds sold and other	1,523	1,539	785
	162,320	138,227	100,378
Interest expense:			
Deposits	5,506	6,182	5,184
Securities sold under agreement to repurchase	186	181	78
Federal funds purchased	622	51	21
Federal Home Loan Bank advances and other borrowings	4	-	-
Corporate debentures	968	942	602
	7,286	7,356	5,885
Net interest income	155,034	130,871	94,493
Provision for loan losses	4,493	826	(76)
Net interest income after loan loss provision	150,541	130,045	94,569
Non interest income:			
Correspondent banking capital markets revenue	23,225	16,400	17,023
Other correspondent banking related revenue	4,338	3,753	3,387
Service charges on deposit accounts	9,745	9,542	8,457
Debit, prepaid, ATM and merchant card related fees	6,913	6,250	5,420
Wealth management related revenue	3,813	4,239	4,551
FDIC indemnification income	1,686	2,982	5,542
FDIC indemnification asset amortization	(16,563)	(20,743)	(13,807)
Bank owned life insurance income	2,346	1,767	1,328
Other service charges and fees	1,943	1,990	985
Net gain on sale of securities available for sale	4	46	1,060
Total other income	37,450	26,226	33,946

(Continued)

CENTERSTATE BANKS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Income

Years ended December 31, 2015, 2014 and 2013

(in thousands of dollars, except per share data)

	2015	2014	2013
Non interest expense:			
Salaries, wages and employee benefits	77,398	70,375	60,369
Occupancy expense	9,957	10,163	7,702
Depreciation of premises and equipment	5,716	6,066	5,876
Supplies, stationary and printing	1,436	1,319	1,121
Marketing expenses	2,317	2,731	2,517
Data processing expense	4,679	5,484	3,784
Legal, audit and other professional fees	2,954	4,066	3,754
Core deposit intangible ("CDI") amortization	2,390	2,110	986
Postage and delivery	1,389	1,413	1,084
ATM and debit card related expenses	1,893	1,892	1,788
Bank regulatory expenses	3,173	3,209	2,369
(Gain)/loss on sale of repossessed real estate (“OREO”)	(1,253)	(788)	3,122
Valuation write down of repossessed real estate (“OREO”)	1,207	3,250	6,012
Loss on repossessed assets other than real estate	7	45	401
Foreclosure related expenses	2,334	2,775	3,191
Merger and acquisition related expenses	693	11,542	722
Branch closure and efficiency initiatives	-	2,764	-
Other expenses	9,792	7,765	5,964
Total other expenses	126,082	136,181	110,762
Income before provision for income taxes	61,909	20,090	17,753
Provision for income taxes	22,571	7,126	5,510
Net income	$39,338	$12,964	$12,243
Other comprehensive income, net of tax:			
Unrealized securities holding (loss) gain, net of income taxes	$(2,613)	$8,565	$(11,132)
Less: reclassified adjustments for gain included in net income, net of income taxes, of $2, $18 and $409, respectively	(2)	(28)	(651)
Net unrealized (loss) gain on available for sale securities, net of income taxes	(2,615)	8,537	(11,783)
Total comprehensive income	$36,723	$21,501	$460
Earnings per share:			
Basic	$0.87	$0.32	$0.41

Diluted	$0.85	$0.31	$0.41
Common shares used in the calculation of earnings per share:			
Basic (1)	45,182,224	40,852,002	30,102,777
Diluted (1)	45,788,632	41,235,552	30,220,127

(1) Excludes participating securities.

See accompanying notes to the consolidated financial statements

CENTERSTATE BANKS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2015 2014, and 2013

(in thousands of dollars, except per share data)

	Number of common shares	Common stock	Additional paid in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total stockholders' equity
Balances at January 1, 2013	30,079,767	$ 301	$ 228,952	$ 36,979	$ 7,299	$ 273,531
Comprehensive income:						
Net income				12,243		12,243
Unrealized holding loss on available for sale securities, net of deferred income tax of $7,220					(11,783)	(11,783)
Total comprehensive income						460
Dividends paid - common ($0.04 per share)				(1,204)		(1,204)
Stock grants issued	30,994		300			300
Stock based compensation expense			292			292
Stock options exercised, including tax benefit	1,714					-
Balances at December 31, 2013	30,112,475	$ 301	$ 229,544	$ 48,018	$ (4,484)	$ 273,379
Comprehensive income:						
Net income				12,964		12,964
Unrealized holding gain on available for sale securities, net of deferred income tax of $5,361					8,537	8,537
Total comprehensive income						21,501
Dividends paid - common ($0.04 per share)				(1,709)		(1,709)
Stock grants issued	305,730	3	678			681
Stock based compensation expense			238			238
Stock options exercised, including tax benefit	233,762	2	982			984
Stock issued pursuant to Gulfstream acquisition	5,195,541	52	53,098			53,150
Stock options acquired and converted pursuant to Gulfstream acquisition			3,617			3,617
Stock issued pursuant to First Southern acquisition	9,476,045	95	100,541			100,636

Balances at December 31, 2014	45,323,553	$ 453	$ 388,698	$ 59,273	$ 4,053	$ 452,477
Comprehensive income:						
Net income				39,338		39,338
Unrealized holding loss on available for sale securities, net of deferred income tax of $1,642					(2,615)	(2,615)
Total comprehensive income						36,723
Dividends paid - common ($0.07 per share)				(3,181)		(3,181)
Stock grants issued	73,821	1	1,361			1,362
Stock based compensation expense			3,365			3,365
Stock options exercised, including tax benefit	142,476	2	782			784
Stock repurchase	(80,655)	(1)	(1,015)			(1,016)
Balances at December 31, 2015	45,459,195	$ 455	$ 393,191	$ 95,430	$ 1,438	$ 490,514

See accompanying notes to the consolidated financial statements

CENTERSTATE BANKS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2015, 2014 and 2013

(in thousands of dollars)

	2015	2014	2013
Cash flows from operating activities:			
Net income	$39,338	$12,964	$12,243
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	4,493	826	(76)
Depreciation of premises and equipment	5,716	6,066	5,876
Accretion of purchase accounting adjustments	(42,852)	(36,198)	(32,571)
Net amortization of investment securities	9,047	6,397	6,473
Net deferred loan origination fees	(295)	(525)	(862)
Net gain on sale of securities available for sale	(4)	(46)	(1,060)
Trading securities revenue	(403)	(169)	(255)
Purchases of trading securities	(147,693)	(171,089)	(198,186)
Proceeds from sale of trading securities	149,409	167,838	203,489
Repossessed real estate owned valuation write down	1,207	3,250	6,012
(Gain) loss on sale of repossessed real estate owned	(1,253)	(788)	3,122
Repossessed assets other than real estate valuation write down	7	32	70
Loss on sale of repossessed assets other than real estate	-	13	331
Gain on sale of loans held for sale	(566)	(511)	(333)
Loans originated and held for sale	(29,930)	(26,056)	(20,824)
Proceeds from sale of loans held for sale	30,218	26,573	22,856
Loss (gain) on disposal of and or sale of fixed assets	19	(19)	(12)
Gain on disposal of bank property held for sale	(41)	(174)	-
Impairment on bank property held for sale	772	2,256	-
Deferred income taxes	5,012	1,733	32
Stock based compensation expense	3,283	1,577	609
Bank owned life insurance income	(2,346)	(1,767)	(1,328)
FDIC indemnification asset amortization	16,563	20,743	13,807
Net cash from changes in:			
Net changes in accrued interest receivable, prepaid expenses, and other assets	(9,372)	(12,276)	(7,841)
Net change in accrued interest payable, accrued expense, and other liabilities	12,674	727	2,687
Net cash provided by operating activities	43,003	1,377	14,259

(Continued)

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CENTERSTATE BANKS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2015, 2014 and 2013

(in thousands of dollars)

	2015	2014	2013
Cash flows from investing activities:			
Available for sale securities:			
Purchases of investment securities	-	-	(31,132)
Purchases of mortgage backed securities	(215,262)	(195,943)	(205,005)
Proceeds from maturities of investment securities	-	-	165
Proceeds from called investment securities	5,905	2,050	9,400
Proceeds from pay-downs of mortgage backed securities	94,258	82,929	101,333
Proceeds from sales of investment securities	-	62,111	31,804
Proceeds from sales of mortgage backed securities	16,305	261,426	37,691
Held to maturity securities:			
Purchases of investment securities	(93,263)	(75,654)	-
Purchases of mortgage backed securities	(30,776)	(162,377)	-
Proceeds from called investment securities	51,925	-	-
Proceeds from pay-downs of mortgage backed securities	34,849	581	-
Purchases of FRB and FHLB stock	(30)	(3,580)	-
Proceeds from sales of FHLB and FRB stock	208	4,011	1,560
Net (increase) decrease in loans	(135,984)	24,191	(39,813)
Cash received from FDIC loss sharing agreements	4,662	10,014	42,004
Purchase of bank owned life insurance	-	(25,000)	-
Purchases of premises and equipment, net	(7,147)	(1,987)	(4,665)
Proceeds from sale of repossessed real estate	31,941	36,995	28,585
Proceeds from sale of fixed assets	389	19	136
Proceeds from sale of bank property held for sale	1,518	10,783	931
Net cash from bank acquisitions	12,537	130,494	-
Net cash (used in) / provided by investing activities	(227,965)	161,063	(27,006)
Cash flows from financing activities:			
Net increase (decrease) in deposits	109,202	(125,063)	59,450
Sale of deposits	-	(169,748)	-
Net increase (decrease) in securities sold under agreement to repurchase	450	(1,011)	1,665
Net increase (decrease) in federal funds purchased	48,258	122,083	(9,023)
Net increase (decrease) in other borrowings	25,000	(5,708)	-
Net (decrease) increase in payable to shareholders for acquisitions	(466)	1,256	-
Stock options exercised, including tax benefit	784	984	-
Stock repurchased	(1,016)	-	-
Dividends paid	(3,181)	(1,709)	(1,204)
Net cash provided by / (used in) financing activities	179,031	(178,916)	50,888

Net (decrease) increase in cash and cash equivalents	(5,931)	(16,476)	38,141
Cash and cash equivalents, beginning of period	158,413	174,889	136,748
Cash and cash equivalents, end of period	$152,482	$158,413	$174,889
Transfer of loans to other real estate owned	$14,791	$16,359	$29,581
Transfers of bank property to held for sale	$1,239	$4,647	$-
Cash paid during the period for:			
Interest	$8,255	$8,543	$6,607
Income taxes	$14,602	$8,447	$3,473

See accompanying notes to the consolidated financial statements

CENTERSTATE BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Dollar amounts in thousands, except per share data)

December 31, 2015, 2014 and 2013

(1) Summary of significant accounting policies

(a) Nature of operations and principles of consolidation

The consolidated financial statements of CenterState Banks, Inc. (the "Company") include the accounts of CenterState Banks, Inc. (the "Parent Company"), and its wholly owned subsidiaries CenterState Bank of Florida, N.A., R4ALL, Inc. and CSFL Insurance Corp. All significant intercompany accounts and transactions have been eliminated in consolidation.

At December 31, 2015, the Company, through its subsidiary bank, operates through 57 full service banking locations in 20 counties throughout Central, Northeast and Southeast Florida, providing traditional deposit and lending products and services to its commercial and retail customers. The Company's primary deposit products are checking, savings and term certificate accounts, and its primary lending products include commercial real estate loans, residential real estate loans, commercial loans and consumer loans. Substantially all loans are secured by commercial real estate, residential real estate, business assets or consumer assets. There are no significant concentrations of loans to any one industry or customer. However, the customers' ability to repay their loans is dependent on the real estate and general economic conditions in the area. The Company also provides correspondent banking and capital markets services to approximately 600 community banks nationwide.

R4ALL, Inc. is a non bank subsidiary incorporated during the third quarter of 2009. The primary purpose of this subsidiary is to purchase, hold, and dispose of troubled assets acquired from the Company's subsidiary bank.

CSFL Insurance Corp. is a non bank subsidiary incorporated during the fourth quarter of 2015. The primary purpose of this subsidiary is to function as a captive insurance subsidiary pursuant to Section 831(b) of the U.S. Tax Code.

The following is a description of the basis of presentation and the significant accounting and reporting policies, which the Company follows in preparing and presenting its consolidated financial statements.

(b) Use of estimates

To prepare financial statements in conformity with U.S. generally accepted accounting principles, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided. Significant items subject to estimates and assumptions include allowance for loan losses, FDIC indemnification asset, fair values of financial instruments, useful life of intangibles and valuation of goodwill, fair value estimates of stock-based compensation, fair value estimates of OREO, and deferred tax assets. Actual results could differ from these estimates.

(c) Cash flow reporting

For purposes of the statement of cash flows, the Company considers cash and due from banks, federal funds sold, money market and non interest bearing deposits in other banks with a purchased maturity of three months or less to be cash equivalents. Net cash flows are reported for customer loan and deposit transactions, interest bearing deposits in other financial institutions, federal funds purchased, repurchase agreements, proceeds from capital offering and other borrowed funds.

(d) Interest bearing deposits in other financial institutions

Interest bearing deposits in other financial institutions mature within one year and are carried at cost and are included in cash and due from banks in the Consolidated Balance Sheets.

(e) Trading securities

The Company engages in trading activities for its own account. Securities that are held principally for resale in the near term are recorded at fair value with changes in fair value included in earnings. Interest is included in net interest income.

(f) Securities

Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities not classified as held to maturity or trading are classified as available for sale. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Securities are evaluated for other-than-temporary impairment (“OTTI”) on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) other-than-temporary impairment related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

(g) Bond commissions revenue recognition

Bond sales transactions and related revenue and expenses are recorded on a settlement date basis. The effect on the financial statements of using the settlement date basis rather than the trade date basis is not material.

(h) Loans held for sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings. Mortgage loans held for sale are generally sold with servicing rights released. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

(i) Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balance net of purchase premiums and discounts, deferred loan fees and costs, and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. The recorded investment in a loan excludes accrued interest receivable, deferred fees, and deferred costs because they are not considered material.

A loan is considered a troubled debt restructured loan based on individual facts and circumstances. A modification may include either an increase or reduction in interest rate or deferral of principal payments or both. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings. The Company classifies troubled debt restructured loans as impaired and evaluates the need for an allowance for loan losses on a loan-by-loan basis. An allowance for loan losses is based on either the present value of estimated future cash flows or the estimated fair value of the underlying collateral. Loans retain their interest accrual status at the time of modification.

Loan origination fees and the incremental direct cost of loan origination, are deferred and recognized in interest income without anticipating prepayments over the contractual life of the loans. If the loan is prepaid, the remaining unamortized fees and costs are charged or credited to interest income. Amortization ceases for nonaccrual loans.

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A loan is moved to nonaccrual status in accordance with the Company's policy typically after 90 days of non-payment, or less than 90 days of non-payment if management determines that the full timely collection of principal and interest becomes doubtful. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. Single family home loans, consumer loans and smaller commercial, land, development and construction loans (less than $500) are monitored by payment history, and as such, past due payments is generally the triggering mechanism to determine nonaccrual status. Larger (greater than $500) commercial, land, development and construction loans are monitored on a loan level basis, and therefore in these cases it is more likely that a loan may be placed on nonaccrual status before it becomes 90 days past due.

All interest accrued but not received for loans placed on nonaccrual, is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Non real estate consumer loans are typically charged off no later than 120 days past due.

The Company, considering current information and events regarding the borrower's ability to repay their obligations, considers a loan to be impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is considered to be impaired, the amount of the impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, the secondary market value of the loan, or the fair value of the collateral for collateral dependent loans. Interest income on impaired loans is recognized in accordance with the Company's non-accrual policy. Impaired loans are written down to the extent that principal is judged to be uncollectible and, in the case of impaired collateral dependent loans where repayment is expected to be provided solely by the underlying collateral and there is no other available and reliable sources of repayment, are written down to the lower of cost or collateral value less estimated selling costs. Impairment losses are included in the allowance for loan losses. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures.

(j) Purchased credit-impaired loans

As a part of business acquisitions, the Company acquires loans, some of which have shown evidence of credit deterioration since origination. These purchased credit-impaired ("PCI") loans were determined to be credit impaired based on specific risk characteristics of the loan, including product type, domicile of the borrower, past due status, owner occupancy status, geographic location of the collateral, and loan to value ratios. Purchasers are permitted to aggregate credit impaired loans acquired in the same fiscal quarter into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. For the loan portfolios acquired through failed bank acquisitions, the Company aggregated the commercial, consumer, and residential loans into ten pools of loans with common risk characteristics for each FDIC failed institution acquired. These acquired loans were recorded at the acquisition date fair value, and after acquisition, losses are recognized through the allowance for loan losses. The Company estimates the amount and timing of expected cash flows for each acquired loan pool and the expected cash flows in excess of the amount paid is recorded as interest income over the remaining life of the loan pools.

On a quarterly basis, the Company updates the amount of loan principal and interest cash flows expected to be collected, incorporating assumptions regarding default rates, loss severities, the amounts and timing of prepayments and other factors that are reflective of current market conditions. Probable decreases in expected loan principal cash flows trigger the recognition of impairment, which is then measured as the present value of the expected principal loss plus any related foregone interest cash flows discounted at the pool's effective interest rate. Impairments that occur after the acquisition date are recognized through the provision for loan losses. Probable and significant increases in expected principal cash flows would first reverse any previously recorded allowance for loan losses; any remaining increases are recognized prospectively as interest income. The impacts of (i) prepayments, (ii) changes in variable interest rates, and (iii) any other changes in the timing of expected cash flows are recognized prospectively as adjustments to interest income. Disposals of loans, which may include sales of loans, receipt of payments in full by the borrower, or foreclosure, result in removal of the loan from the purchased credit impaired portfolio.

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(k) Concentration of credit risk

Most of the Company's business activity is with customers located within Florida. Therefore, the Company's exposure to credit risk is significantly affected by changes in the economy and the real estate market within Florida, primarily central, southeastern and northeastern Florida.

(l) Allowance for loan losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. The general component covers loans that are not individually classified as impaired and is based on historical loss experience adjusted for current factors.

A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans, for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Commercial, commercial real estate, land, acquisition and development, and construction loans over $500 are individually evaluated for impairment. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures. Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Company determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses. The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company over the most recent two years. The portfolio segments identified by the Company are residential loans, commercial real estate loans, construction and land development loans, commercial and industrial and consumer and other. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; volume and severity of adversely classified or graded loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

The Company segregates and evaluates its loan portfolio through the five portfolio segments: residential real estate, commercial real estate, land/ land development/construction, commercial and consumer/other.

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Residential real estate loans are a mixture of fixed rate and adjustable rate residential mortgage loans, including first mortgages, second mortgages or home equity lines of credit. As a policy, the Company holds adjustable rate loans and sells a portion of its fixed rate loan originations into the secondary market. Changes in interest rates or market conditions may impact a borrower's ability to meet contractual principal and interest payments. Residential real estate loans are secured by real property.

Commercial real estate loans include loans secured by office buildings, warehouses, retail stores and other property located in or near our markets. These loans are originated based on the borrower's ability to service the debt and secondarily based on the fair value of the underlying collateral.

Land/land development/construction loans include residential and commercial real estate loans and include a mixture of owner occupied and non-owner occupied. The majority of the loans in this category are land related, either undeveloped land, land held for development, residential building lots and commercial building lots. Generally the terms are three to five years, with a potential for renewal at maturity.

Commercial loans consist of small-to medium-sized businesses including professional associations, medical services, retail trade, transportation, wholesale trade, manufacturing and tourism. Commercial loans are derived from our market areas and underwritten based on the borrower's ability to service debt from the business's underlying cash flows. As a general practice, we obtain collateral such as inventory, accounts receivable, equipment or other assets although such loans may be uncollateralized but guaranteed.

Consumer and other loans include automobiles, boats, mobile homes without land, or uncollateralized but personally guaranteed loans. These loans are originated based primarily on credit scores, debt-to-income ratios and loan-to-value ratios.

The Company evaluates the loans acquired from the Gulfstream Business Bank ("GSB") acquisition that were not PCI loans as a sixth loan portfolio segment. The Company considered the levels of and trends in non-performing loans, past-due loans, adverse loan grade classification changes, historical loss rates, environmental factors and impaired loans in arriving at its estimate. The general loan loss allowance recorded for these performing loans acquired from GSB is allocated between the five portfolio segments described above in Note 4.

The Company evaluates the loans acquired from the First Southern Bank ("FSB") acquisition that were not PCI loans as a seventh loan portfolio segment. The Company considered the levels of and trends in non-performing loans, past-due loans, adverse loan grade classification changes, historical loss rates, environmental factors, impaired loans and those loans that were covered by FDIC loss share agreements and those loans guaranteed by the California State University System in arriving at its estimate. The general loan loss allowance recorded for these performing loans acquired from FSB is allocated between the five portfolio segments described above in Note 4.

(m) Transfer of financial assets

Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

(n) Other repossessed real estate owned

Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed. Repossessed real estate is included in other repossessed real estate owned and other repossessed assets other than real estate is included in prepaid expenses and other assets in the Consolidated Balance Sheets.

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(o) Premises and equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets. Buildings are depreciated over a 39 year period, and furniture, fixtures and equipment are depreciated over their related useful life (3 to 15 years). Leasehold improvements are depreciated over the shorter of their useful lives or the term of the lease. Major renewals and betterments of property are capitalized; maintenance, repairs, and minor renewals and betterments are expensed in the period incurred. Upon retirement or other disposition of the asset, the asset cost and related accumulated depreciation are removed from the accounts, and gains or losses are included in income.

(p) Software costs

Costs of software developed for internal use, such as those related to software licenses, programming, testing, configuration, direct materials and integration, are capitalized and included in premises and equipment. Included in the capitalized costs are those costs related to both our personnel and third party consultants involved in the software development and installation. Once placed in service, the capitalized asset is amortized on a straight-line basis over its estimated useful life, generally three to five years. Capitalized costs of software developed for internal use are reviewed periodically for impairment.

(q) Federal Home Loan Bank (FHLB) and Federal Reserve Bank (FRB) stock

The Company's subsidiary bank is a member of the FHLB and FRB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB and FRB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

(r) Bank owned life insurance (BOLI)

The Company, through its subsidiary bank, has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

(s) Goodwill and other intangible assets

Goodwill resulting from business combinations prior to January 1, 2009 represents the excess of the purchase price over the fair value of the net assets of businesses acquired. Goodwill resulting from business combinations after January 1, 2009, is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually. The Company has selected November 30 as the date to perform the annual impairment test. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. Goodwill is the only intangible asset with an indefinite life on the Company's balance sheet.

The core deposit intangibles are intangible assets arising from either whole bank acquisitions or branch acquisitions. They are initially measured at fair value and then amortized over a ten-year period on an accelerated basis using the projected decay rates of the underlying core deposits.

The trust intangible represents the value of the Trust business ("Trust") acquired pursuant to the Company's January 27, 2012 acquisition of First Guaranty Bank and Trust of Jacksonville ("FGB") in Jacksonville, Florida. The intangible was initially measured at fair value and then amortized over a ten-year period on an accelerated basis.

(t) FDIC Indemnification Asset

The FDIC Indemnification Asset represents the estimated amounts due from the FDIC pursuant to the Loss Share Agreements related to the acquisitions of the three failed banks acquired in 2010, two in 2012 and assumed two additional pursuant to the Company's 2014 acquisition of First Southern Bank. At acquisition, the FDIC Indemnification Asset represented the discounted value of the FDIC's reimbursed portion of the estimated losses the Company expects to realize on the loans and other real estate ("Covered Assets") acquired as a result of the acquisitions. The range of discount rates used on the FDIC Indemnification Asset was 1.21% to 4.53%. As losses were realized on Covered Assets, the portion that the FDIC paid the Company in cash for principal and up to 90 days of interest reduced the FDIC Indemnification Asset. On a quarterly basis, the Company evaluated the FDIC Indemnification Asset to determine if the estimated losses on Covered Assets supported the amount recorded as the FDIC Indemnification Asset. Income accretion was recognized during the loss share period. If the expectation of future losses declined, the income accretion was reduced prospectively over the lesser of the term of the loss share agreement and the estimated remaining life of the Covered Asset. On February 3, 2016, the FDIC bought out the remaining FDIC loss share agreements. As such, the FDIC indemnification asset was written-off effectively accelerating all future FDIC indemnification asset amortization expense as well as ending any future FDIC indemnification income.

(u) Loan commitments and related financial instruments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

(v) Stock-based compensation

Compensation cost is recognized for stock options and restricted stock awards issued to employees, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Company's common stock at the date of grant is used for restricted stock awards. During 2014 the Company initiated a Long-Term Incentive Plan which included Performance Share Units ("PSUs"). The Monte-Carlo Simulation model was used to estimate fair value of the PSUs at the grant date. Compensation cost is recognized over the required service period, generally defined as the vesting period.

(w) Income taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Company recognizes interest and/or penalties related to income tax matters in other expenses.

(x) Retirement plans

Employee 401(k) plan expense is the amount of matching contributions. Deferred compensation and supplemental retirement plan expense allocates the benefits over years of service.

(y) Marketing and advertising costs

Marketing and advertising costs are expensed as incurred.

(z) Earnings per common share

Basic earnings per common share is net income divided by the weighted average number of common shares outstanding during the period. All outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends

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are considered participating securities for this calculation. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable under stock options and unvested restricted stock awards where shares are not issued until vested. Earnings and dividends per share are restated for all stock splits and stock dividends through the date of issuance of the financial statements.

(aa) Comprehensive income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale, which are also recognized as separate components of shareholders' equity.

(ab) Loss contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

(ac) Restrictions on cash

Cash on hand or on deposit with the Federal Reserve Bank is generally required to meet regulatory reserve and clearing requirements.

(ad) Dividend restriction

Banking regulations require maintaining certain capital levels and may limit the dividends paid by the banks to the holding company or by the holding company to stockholders.

(ae) Fair value of financial instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

(af) Segment reporting

The Company's correspondent banking and capital markets division represents a distinct reportable segment which differs from the Company's primary business of commercial and retail banking in Florida. Accordingly, a reconciliation of reportable segment revenues, expenses and profit to the Company's consolidated total has been presented in note 25.

(ag) Derivatives

The Company enters into interest rate swaps in order to provide commercial loan clients the ability to swap from fixed to variable interest rates. Under these agreements, the Company enters into a fixed-rate loan with a client in addition to a swap agreement. This swap agreement effectively converts the client's fixed rate loan into a variable rate. The Company then enters into a matching swap agreement with a third party dealer in order to offset its exposure on the customer swap. The Company does not use derivatives for trading purposes. The derivative transactions are considered instruments with no hedging designation, otherwise known as stand-alone derivatives. Changes in the fair value of the derivatives are reported currently in earnings.

(ah) Reclassifications

Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior years' net income or shareholders' equity.

(ai) Effect of new pronouncements

In January 2014, the FASB amended existing guidance to clarify when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan should be derecognized and the real estate recognized. These amendments clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either: (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure, or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additional disclosures are required. These amendments are effective for public business entities for annual periods and interim periods within those annual periods beginning after December 15, 2014. Amendments in this standard can be applied using a modified retrospective or prospective transition method. The adoption of this standard did not have a material effect on the Company's operating results or financial condition.

In May 2014, the FASB amended existing guidance related to revenue from contracts with customers. This amendment supersedes and replaces nearly all existing revenue recognition guidance, including industry-specific guidance, establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. In addition, this amendment specifies the accounting for some costs to obtain or fulfill a contract with a customer. These amendments are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is permitted only as of annual reporting periods beginning after December 31, 2016, including interim periods within that period. These amendments should be applied retrospectively to all periods presented or retrospectively with the cumulative effect recognized at the date of initial application. The Company is currently evaluating the impact of this new accounting standard on the consolidated financial statements.

In June 2014, the FASB amended existing guidance related to repurchase-to-maturity transactions, repurchase financings, and disclosures. These amendments align the accounting for repurchase-to-maturity transactions and repurchase agreements executed as a repurchase financing with the accounting for other typical repurchase agreements. Going forward, these transactions would all be accounted for as secured borrowings. The guidance eliminates sale accounting for repurchase-to-maturity transactions and supersedes the guidance under which a transfer of a financial asset and a contemporaneous repurchase financing could be accounted for on a combined basis as a forward agreement, which has resulted in outcomes referred to as off-balance-sheet accounting. These amendments require a new disclosure for transactions economically similar to repurchase agreements in which the transferor retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction. These amendments also require expanded disclosures about the nature of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. These amendments are effective for the first interim or annual period beginning after December 15, 2014. In addition, for public companies, the disclosure for certain transactions accounted for as a sale is effective for the first interim or annual period beginning on or after December 15, 2014, and the disclosure for transactions accounted for as secured borrowings is required for annual periods beginning after December 15, 2014, and interim periods beginning after March 15, 2015. An entity is required to present changes in accounting for transactions outstanding on the effective date as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The adoption of this standard did not have a material effect on the Company's operating results or financial condition.

In June 2014, the FASB amended existing guidance related to the accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. These amendments require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718, Compensation – Stock Compensation, as it relates to awards with performance conditions that affect vesting to account for such awards. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. These amendments are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. Entities may apply the amendments in this amendment either: (a) prospectively to all awards granted or modified after the effective date; or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The adoption of this standard is not expected to have a material effect on the Company's operating results or financial condition.

In August 2014, the FASB amended existing guidance related to the classification of certain government-guaranteed mortgage loans, including those guaranteed by the FHA and the VA, upon foreclosure. It requires that a mortgage loan be derecognized and a separate other receivable be recognized upon foreclosure if the following conditions are met: 1) The loan has a government guarantee that is not separable from the loan before foreclosure; 2) At the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim; and 3) At the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. These amendments are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. Early adoption is permitted if the amendments under ASU 2014-04 Receivables – Troubled Debt Restructurings by Creditors – Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon Foreclosure has been adopted. The amendments may be applied using a prospective transition method in which a reporting entity applies the guidance to foreclosures that occur after the date of adoption, or a modified retrospective transition using a cumulative-effect adjustment (through a reclassification to a separate other receivable) as of the beginning of the annual period of adoption. Prior periods should not be adjusted. A reporting entity must apply the same method of transition as elected under ASU 2014-04. The adoption of this standard did not have a material effect on the Company's operating results or financial condition.

In September 2015, the FASB amended existing guidance related to accounting for measurement-period adjustments for business combinations. The amendments require that an acquirer recognize adjustments to estimated amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change in the estimated amounts, calculated as if the accounting had been completed at the acquisition date. The amendments also require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the estimated amounts had been recognized as of the acquisition date. These amendments are effective for public business entities for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. These amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not been issued. The adoption of this standard did not have a material effect on the Company's operating results or financial condition.

In January 2016, the FASB amended existing guidance related to the recognition and measurement of financial assets and financial liabilities. The amendments in this update impact public business entities as follows: 1) Require 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. 2) Simplify 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. 3) Eliminate the requirement to disclose the methods 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. 4) Require entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. 5) Require an entity to present separately in other comprehensive income the portion of the total change in 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. 6) Require 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. 7) Clarify 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. The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. These amendments should be applied 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

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requirements) should be applied prospectively to equity investments that exist as of the date of adoption. The Company is currently evaluating the impact of adopting the new guidance on the consolidated financial statements.

(2) Trading Securities

Realized and unrealized gains and losses are included in trading securities revenue, a component of non interest income. Securities purchased for this portfolio have primarily been municipal securities. A list of the activity in this portfolio for 2015 and 2014 is summarized below.

	2015	2014
Beginning balance	$3,420	$—
Purchases	147,693	171,089
Proceeds from sales	(149,409)	(167,838)
Net realized gain on sales	379	156
Mark-to- market adjustment	24	13
Ending balance	$2,107	$3,420

(3) Investment Securities

Available for Sale

All of the mortgage backed securities ("MBS") listed below are residential FNMA, FHLMC, and GNMA MBSs. The fair value of available for sale securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) were as follows:

	December 31, 2015			
		Gross	Gross	
	Amortized	Unrealized	Unrealized	Fair

	Cost	Gains	Losses	Value
U.S. Treasury securities	$1,002	$ -	$ 2	$1,000
Mortgage backed securities	567,264	4,102	2,914	568,452
Municipal securities	34,131	1,156	-	35,287
Total available-for-sale	$602,397	$ 5,258	$ 2,916	$604,739

	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. government sponsored entities and agencies	$3	$ —	$ —	$3
Mortgage backed securities	473,396	6,897	1,660	478,633
Municipal securities	37,460	1,412	51	38,821
Total available-for-sale	$510,859	$ 8,309	$ 1,711	$517,457

Sales of available for sale securities were as follows:

	2015	2014	2013
Proceeds	$16,305	$323,537	$69,495
Gross gains	$303	$1,175	$1,060
Gross losses	$299	$1,129	$—

The tax provisions related to these net realized gains were $2, $18 and $409, respectively.

Available for sale securities pledged at December 31, 2015 and 2014 had a carrying amount (estimated fair value) of $195,753 and $139,297, respectively. These securities were pledged primarily to secure public deposits and repurchase agreements.

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At year-end 2015 and 2014, there were no holdings of available for sale securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of stockholders' equity.

The fair value and amortized cost of available for sale securities at year end 2015 by contractual maturity were as follows. Mortgage-backed securities are not due at a single maturity date and are shown separately.

Investment securities available for sale:	Fair Value	Amortized Cost
Due in one year or less	$634	$617
Due after one year through five years	6,013	5,875
Due after five years through ten years	13,397	13,046
Due after ten years through thirty years	16,243	15,595
Mortgage backed securities	568,452	567,264
Total available-for-sale	$604,739	$602,397

The following tables show the Company's investments' gross unrealized losses and fair value, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position, at December 31, 2015 and 2014.

	December 31, 2015					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities	$1,000	$ 2	$-	$ -	$1,000	$ 2
Mortgage backed securities	282,299	1,599	32,892	1,315	315,191	2,914
Total temporarily impaired available-for-sale securities	$283,299	$ 1,601	$32,892	$ 1,315	$316,191	$ 2,916

	December 31, 2014					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage backed securities	$15,876	$ 41	$99,010	$ 1,619	$114,886	$ 1,660
Municipal securities	—	—	3,194	51	3,194	51

Total temporarily impaired available-for-sale securities	$15,876	$ 41	$102,204	$ 1,670	$118,080	$ 1,711

Mortgage-backed securities: At December 31, 2015, 100% of the mortgage-backed securities held by the Company were issued by U.S. government-sponsored entities and agencies, primarily Fannie Mae, Freddie Mac, and Ginnie Mae, institutions which the government has affirmed its commitment to support. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at December 31, 2015.

Municipal securities: Unrealized losses on municipal securities have not been recognized into income because the issuers bonds are of high quality, and because management does not intend to sell these investments or more likely than not will not be required to sell these investments before their anticipated recovery. The fair value is expected to recover as the securities approach maturity.

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Held to Maturity

The following reflects the fair value of held to maturity securities and the related gross unrecognized gains and losses as of December 31, 2015 and 2014.

	December 31, 2015			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Obligations of U.S. government sponsored entities and agencies	$57,610	$141	$23	$57,728
Mortgage backed securities	155,942	71	601	155,412
Municipal securities	59,288	1,566	11	60,843
Total held to maturity	$272,840	$1,778	$635	$273,983

	December 31, 2014			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Obligations of U.S. government sponsored entities and agencies	$49,793	$122	$—	$49,915
Mortgage backed securities	161,727	654	—	162,381
Municipal securities	25,842	305	12	26,135
Total held to maturity	$237,362	$1,081	$12	$238,431

Held to maturity securities pledged at December 31, 2015 and 2014 had a carrying amount of $48,246 and $51,531. These securities were pledged primarily to secure public deposits and repurchase agreements.

At year-end 2015 and 2014, there were no holdings of held to maturity securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of stockholders' equity.

The fair value and amortized cost of held to maturity securities at year end 2015 by contractual maturity were as follows. Mortgage-backed securities are not due at a single maturity date and are shown separately.

Investment securities held to maturity	Fair Value	Amortized Cost
Due after five years through ten years	$40,266	$40,233

Due after ten years through thirty years	78,305	76,665
Mortgage backed securities	155,412	155,942
Total held-to-maturity	$273,983	$272,840

The following tables show the Company's held to maturity investments' gross unrecognized losses and fair value, aggregated by investment category and length of time the individual securities have been in a continuous unrecognized loss position, at December 31, 2015 and 2014.

	December 31, 2015					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
Obligations of U.S. government sponsored entities and agencies	$9,958	$ 23	$-	$-	$ 9,958	$ 23
Mortgage backed securities	119,546	601	-	-	119,546	601
Municipal securities	1,735	11	-	-	1,735	11
Total temporarily impaired available-for-sale securities	$ 131,239	$635	$-	$-	$131,239	$635

	December 31, 2014					
	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
Municipal securities	$2,475	$12	$-	$-	$2,475	$12
Total temporarily impaired available-for-sale securities	$2,475	$12	$-	$-	$2,475	$12

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Mortgage-backed securities: At December 31, 2015, 100% of the mortgage-backed securities held by the Company were issued by U.S. government-sponsored entities and agencies, primarily Fannie Mae, Freddie Mac, and Ginnie Mae, institutions which the government has affirmed its commitment to support. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at December 31, 2015.

Municipal securities: Unrecognized losses on municipal securities have not been recognized into income because the issuers bonds are of high quality, and because management does not intend to sell these investments or more likely than not will not be required to sell these investments before their anticipated recovery. The fair value is expected to recover as the securities approach maturity.

(4) Loans

Major categories of loans included in the loan portfolio as of December 31, 2015 and 2014 are:

	December 31, 2015	2014
Loans excluding PCI loans		
Real estate loans		
Residential	$647,496	$589,068
Commercial	1,254,782	1,132,933
Land, development and construction	105,276	79,002
Total real estate	2,007,554	1,801,003
Commercial	307,321	294,493
Consumer and other loans	67,500	56,334
Loans before unearned fees and deferred cost	2,382,375	2,151,830
Net unearned fees and costs	873	929
Total loans excluding PCI loans	2,383,248	2,152,759
PCI loans (note 1)		
Real estate loans		
Residential	86,104	102,009
Commercial	105,629	140,977
Land, development and construction	15,548	24,032
Total real estate	207,281	267,018

Commercial	2,771	8,953
Consumer and other loans	476	795
Total PCI loans	210,528	276,766
Total loans	2,593,776	2,429,525
Allowance for loan losses for loans that are not PCI loans	(22,143)	(19,384)
Allowance for loan losses for PCI loans	(121)	(514)
Total loans, net of allowance for loan losses	$2,571,512	$2,409,627

note 1: Purchased credit impaired ("PCI") loans are being accounted for pursuant to ASC Topic 310-30.

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The following sets forth the covered FDIC loans included in the table above.

	December 31, 2015	December 31, 2014
FDIC covered loans that are not PCI loans		
Real estate loans		
Residential	$3,126	$3,895
Commercial	22,401	33,606
Land, development and construction	627	866
Total real estate	26,154	38,367
Commercial	828	1,253
FDIC covered loans, excluding PCI loans	26,982	39,620
FDIC covered PCI loans (note 1)		
Real estate loans		
Residential	79,398	98,075
Commercial	58,692	116,457
Land, development and construction	10,161	15,395
Total real estate	148,251	229,927
Commercial	2,087	4,974
Total FDIC covered PCI loans	150,338	234,901
Total FDIC covered loans	177,320	274,521
Allowance for loan losses for FDIC covered loans that are not PCI loans	(72)	-
Allowance for loans losses for FDIC covered PCI loans	(107)	(514)
Total covered loans, net of allowance for loan losses	$177,141	$274,007

note 1: Purchased credit impaired ("PCI") loans are being accounted for pursuant to ASC Topic 310-30.

The Company acquired FDIC covered loans that are not PCI loans pursuant to the acquisition of FSB on June 1, 2014. Prior to the FSB acquisition, the Company's FDIC covered loans were all PCI loans.

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Changes in the allowance for loan losses by portfolio segment for the years ended December 31, 2015, 2014 and 2013, are below.

	Real Estate Loans					
	Residential	Commercial	Land, develop., constr.	Comm. & industrial	Consumer & other	Total
Allowance for loan losses for loans that are not PCI loans:						
Twelve months ended December 31, 2015						
Beginning of the period	$ 6,743	$ 8,269	$ 752	$ 2,330	$ 1,290	$ 19,384
Charge-offs	(1,283)	(173)	(461)	(1,121)	(853)	(3,891)
Recoveries	901	485	5	344	156	1,891
Provision for loan losses	(346)	1,978	640	1,659	828	4,759
Balance at end of period	$ 6,015	$ 10,559	$ 936	$ 3,212	$ 1,421	$ 22,143
Twelve months ended December 31, 2014						
Beginning of the period	$ 8,785	$ 6,441	$ 3,069	$ 510	$ 889	$ 19,694
Charge-offs	(1,382)	(353)	(124)	(699)	(879)	(3,437)
Recoveries	1,018	763	106	85	184	2,156
Provision for loan losses	(1,678)	1,418	(2,299)	2,434	1,096	971
Balance at end of period	$ 6,743	$ 8,269	$ 752	$ 2,330	$ 1,290	$ 19,384
Twelve months ended December 31, 2013						
Beginning of the period	$ 6,831	$ 8,272	$ 6,211	$ 1,745	$ 974	$ 24,033
Charge-offs	(3,701)	(1,144)	(310)	(120)	(903)	(6,178)
Recoveries	432	417	193	51	181	1,274
Provision for loan losses	5,223	(1,104)	(3,025)	(1,166)	637	565
Balance at end of period	$ 8,785	$ 6,441	$ 3,069	$ 510	$ 889	$ 19,694
Allowance for loan losses for loans that are PCI loans:						
Twelve months ended December 31, 2015						
Beginning of the period	$ -	$ 372	$ 6	$ 136	$ -	$ 514
Charge-offs	-	(77)	-	-	(50)	(127)
Recoveries	-	-	-	-	-	-
Provision for loan losses	-	(192)	(5)	(133)	64	(266)

Balance at end of period	$ -	$ 103	$ 1	$ 3	$ 14	$ 121
Twelve months ended December 31, 2014						
Beginning of the period	$ -	$ 138	$ 89	$ 533	$ -	$ 760
Charge-offs	-	-	-	(101)	-	(101)
Recoveries	-	-	-	-	-	-
Provision for loan losses	-	234	(83)	(296)	-	(145)
Balance at end of period	$ -	$ 372	$ 6	$ 136	$ -	$ 514
Twelve months ended December 31, 2013						
Beginning of the period	$ -	$ 2,335	$ -	$ 314	$ -	$ 2,649
Charge-offs	-	(1,248)	-	-	-	(1,248)
Recoveries	-	-	-	-	-	-
Provision for loan losses	-	(949)	89	219	-	(641)
Balance at end of period	$ -	$ 138	$ 89	$ 533	$ -	$ 760

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The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2015 and 2014. Accrued interest receivable and unearned fees/costs are not included in the recorded investment because they are not material.

	Real Estate Loans					
As of December 31, 2015	Residential	Commercial	Land, develop., constr.	Comm. & industrial	Consumer & other	Total
Allowance for loan losses:						
Ending allowance balance attributable to loans:						
Individually evaluated for impairment	$ 402	$ 478	$ 164	$ 7	$ 29	$ 1,080
Collectively evaluated for impairment	5,613	10,081	772	3,205	1,392	21,063
Purchased credit impaired	-	103	1	3	14	121
Total ending allowance balance	$ 6,015	$ 10,662	$ 937	$ 3,215	$ 1,435	$ 22,264
Loans:						
Individually evaluated for impairment	$ 8,096	$ 11,482	$ 2,267	$ 1,057	$ 273	$ 23,175
Collectively evaluated for impairment	639,400	1,243,300	103,009	306,264	67,227	2,359,200
Purchased credit impaired	86,104	105,629	15,548	2,771	476	210,528
Total ending loan balances	$ 733,600	$ 1,360,411	$ 120,824	$ 310,092	$ 67,976	$ 2,592,903

	Real Estate Loans					
As of December 31, 2014	Residential	Commercial	Land, develop., constr.	Comm. & industrial	Consumer & other	Total
Allowance for loan losses:						
Ending allowance balance attributable to loans:						
Individually evaluated for impairment	$ 419	$ 403	$ 272	$ 4	$ 17	$ 1,115
Collectively evaluated for impairment	6,324	7,866	480	2,326	1,273	18,269
Purchased credit impaired	—	372	6	136	-	514
Total ending allowance balance	$ 6,743	$ 8,641	$ 758	$ 2,466	$ 1,290	$ 19,898
Loans:						
Individually evaluated for impairment	$ 9,980	$ 10,902	$ 2,748	$ 1,365	$ 255	$ 25,250

Collectively evaluated for impairment	579,088	1,122,031	76,254	293,128	56,079	2,126,580
Purchased credit impaired	102,009	140,977	24,032	8,953	795	276,766
Total ending loan balance	$ 691,077	$ 1,273,910	$ 103,034	$ 303,446	$ 57,129	$ 2,428,596

Loans collectively evaluated for impairment reported at December 31, 2015 include loans acquired from FSB on June 1, 2014 and from GSB on January 17, 2014 that are not PCI loans. These loans were performing loans recorded at estimated fair value at the acquisition date. The aggregate fair value adjustment for these loans at their respective acquisition dates was approximately $17,761, or approximately 2.1% of the aggregate acquisition date balances. The amount is accreted into interest income over the remaining lives of the related loans on a level yield basis. The aggregate unamortized acquisition date fair value adjustment was approximately $9,354 and $13,074, which represents approximately 1.59% and 1.82% of the remaining outstanding balance of these acquired loans at December 31, 2015 and 2014, respectively. Management has also estimated probable incurred losses based on performance since the respective acquisition dates, and based on these estimates, has included $2,712 in the Company's general loan allowance with respect to these acquired loans. Management believes the Company's allowance for loan losses is adequate at December 31, 2015.

The following is a summary of information regarding impaired loans at December 31, 2015 and 2014:

	December 31,	
	2015	2014
Performing TDRs (these are not included in nonperforming loans ("NPLs"))	$ 10,254	$ 11,418
Nonperforming TDRs (these are included in NPLs)	4,873	3,648
Total TDRs (these are included in impaired loans)	15,127	15,066
Impaired loans that are not TDRs	8,048	10,184
Total impaired loans	$ 23,175	$ 25,250

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Troubled Debt Restructurings:

In certain circumstances it may be beneficial to modify or restructure the terms of a loan (i.e. troubled debt restructure or "TDR") and work with the borrower for the benefit of both parties, versus forcing the property into foreclosure and having to dispose of it in an unfavorable real estate market. When the Company modifies the terms of a loan, it usually either reduces the monthly payment and/or interest rate for generally twelve to twenty-four months. The Company has not forgiven any material principal amounts on any loan modifications to date. The Company has $15,127 of TDRs. Of this amount $10,254 are performing pursuant to their modified terms, and $4,873 are not performing and have been placed on non-accrual status and included in our nonperforming loans ("NPLs").

TDRs as of December 31, 2015 and 2014 quantified by loan type classified separately as accrual (performing loans) and non-accrual (nonperforming loans) are presented in the table below.

As of December 31, 2015	Accruing	Non Accrual	Total
Real estate loans:			
Residential	$ 5,987	$ 2,108	$ 8,095
Commercial	2,458	2,558	5,016
Land, development, construction	593	93	686
Total real estate loans	9,038	4,759	13,797
Commercial	991	66	1,057
Consumer and other	225	48	273
Total TDRs	$ 10,254	$ 4,873	$ 15,127

As of December 31, 2014	Accruing	Non-Accrual	Total
Real estate loans:			
Residential	$ 7,201	$ 1,523	$ 8,724
Commercial	2,762	1,794	4,556
Land, development, construction	547	241	788
Total real estate loans	10,510	3,558	14,068
Commercial	706	37	743
Consumer and other	202	53	255
Total TDRs	$ 11,418	$ 3,648	$ 15,066

The Company's policy is to return non-accrual TDR loans to accrual status when all the principal and interest amounts contractually due, pursuant to its modified terms, are brought current and future payments are reasonably assured. The Company's policy also considers the payment history of the borrower, but is not dependent upon a specific number of payments. The Company recorded a provision for loan loss expense of $350, $422 and $890 and partial charge offs of $272, $251 and $449 on TDR loans during the periods ending December 31, 2015, 2014 and

2013, respectively.

Loans are modified to minimize loan losses when management believes the modification will improve the borrower's financial condition and ability to repay the loan. The Company typically does not forgive principal. The Company generally either reduces interest rates or decreases monthly payments for a temporary period of time and those reductions of cash flows are capitalized into the loan balance. The Company may also extend maturities, convert balloon loans to longer term amortizing loans, or vice versa, or change interest rates between variable and fixed rate. Each borrower and situation is unique and management tries to accommodate the borrower and minimize the Company's potential losses. Approximately 68% of the Company's TDRs are current pursuant to their modified terms, and $4,873, or approximately 32% of the Company's total TDRs are not performing pursuant to their modified terms. There does not appear to be any significant difference in success rates with one type of concession versus another.

Loans modified as TDRs during the twelve month periods ending December 31, 2015, 2014 and 2013 were $4,442, $3,518 and $5,864. The Company recorded a loan loss provision of $221, $200 and $656 for loans modified during the twelve month periods ending December 31, 2015, 2014 and 2013.

The following table presents loans by class modified as TDRs for which there was a payment default within twelve months following the modification during the years ending December 31, 2015, 2014 and 2013.

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	Year Ending December 31, 2015		Year Ending December 31, 2014		Year Ending December 31, 2013	
	Number of loans	Recorded investment	Number of loans	Recorded investment	Number of loans	Recorded investment
Residential	3	$ 588	1	$ 188	3	$ 562
Commercial real estate	3	1,341	5	747	5	1,662
Land, development, construction	-	-	2	241	—	—
Commercial and Industrial	1	66	—	—	1	25
Consumer and other	-	-	2	36	1	18
Total	7	$ 1,995	10	1,212	10	$ 2,267

The Company recorded $152, $97 and $574 in provision for loan loss expense and $153, $65 and $197 in partial charge offs on TDR loans that subsequently defaulted as described above during the years ending December 31, 2015, 2014 and 2013, respectively.

The Company has allocated $720 and $779 of specific reserves to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2015 and 2014. The Company has not committed to lend additional amounts to customers with outstanding loans that are classified as troubled debt restructurings.

The following tables present loans individually evaluated for impairment by class of loans as of December 31, 2015 and 2014 excluding purchased credit impaired loans accounted for pursuant to ASC Topic 310-30. The recorded investment is less than the unpaid principal balance primarily due to partial charge-offs.

As of December 31, 2015	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated
With no related allowance recorded:			
Residential real estate	$ 5,784	$ 5,465	$ -
Commercial real estate	9,595	9,202	-
Land, development, construction	1,869	1,229	-
Commercial and industrial	585	577	-
Consumer, other	109	103	-
With an allowance recorded:			
Residential real estate	2,682	2,631	402
Commercial real estate	2,538	2,280	478

Land, development, construction	1,065	1,038	164
Commercial and industrial	484	480	7
Consumer, other	179	170	29
Total	$ 24,890	$ 23,175	$ 1,080

As of December 31, 2014	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated
With no related allowance recorded:			
Residential real estate	$ 6,797	$ 6,672	$ -
Commercial real estate	8,208	8,059	-
Land, development, construction	2,234	1,606	-
Commercial and industrial	1,132	1,129	-
Consumer, other	-		-
With an allowance recorded:			
Residential real estate	3,451	3,308	419
Commercial real estate	3,024	2,843	403
Land, development, construction	1,187	1,142	272
Commercial and industrial	283	236	4
Consumer, other	267	255	17
Total	$ 26,583	$ 25,250	$ 1,115

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December 31, 2015	Average of impaired loans	Interest income recognized during impairment	Cash basis interest income recognized
Real estate loans:			
Residential	$ 8,623	$ 241	$ -
Commercial	10,874	259	-
Land, development, construction	1,998	31	-
Total real estate loans	21,495	531	-
Commercial and industrial	946	39	-
Consumer and other loans	329	14	-
Total	$ 22,770	$ 584	$ -

December 31, 2014	Average of impaired loans	Interest income recognized during impairment	Cash basis interest income recognized
Real estate loans:			
Residential	$ 9,584	$ 318	$ -
Commercial	12,282	145	-
Land, development, construction	2,138	37	-
Total real estate loans	24,004	500	-
Commercial and industrial	2,001	67	-
Consumer and other loans	296	12	-
Total	$ 26,301	$ 579	$ -

December 31, 2013	Average of impaired loans	Interest income recognized during impairment	Cash basis interest income recognized
Real estate loans:			
Residential	$ 8,968	$ 290	$ -
Commercial	26,060	870	-
Land, development, construction	1,405	17	-
Total real estate loans	36,433	1,177	-
Commercial and industrial	1,878	35	-
Consumer and other loans	363	11	-

Total	$ 38,674	$ 1,223	$ -

The following tables present the recorded investment in nonaccrual loans and loans past due over 90 days still on accrual by class of loans as of December 31, 2015 and 2014 excluding purchased credit impaired loans accounted for pursuant to ASC Topic 310-30:

As of December 31, 2015	Nonaccrual	Loans past due over 90 days still accruing
Residential real estate	$ 9,540	$ -
Commercial real estate	9,145	-
Land, development, construction	1,608	-
Commercial	187	-
Consumer, other	353	-
Total	$ 20,833	$ -

As of December 31, 2014	Nonaccrual	Loans past due over 90 days still accruing
Residential real estate	$ 11,901	$ -
Commercial real estate	8,470	-
Land, development, construction	2,374	-
Commercial	2,475	-
Consumer, other	375	-
Total	$ 25,595	$ -

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The following tables present the aging of the recorded investment in past due loans as of December 31, 2015 and 2014, excluding purchased credit impaired loans accounted for pursuant to ASC Topic 310-30:

	Accruing Loans						
	Total	30 - 59 days past due	60 - 89 days past due	Greater than 90 days past due	Total Past Due	Loans Not Past Due	Nonaccrual Loans
As of December 31, 2015							
Residential real estate	$647,496	$2,118	$3,089	$ -	$5,207	$632,749	$ 9,540
Commercial real estate	1,254,782	4,647	2,170	-	6,817	1,238,820	9,145
Land/dev/construction	105,276	280	595	-	875	102,793	1,608
Commercial	307,321	1,101	348	-	1,449	305,685	187
Consumer	67,500	285	90	-	375	66,772	353
	$2,382,375	$8,431	$6,292	$ -	$14,723	$2,346,819	$ 20,833

	Accruing Loans						
	Total	30 - 59 days past due	60 - 89 days past due	Greater than 90 days past due	Total Past Due	Loans Not Past Due	Nonaccrual Loans
As of December 31, 2014							
Residential real estate	$589,068	$2,162	$1,451	$ -	$3,613	$573,554	$ 11,901
Commercial real estate	1,132,933	1,840	3,394	-	5,234	1,119,229	8,470
Land/dev/construction	79,002	378	404	-	782	75,846	2,374
Commercial	294,493	1,427	1,492	-	2,919	289,099	2,475
Consumer	56,334	411	149	-	560	55,399	375
	$2,151,830	$6,218	$6,890	$ -	$13,108	$2,113,127	$ 25,595

Credit Quality Indicators:

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on at least an annual basis. The Company uses the following definitions for risk ratings:

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those 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.

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Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. As of December 31, 2015 and 2014, and based on the most recent analysis performed, the risk category of loans by class of loans, excluding purchased credit impaired loans accounted for pursuant to ASC Topic 310-30, is as follows:

	As of December 31, 2015			
Loan Category	Pass	Special Mention	Substandard	Doubtful
Residential real estate	$ 620,735	$ 9,585	$ 17,598	$ -
Commercial real estate	1,194,368	47,885	31,907	-
Land/dev/construction	96,629	5,896	3,495	-
Commercial	301,838	4,077	3,502	-
Consumer	66,798	297	520	-
Total	$ 2,280,368	$ 67,740	$ 57,022	$ -

	As of December 31, 2014			
Loan Category	Pass	Special Mention	Substandard	Doubtful
Residential real estate	$558,312	$7,053	$ 23,703	$ -
Commercial real estate	1,063,979	34,953	34,001	-
Land/dev/construction	65,216	9,731	4,055	-
Commercial	285,549	4,419	4,525	-
Consumer	55,590	278	466	-
Total	$2,028,646	$56,434	$ 66,750	$ -

The Company considers the performance of the loan portfolio and its impact on the allowance for loan losses. For residential and consumer loan classes, the Company also evaluates credit quality based on the aging status of the loan, which was previously presented, and by payment activity. The following table presents the recorded investment in residential and consumer loans, excluding purchased credit impaired loans accounted for pursuant to ASC Topic 310-30, based on payment activity as of December 31, 2015 and 2014:

As of December 31, 2015	Residential	Consumer
Performing	$ 637,956	$ 67,147
Nonperforming	9,540	353
Total	$ 647,496	$ 67,500

As of December 31, 2014	Residential	Consumer
Performing	$ 577,167	$ 55,959
Nonperforming	11,901	375
Total	$ 589,068	$ 56,334

Purchased Credit Impaired ("PCI") Loans:

Income is recognized on PCI loans pursuant to ASC Topic 310-30. A portion of the fair value discount has been ascribed as an accretable yield that is accreted into interest income over the estimated remaining life of the loans. The remaining non-accretable difference represents cash flows not expected to be collected.

The table below summarizes the total contractually required principal and interest cash payments, management's estimate of expected total cash payments and carrying value of the loans as of December 31, 2015, 2014 and 2013. Contractually required principal and interest payments have been adjusted for estimated prepayments.

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	December 31, 2015	2014	2013
Contractually required principal and interest	$332,570	$460,836	$389,537
Non-accretable difference	(19,452)	(68,757)	(55,304)
Cash flows expected to be collected	313,118	392,079	334,233
Accretable yield	(102,590)	(115,313)	(102,812)
Carrying value of acquired loans	210,528	276,766	231,421
Allowance for loan losses	(121)	(514)	(760)
Carrying value less allowance for loan losses	$210,407	$276,252	$230,661

The Company recorded $(266), $(145) and $(641) in loan loss provision expense on PCI loans during the years ending December 31, 2015, 2014 and 2013, respectively. There were no reversals in the loan loss allowance for recoveries in 2015, 2014 and 2013, respectively. The Company adjusted its estimates of future expected losses, cash flows and renewal assumptions during the current year. These adjustments resulted in an increase in expected cash flows and accretable yield, and a decrease in the non-accretable difference. The Company reclassified approximately $28,394, $14,892 and $41,454 from non-accretable difference to accretable yield during the twelve month periods ending December 31, 2015, 2014 and 2013, respectively, to reflect the adjusted estimates of future expected cash flows.

The Company recognized approximately $40,645 of accretion income during the twelve month period ending December 31, 2015. The table below summarizes the changes in total contractually required principal and interest cash payments, management's estimate of expected total cash payments and carrying value of the loans during the periods ending December 31, 2015, 2014 and 2013.

	December 31, 2014	income accretion	all other adjustments	December 31, 2015
Contractually required principal and interest	$ 460,836	$ -	$(128,266)	$ 332,570
Non-accretable difference	(68,757)	-	49,305	(19,452)
Cash flows expected to be collected	392,079	-	(78,961)	313,118
Accretable yield	(115,313)	40,645	(27,922)	(102,590)
Carry value of acquired loans	$ 276,766	$ 40,645	$(106,883)	$ 210,528

	December 31, 2013	Effect of acquisitions	income accretion	all other adjustments	December 31, 2014
Contractually required principal and interest	$389,537	$ 229,249	$ -	$ (157,950)	$460,836

Non-accretable difference	(55,304)	(45,293)	-	31,840	(68,757)
Cash flows expected to be collected	334,233	183,956	-	(126,110)	392,079
Accretable yield	(102,812)	(32,204)	34,168	(14,465)	(115,313)
Carry value of acquired loans	$231,421	$ 151,752	$ 34,168	$ (140,575)	$276,766

	December 31, 2012	income accretion	all other adjustments	December 31, 2013
Contractually required principal and interest	$ 534,989	$ -	$ (145,452)	$ 389,537
Non-accretable difference	(142,855)	-	87,551	(55,304)
Cash flows expected to be collected	392,134	-	(57,901)	334,233
Accretable yield	(93,107)	32,725	(42,430)	(102,812)
Carry value of acquired loans	$ 299,027	$ 32,725	$ (100,331)	$ 231,421

(5) FDIC indemnification asset

The FDIC indemnification asset represents the estimated amounts due from the FDIC pursuant to the Loss Share Agreements related to the acquisition of the three failed banks acquired in 2010, the acquisition of two failed banks in 2012 and the assumption of Loss Share Agreements of two failed banks assumed by the Company pursuant to its acquisition of First Southern Bank in June 2014. On February 3, 2016, the FDIC bought out the remaining FDIC loss share agreements. As such, the FDIC indemnification asset was written-off effectively accelerating all future FDIC indemnification asset amortization expense as well

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as ending any future FDIC indemnification income.   The activity in the FDIC loss share indemnification asset for periods presented was as follows:

	2015	2014
Beginning of the year	$49,054	$73,877
Effect of acquisition	-	2,636
Amortization, net	(16,282)	(20,664)
Indemnification revenue	1,900	3,098
Indemnification of foreclosure expense	(4,001)	237
Proceeds from FDIC	(4,662)	(10,014)
Impairment (recovery) of loan pool	(214)	(116)
Period end balance	$25,795	$49,054

The FDIC agreements allowed for the recovery of some payments made for loss share reimbursements under certain conditions based on the actual performance of the portfolios acquired. This true-up payment was estimated and accrued for as part of the overall FDIC indemnification asset analysis and was reflected as a separate liability. The accrual for this liability was reflected as additional amortization income or expense in noninterest income. The activity in the true-up payment liability was as follows:

	2015	2014
Beginning of the year	$1,205	$444
Effect of acquisition	-	682
True-up liability accrual	281	79
Period end balance	$1,486	$1,205

Impairment of loan pools

When a loan pool (with loss share) was impaired, the impairment expense was included in provision for loan losses, and the percentage of that loss to be reimbursed by the FDIC was recognized as income from FDIC reimbursement, and included in this line item. During the twelve month period ended December 31, 2015, the estimated amount of impairment decreased, which resulted in a reduction of $(214) of indemnification income.

Indemnification revenue

Indemnification revenue represents the percentage of the cost incurred that was reimbursable by the FDIC pursuant to the related Loss Share Agreement for expenses related to the repossession process and losses incurred on the sale of OREO, or writedown of OREO values to current fair value.

Amortization, net

On the date of an FDIC acquisition, the Company estimated the amount and the timing of expected future losses that would be covered by the FDIC loss sharing agreements. The FDIC indemnification asset was initially recorded as the discounted value of the reimbursement of losses from the FDIC. Discount accretion was recognized over the estimated period of losses. The Company also updated its estimate of future losses and the timing of the losses each quarter. To the extent management estimated that future losses were less than initial estimate of future losses, management adjusted its estimates of future expected reimbursements and any decrease in the expected future reimbursements was amortized over the shorter of the loss share period or the life of the related loan by amortization in this line item. Based upon the most recent estimate of future losses, the Company expected less reimbursements from the FDIC and was amortizing the estimated reduction as described in the previous sentence.

Indemnification of foreclosure expense

Indemnification of foreclosure expense represents the percentage of foreclosure related expenses incurred and reimbursable from the FDIC. Foreclosure expense was included in non interest expense. The amount of the reimbursable portion of the expense reduced foreclosure expense included in non interest expense.

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(6) Other real estate owned

Other real estate owned means real estate acquired through or instead of loan foreclosure. Activity in the valuation allowance was as follows:

	2015	2014	2013
Beginning of year	$3,103	$5,887	$5,407
Valuation write down of repossessed real estate	1,207	3,250	6,012
Sales and/or dispositions	(3,013)	(6,034)	(5,532)
End of year	$1,297	$3,103	$5,887

Expenses related to foreclosed real estate include:

	2015	2014	2013
(Gain) loss on sale of repossessed real estate	$(1,253)	$(788)	$3,122
Valuation write down of repossessed real estate	1,207	3,250	6,012
Operating expenses, net of rental income	2,334	2,775	3,191
Total	$2,288	$5,237	$12,325

(7) Fair value

Generally accepted accounting principles establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

The fair values of trading securities are determined as follows: (1) for those securities that have traded prior to the date of the consolidated balance sheet but have not settled (date of sale) until after such date, the sales price is used as the fair value; and, (2) for those securities which have not traded as of the date of the consolidated balance sheet, the fair value was determined by broker price indications of similar or same securities.

The mortgage backed securities held by the Company were issued by U. S. government sponsored entities and agencies. Assets and liabilities measured at fair value on a recurring basis are summarized below.

The fair value of impaired loans with specific valuation allowance for loan losses and other real estate owned is based on recent real estate appraisals less estimated costs of sale. For residential real estate impaired loans and other real estate owned, appraised values are based on the comparative sales approach. For commercial and commercial real estate impaired loans and other real estate owned, appraisers may use either a single valuation approach or a combination of approaches such as comparative sales, cost or the income approach. A significant unobservable input in the income approach is the estimated income capitalization rate for a given piece of collateral. At December 31, 2015, the range of capitalization rates utilized to determine the fair value of the underlying collateral ranged from 7% to 10%. Adjustments to comparable sales may be made by the appraiser to reflect local market conditions or other economic factors and may result in changes in the fair value of a given asset over time. As such, the fair value of impaired loans and other real estate owned are considered a Level 3 in the fair value hierarchy.

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The fair value of derivatives is based on valuation models using observable market data as of the measurement date (Level 2).

		Fair value measurements using		
	Carrying value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
at December 31, 2015				
Assets:				
Trading securities	$2,107	-	$2,107	-
Available for sale securities				
U.S. Treasury securities	1,000	-	1,000	-
Mortgage backed securities	568,452	-	568,452	-
Municipal securities	35,287	-	35,287	-
Interest rate swap derivatives	18,619	-	18,619	-
Liabilities:				
Interest rate swap derivatives	19,822	-	19,822	-
at December 31, 2014				
Assets:				
Trading securities	$3,420	-	$3,420	-
Available for sale securities				
U.S. government sponsored entities and agencies	3	-	3	-
Mortgage backed securities	478,633	-	478,633	-
Municipal securities	38,821	-	38,821	-
Interest rate swap derivatives	6,800	-	6,800	-
Liabilities:				
Interest rate swap derivatives	7,575	-	7,575	-

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Assets and liabilities measured at fair value on a non-recurring basis are summarized below.

		Fair value measurements using		
	Carrying value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
at December 31, 2015				
Assets:				
Impaired loans				
Residential real estate	$ 3,288	-	-	$ 3,288
Commercial real estate	7,061	-	-	7,061
Land, land development and construction	1,767	-	-	1,767
Commercial	280	-	-	280
Consumer	90	-	-	90
Other real estate owned				
Residential real estate	85	-	-	85
Commercial real estate	1,506	-	-	1,506
Land, land development and construction	2,002	-	-	2,002
Bank property held for sale	1,665	-	-	1,665
at December 31, 2014				
Assets:				
Impaired loans				
Residential real estate	$ 2,971	-	-	$ 2,971
Commercial real estate	4,854	-	-	4,854
Land, land development and construction	1,731	-	-	1,731
Commercial	167	-	-	167
Consumer	102	-	-	102

Other real estate owned				
Residential real estate	448	-	-	448
Commercial real estate	2,363	-	-	2,363
Land, land development and construction	2,240	-	-	2,240
Bank property held for sale	2,675	-	-	2,675

Impaired loans measured at fair value had a recorded investment of $13,293 with a valuation allowance of $807 at December 31, 2015, and a recorded investment of $10,677, with a valuation allowance of $852, at December 31, 2014. The Company recorded a provision for loan loss expense of $600 and $554 on these loans during the years ending 2015 and 2014, respectively.

Other real estate owned had a decline in fair value of $1,207 and $3,250 during the twelve month periods ending December 31, 2015 and 2014, respectively. Changes in fair value were recorded directly as an adjustment to current earnings through non interest expense.

Bank property held for sale represents certain branch office buildings which the Company has closed and consolidated with other existing branches. The real estate was transferred out of the Bank Premises and Equipment category into bank property held for sale. The real estate was transferred at the lower of amortized cost or fair value less estimated costs to sell. The fair values were based upon comparative sales data provided by real estate brokers. The real estate was transferred at the lower of amortized cost or fair value less estimated costs to sell. The Company closed eight bank branch offices during the year 2014, seven owned by the Company and one leased. Five of the properties owned by the Company were transferred to held for sale, the remaining two are being used as loan production offices, back office support staff offices and a portion of the second floor of one of the buildings is leased to an existing tenant. Six of the properties transferred to held for sale were sold in 2014 resulting in a recovery of $649 from a previous impairment charge of $1,753 recorded during the same year. Excluding the properties sold in 2014, the Company recognized an impairment charge of $1,152 during the twelve month period ending December 31, 2014 related to the transfer to held for sale. The Company recorded an impairment charge of $731 during the twelve month period ending December 31, 2015 related to bank properties held for sale.

Fair Value of Financial Instruments

The methods and assumptions, not previously presented, used to estimate fair value are described as follows:

Cash and Cash Equivalents: The carrying amounts of cash and cash equivalents approximate fair values and are classified as Level 1.

FHLB and FRB Stock: It is not practical to determine the fair value of FHLB and FRB stock due to restrictions placed on their transferability.

Investment securities held to maturity: The fair values of securities held to maturity are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

Loans held for sale: The fair value of loans held for sale is estimated based upon binding contracts from third party investors resulting in a Level 2 classification.

Loans, net: Fair values of loans, excluding loans held for sale, are estimated as follows: For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values resulting in a Level 3 classification. Fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality resulting in a Level 3 classification. Impaired loans are valued as described previously. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

FDIC Indemnification Asset: It is not practical to determine the fair value of the FDIC indemnification asset due to restrictions placed on its transferability.

Accrued Interest Receivable: The carrying amount of accrued interest receivable approximates fair value and is classified as Level 3.

Deposits: The fair values disclosed for demand deposits (e.g., interest and non-interest checking, savings, and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amount) resulting in Level 1 classification. Fair values for fixed rate certificates of deposit are estimated using a discounted cash flows calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits resulting in a Level 2 classification.

Short-term Borrowings: The carrying amounts of federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings (note payable), generally maturing within ninety days, approximate their fair values resulting in a Level 2 classification.

Corporate Debentures: The fair values of the Company's corporate debentures are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements resulting in a Level 3 classification.

Accrued Interest Payable: The carrying amount of accrued interest payable approximates fair value resulting in a Level 2 classification.

Off-balance Sheet Instruments: The fair value of off-balance-sheet items is not considered material.

The following table presents the carry amounts and estimated fair values of the Company's financial instruments:

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at December 31, 2015	Carrying amount	Fair value measurements Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	$152,482	$152,482	$-	$-	$152,482
Trading securities	2,107	-	2,107	-	2,107
Investment securities available for sale	604,739	-	604,739	-	604,739
Investment securities held to maturity	272,840	-	273,983	-	273,983
FHLB and FRB stock	14,041	-	-	-	n/a
Loans held for sale	1,529	-	1,529	-	1,529
Loans, less allowance for loan losses of $22,264	2,571,512	-	-	2,574,516	2,574,516
FDIC indemnification asset	25,795	-	-	-	n/a
Interest rate swap derivatives	18,619	-	18,619	-	18,619
Accrued interest receivable	10,286	-	-	10,286	10,286
Financial liabilities:					
Deposits- without stated maturities	$2,792,758	$2,792,758	$-	$-	$2,792,758
Deposits- with stated maturities	422,420	-	423,391	-	423,391
Securities sold under agreement to repurchase	27,472	-	27,472	-	27,472
Federal funds purchased	200,250	-	200,250	-	200,250
Other borrowed funds	25,000	-	25,000	-	25,000
Corporate debentures	24,093	-	-	19,734	19,734
Interest rate swap derivatives	19,822	-	19,822	-	19,822
Accrued interest payable	218	-	218	-	218

at December 31, 2014	Carrying amount	Fair value measurements Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	$158,413	$158,413	$—	$—	$158,413
Trading securities	3,420	—	3,420	—	3,420
Investment securities available for sale	517,457	—	517,457	—	517,457
Investment securities held to maturity	237,362	—	238,431	—	238,431
FHLB and FRB stock	14,219	—	—	—	n/a
Loans held for sale	1,251	—	1,251	—	1,251
Loans, less allowance for loan losses of $19,898	2,409,627	—	—	2,418,405	2,418,405
FDIC indemnification asset	49,054	—	—	—	n/a

Interest rate swap derivatives	6,800	—	6,800	—	6,800
Accrued interest receivable	8,999	—	—	8,999	8,999
Financial liabilities:					
Deposits- without stated maturities	$2,604,228	$2,604,228	$—	$—	$2,604,228
Deposits- with stated maturities	487,812	—	491,999	—	491,999
Securities sold under agreement to repurchase	27,022	—	27,022	—	27,022
Federal funds purchased	151,992	—	151,992	—	151,992
Corporate debentures	23,917	—	—	19,722	19,722
Interest rate swap derivatives	7,575	—	7,575	—	7,575
Accrued interest payable	336	—	336	—	336

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(8) Bank Premises and Equipment

A summary of bank premises and equipment as of December 31, 2015 and 2014 is as follows:

	December 31, 2015	2014
Land	$ 35,941	$34,387
Land improvements	995	949
Buildings	62,109	60,168
Leasehold improvements	5,917	3,520
Furniture, fixtures and equipment	31,666	30,906
Construction in progress	1,263	1,587
	137,891	131,517
Less: Accumulated depreciation	36,070	32,669
	$ 101,821	$98,848

The Company leases land and certain facilities under noncancellable operating leases. The following is a schedule of future minimum annual rentals under the noncancellable operating leases:

Year ending December 31,	
2016	$2,411
2017	2,085
2018	1,817
2019	1,313
2020	972
Thereafter	4,456
	$13,054

Rent expense, net of rental income, for the years ended December 31, 2015, 2014 and 2013, was $2,117, $2,309 and $1,099, respectively, and is included in occupancy expense in the accompanying Consolidated Statements of Operations. Rental income for the years ended December 31, 2015, 2014 and 2013, was $650, $632, and $540, respectively, and is included in occupancy expense.

(9) Goodwill and Intangible Assets

Goodwill was a result of whole bank acquisitions, all within the Company's commercial and retail banking segment. The change in balance for goodwill during the years 2015, 2014 and 2013 is as follows:

	2015	2014	2013
Beginning of year	$76,739	$44,924	$44,924
Acquired goodwill	—	31,815	—
Impairment	—	—	—
End of year	$76,739	$76,739	$44,924

The Company performed a step 1 annual impairment analysis of the goodwill recorded at the commercial and retail banking ("Bank") reporting unit as of November 30, 2015. Step 1 includes the determination of the carrying value of the reporting unit, including the existing goodwill and intangible assets, and estimating the fair value of the reporting unit. The carrying amount of the reporting unit did not exceed its fair value resulting in no impairment.

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Acquired intangible assets consists of core deposit intangibles ("CDI") and Trust intangible ("Trust") which are intangible assets arising from either whole bank or branch acquisitions. They are initially measured at fair value and then amortized over a ten-year period on an accelerated basis using the projected decay rates of the underlying core deposits in the case of CDI and an accelerated method in the case of the Trust intangible. The change in balance for CDI and the Trust during the years 2015, 2014 and 2013 is as follows:

	2015	2014	2013
Beginning of year	$15,401	$6,116	$7,307
Acquired CDI	137	11,569	—
Amortization expense	(2,537)	(2,284)	(1,191)
Impairment expense	—	—	—
End of year	$13,001	$15,401	$6,116

Acquired intangible assets were as follows for years ended December 31, 2015 and 2014:

	December 31, 2015		December 31, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Core deposit intangibles	$23,313	$ 11,149	$23,176	$ 8,760
Trust intangible	1,580	743	1,580	595
Total acquired intangibles	$24,893	$ 11,892	$24,756	$ 9,355

Estimated amortization expense for each of the next five years:

2016	$2,289
2017	1,892
2018	1,738
2019	1,682
2020	1,608

(10) Deposits

A detail of deposits at December 31, 2015 and 2014 is as follows:

	December 31,			
	2015	Weighted Average Interest Rate	2014	Weighted Average Interest Rate
Non-interest bearing deposits	$1,133,138	— %	$1,048,874	— %
Interest bearing deposits:				
Interest bearing demand deposits	679,714	0.1 %	607,359	0.1 %
Savings deposits	241,605	0.1 %	231,039	0.1 %
Money market accounts	738,301	0.3 %	716,956	0.3 %
Time deposits less than $100	177,288	0.6 %	219,021	0.8 %
Time deposits of $100 or greater	245,132	0.8 %	268,791	1.1 %
	$3,215,178	0.2 %	$3,092,040	0.2 %

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The following table presents the amount of certificate accounts at December 31, 2015, maturing during the periods reflected below:

Year	Amount
2016	$270,473
2017	76,295
2018	29,038
2019	21,314
2020	25,035
Thereafter	265
Total	$422,420

Time deposits that meet or exceed the FDIC insurance limit of $250 at year end 2015 and 2014 were $123,994 and $116,861.

(11) Securities Sold Under Agreements to Repurchase

The Company's subsidiary bank enters into borrowing arrangements with its retail business customers by agreements to repurchase ("repurchase agreements") under which the bank pledges investment securities owned and under its control as collateral against the one-day borrowing arrangement.

At December 31, 2015 and 2014, the Company had $27,472 and $27,022 in repurchase agreements. Repurchase agreements are secured by obligations of U.S. government agencies and municipal securities with fair values of $47,398 and $52,714 at December 31, 2015 and 2014, respectively. Any risk related to these arrangements, primarily market value changes, is minimized due to the overnight (one-day) maturity and the additional collateral pledged over the borrowed amounts.

The following tables provide additional details as of December 31, 2015 and 2014.

As of December 31, 2015	MBS Securities	Municipal Securities	Total
Market value of securities pledged	$ 45,745	$ 1,653	$47,398
Borrowings related to pledged amounts	27,179	293	27,472

Market value pledged as a % of borrowings	168 %	564 %	173 %

As of December 31, 2014	MBS Securities	Municipal Securities	Total
Market value of securities pledged	$ 49,380	$ 3,334	$52,714
Borrowings related to pledged amounts	26,003	1,019	27,022
Market value pledged as a % of borrowings	190 %	327 %	195 %

Information concerning repurchase agreements is summarized as follows:

	2015	2014	2013
Average daily balance during the year	$ 30,727	$30,289	$21,693
Average interest rate during the year	0.61 %	0.60 %	0.36 %
Maximum month-end balance during the year	$ 40,198	$34,681	$24,483
Weighted average interest rate at year end	0.36 %	0.72 %	0.40 %

(12) Federal Funds Purchased

Federal funds purchased, as listed below, are overnight deposits from correspondent banks. Information concerning these deposits is summarized as follows:

	2015	2014	2013
Average daily balance during the year	$184,451	$49,899	$37,958
Average interest rate during the period	0.34 %	0.10 %	0.05 %
Maximum month-end balance during the year	$223,151	$151,992	$53,274
Weighted average interest rate at year end	0.33 %	0.29 %	0.05 %

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(13) Federal Home Loan Bank advances and other borrowed funds

From time to time, the Company borrows either through Federal Home Loan Bank advances or one-day borrowings, other than correspondent bank deposits listed in note 12 above. The Company had $25,000 in overnight borrowings with the Federal Reserve Bank during the period ending December 31, 2015. The Company had no advances from the Federal Home Loan Bank during the periods ending December 31, 2015 and 2014.

Federal Home Loan Bank advances are collateralized by residential and commercial loans under a blanket lien arrangement and based on this collateral, and the Company's holdings of FHLB stock, the Company is eligible to borrow up to $202,402 at year end 2015.

(14) Corporate Debentures

In September 2003, the Company formed CenterState Banks of Florida Statutory Trust I (the "Trust") for the purpose of issuing trust preferred securities. On September 22, 2003, the Company issued a floating rate corporate debenture in the amount of $10,000. The Trust used the proceeds from the issuance of a trust preferred security to acquire the corporate debenture. The trust preferred security essentially mirrors the corporate debenture, carrying a cumulative preferred dividend at a variable rate equal to the interest rate on the corporate debenture (three month LIBOR plus 305 basis points). The corporate debenture and the trust preferred security each have 30-year lives. The trust preferred security and the corporate debenture are callable by the Company or the Trust, at their respective option after five years, and sooner in specific events, subject to prior approval by the Federal Reserve, if then required. The Company has treated the corporate debenture as Tier 1 capital up to the maximum amount allowed under the Federal Reserve guidelines for federal regulatory purposes. The Company is not considered the primary beneficiary of this Trust (variable interest entity), therefore the trust is not consolidated in the Company's financial statements, but rather the subordinated debentures are shown as a liability. The Company's investment in the common stock of the trust was $310 and is included in other assets.

In September 2004, Valrico Bancorp Inc. ("VBI") formed Valrico Capital Statutory Trust ("Valrico Trust") for the purpose of issuing trust preferred securities. On September 9, 2004, VBI issued a floating rate corporate debenture in the amount of $2,500. The Trust used the proceeds from the issuance of a trust preferred security to acquire the corporate debenture. On April 2, 2007, the Company acquired all the assets and assumed all the liabilities of VBI pursuant to the merger agreement, including VBI's corporate debenture and related trust preferred security discussed above. The trust preferred security essentially mirrors the corporate debenture, carrying a cumulative preferred dividend at a variable rate equal to the interest rate on the corporate debenture (three month LIBOR plus 270 basis points). The corporate debenture and the trust preferred security each have 30-year lives. The trust preferred security and the corporate debenture are callable by the Company or the Valrico Trust, at their respective option after five years, and sooner in specific events, subject to prior approval by the Federal Reserve, if then required. The Company has treated the corporate debenture as Tier 1 capital up to the maximum amount allowed under the Federal Reserve guidelines for federal regulatory purposes. The Company is not considered the primary beneficiary of this Trust (variable interest entity), therefore the trust is not consolidated in the Company's financial statements, but rather the subordinated debentures are shown as a liability. The Company's investment in the common stock of the trust was $77 and is included in other assets.

In September 2003, Federal Trust Corporation ("FTC") formed Federal Trust Statutory I ("FTC Trust") for the purpose of issuing trust preferred securities. On September 17, 2003, FTC issued a floating rate corporate debenture in the amount of $5,000. The Trust used the proceeds from the issuance of a trust preferred security to acquire the corporate debenture. In November 2011, the Company acquired certain assets and assumed certain liabilities of FTC from The Hartford Financial Services Group, Inc. ("Hartford") pursuant to an acquisition agreement, including FTC's corporate debenture and related trust preferred security issued through FTC's finance subsidiary FTC Trust. The trust preferred security essentially mirrors the corporate debenture, carrying a cumulative preferred dividend at a variable rate equal to the interest rate on the corporate debenture (three month LIBOR plus 295 basis points). The corporate debenture and the trust preferred security each have 30-year lives maturing in 2033. The trust preferred security and the corporate debenture are callable by the Company or the FTC Trust, at their respective option after five years, and sooner in specific events, subject to prior approval by the Federal Reserve, if then required. The Company has treated the corporate debenture as Tier 1 capital up to the maximum amount allowed under the Federal Reserve guidelines for federal regulatory purposes. The Company is not considered the primary beneficiary of this Trust (variable interest entity), therefore the trust is not consolidated in the Company's financial statements, but rather the subordinated debentures are shown as a liability. The Company's investment in the common stock of the trust was $155 and is included in other assets.

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In December 2004, Gulfstream Bancshares, Inc. (“GBI”) formed Gulfstream Bancshares Capital Trust I (“GBI Trust I”) for the purpose of issuing trust preferred securities. On December 1, 2004, GBI issued a floating rate corporate debenture in the amount of $7,000. The Trust used the proceeds from the issuance of a trust preferred security to acquire the corporate debenture. The trust preferred security essentially mirrors the corporate debenture, carrying a cumulative preferred dividend at a variable rate equal to the interest rate on the corporate debenture (three month LIBOR plus 190 bps). The rate is subject to change quarterly. The corporate debenture and the trust preferred security each have 30-year lives. The trust preferred security and the corporate debenture are callable by the Company or the GBI Trust I, at their respective option, subject to prior approval by the Federal Reserve, if then required. On January 17, 2014, the Company acquired all the assets and assumed all the liabilities of GBI by merger, including GBI’s corporate debenture and related trust preferred security discussed above. The Company has treated the corporate debenture as Tier 1 capital up to the maximum amount allowed under the Federal Reserve guidelines for federal regulatory purposes. On January 22, 2016, the Company cancelled, dissolved and terminated GBI Trust I. The Company will recognize a pre-tax gain on extinguishment of debt of approximately $308 in the first quarter of 2016.

In December 2006, GBI formed Gulfstream Bancshares Capital Trust II (“GBI Trust II”) for the purpose of issuing trust preferred securities. On December 28, 2006, GBI issued a floating rate corporate debenture in the amount of $3,000. The Trust used the proceeds from the issuance of a trust preferred security to acquire the corporate debenture. The trust preferred security essentially mirrors the corporate debenture, carrying a cumulative preferred dividend at a variable rate equal to the interest rate on the corporate debenture (three month LIBOR plus 170 bps). The rate is subject to change quarterly. The corporate debenture and the trust preferred security each have 30-year lives. The trust preferred security and the corporate debenture are callable by the Company or the GBI Trust II, at their respective option, subject to prior approval by the Federal Reserve, if then required. On January 17, 2014, the Company acquired all the assets and assumed all the liabilities of GBI by merger, including GBI’s corporate debenture and related trust preferred security discussed above. The Company has treated the corporate debenture as Tier 1 capital up to the maximum amount allowed under the Federal Reserve guidelines for federal regulatory purposes.

(15) Income Taxes

Allocation of federal and state income tax expense between current and deferred portions for the years ended December 31, 2015, 2014 and 2013, is as follows:

	Current	Deferred	Total
December 31, 2015:			
Federal	$14,639	$ 4,297	$18,936
State	2,920	715	3,635
	$17,559	$ 5,012	$22,571

December 31, 2014:			
Federal	$4,384	$ 1,486	$5,870
State	1,009	247	1,256
	$5,393	$ 1,733	$7,126
December 31, 2013:			
Federal	$4,423	$ 27	$4,450
State	1,055	5	1,060
	$5,478	$ 32	$5,510

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The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2015 and 2014, are presented below:

	December 31,	
	2015	2014
Deferred tax assets:		
Allowance for loan losses	$8,588	$7,675
Stock based compensation	1,377	771
Deferred compensation	2,186	2,425
Impairment expenses	959	463
Net operating loss carryforward	18,153	20,308
Other real estate owned expenses	742	2,391
Fair value adjustments	16,751	18,386
Nonaccrual interest	2,040	2,579
Other	99	75
Total deferred tax assets	50,895	55,073
Deferred tax liabilities:		
Premises and equipment, due to differences in depreciation methods and useful lives	(2,685)	(2,264)
Deferred loan costs, net	(337)	(358)
Prepaid expense	(432)	0
Like kind exchange	(300)	(300)
Unrealized gain on investment securities available for sale	(903)	(2,548)
Accretion of discounts on investments	(18)	(16)
Total deferred tax liabilities	(4,675)	(5,486)
Net deferred tax asset	$46,220	$49,587

As a result of the acquisition of FSB on June 1, 2014, the Company obtained net operating loss carryforwards of approximately $57,375 which are subject to Internal Revenue Code Section 382 limitation of approximately $6,487 per year. At December 31, 2015, the Company had net operating carryforwards of approximately $47,059 which will begin to expire as follows.

2030	24,408
2031	10,463

2032	2,028
2033	4,027
2034	6,133
	$47,059

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. In performing this analysis, the Company considers all evidence currently available, both positive and negative, in determining whether based on the weight of that evidence, it is more likely than not the deferred tax asset will be realized. Based on management’s analysis, it was determined that it is more likely than not that the deferred tax asset will be realized as of December 31, 2015 and 2014.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of the states of Florida, Georgia, Alabama, California, Colorado, North Carolina and Tennessee. CSFL Insurance Corp. will file a tax return in South Carolina. The Company is currently in the early stages of an Internal Revenue Service examination of FSB’s 2014 tax return, and has not been informed of any material findings. The Company is no longer subject to examination by taxing authorities for the years before 2012. The Company was not subject to any material interest or penalties on its income tax liabilities for the years 2013, 2014 and 2015.

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A reconciliation between the actual tax expense and the "expected" tax expense, computed by applying the U.S. federal corporate rate of 35 percent is as follows:

	December 31,		
	2015	2014	2013
"Expected" tax expense	$21,668	$7,032	$6,214
Tax exempt interest, net	(851)	(910)	(907)
Bank owned life insurance	(753)	(549)	(391)
State income taxes, net of federal income tax benefits	2,363	817	689
Stock based compensation	76	83	100
Merger and acquisition related expenses	10	536	68
Other, net	58	117	(263)
	$22,571	$7,126	$5,510

(16) Related-Party Transactions

Loans to principal officers, directors, and their affiliates during 2015 and 2014 were as follows:

	2015	2014
Beginning balance	$5,580	$3,261
New loans	14,654	4,135
Repayments	(259)	(1,816)
Ending balance	$19,975	$5,580

At December 31, 2015 and 2014 principal officers, directors, and their affiliates had $6,303 and $2,671, respectively, of available lines of credit. Deposits from principal officers, directors, and their affiliates at year-end 2015 and 2014 were approximately $29,614 and $29,746, respectively.

(17) Regulatory Capital Matters

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Company on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Capital amounts and ratios for December 31, 2014 are calculated using Basel I rules.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the table below) of total capital, Tier I capital and common equity Tier 1 capital (as defined in the regulations) to risk-weighted assets. Management believes, as of December 31, 2015, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2015 and 2014, the most recent notifications from the Office of Comptroller of the Currency ("OCC") and the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain total risk-based, Tier I risk-based, common equity Tier 1 risk-based and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category. The Company's subsidiary bank has agreed with its primary regulator, OCC, to maintain a Tier 1 leverage ratio of at least 8%.

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A summary of actual, required, and capital levels necessary for capital adequacy purposes for the Company as of December 31, 2015 and 2014, are presented in the table below. There is no threshold for "well-capitalized" status for bank holding companies.

	Actual Amount	Ratio	For capital Adequacy purposes Amount	Ratio	To be well capitalized under Prompt corrective action provision Amount	Ratio
December 31, 2015						
Total capital (to risk weighted assets)	$438,748	15.8%	$222,322	>8.0%	n/a	n/a
Tier 1 capital (to risk weighted assets)	416,484	15.0%	166,742	>6.0%	n/a	n/a
Common equity tier 1 capital (to risk weighted assets)	399,876	14.4%	125,056	>4.5%	n/a	n/a
Tier 1 capital (to average assets)	416,484	10.5%	158,206	>4.0%	n/a	n/a
December 31, 2014						
Total capital (to risk weighted assets)	$384,162	15.1%	$202,946	>8%	n/a	n/a
Tier 1 capital (to risk weighted assets)	364,264	14.4%	101,473	>4%	n/a	n/a
Tier 1 capital (to average assets)	364,264	10.1%	144,051	>4%	n/a	n/a

A summary of actual, required, and capital levels necessary for capital adequacy purposes in the case of the Company's subsidiary bank as of December 31, 2015 and 2014, are presented in the table below.

	Actual Amount	Ratio	For capital Adequacy purposes Amount	Ratio	To be well capitalized under Prompt corrective action provision Amount	Ratio
December 31, 2015						
Total capital (to risk weighted assets)	$411,627	14.7%	$223,613	>8.0%	$279,517	>10.0%
Tier 1 capital (to risk weighted assets)	389,371	13.9%	167,710	>6.0%	223,613	>8.0%
Common equity tier 1 capital (to risk weighted assets)	389,371	13.9%	125,783	>4.5%	181,686	>6.5%
Tier 1 capital (to average assets)	389,371	9.9%	158,011	>4.0%	197,514	>5.0%

December 31, 2014						
Total capital (to risk weighted assets)	$360,278	14.2%	$203,268	>8%	$254,085	>10%
Tier 1 capital (to risk weighted assets)	340,389	13.4%	101,634	>4%	152,451	>6%
Tier 1 capital (to average assets)	340,389	9.4%	144,185	>4%	180,231	>5%

(18) Dividends

The Company declared and paid cash dividends on its common stock of $3,181, $1,709 and $1,204 during the years ended December 31, 2015, 2014 and 2013, respectively. Banking regulations limit the amount of dividends that may be paid by the subsidiary banks to the Company without prior approval of the Bank's regulatory agency. In November 2013, the Company received a $34,000 dividend from its subsidiary bank. At December 31, 2015, dividends from the subsidiary bank available to be paid to the Company, without prior approval of the Bank's regulatory agency, was $38,948, subject to the Bank meeting or exceeding regulatory capital requirements.

(19) Stock-Based Compensation

The Company assumed the obligations of GBI under the Gulfstream 2009 Stock Option Plan, the Gulfstream Officers' and Employees' Stock Option Plan and the Gulfstream Directors' Stock Option Plan (collectively, the "Gulfstream Plans") pursuant to the closing on January 17, 2014 by CenterState of the merger of Gulfstream with and into CenterState. All of the Gulfstream stock options awarded pursuant to the Gulfstream Plans outstanding at the merger closing date were converted to stock options for 774,104 of the Company's common shares with an average exercise price of $6.99 per share. At December 31, 2015 there were options outstanding for 263,584 shares of the Company's common stock with an average exercise price of $7.30 per share and an average remaining contractual life of approximately 4.4 years.

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On April 25, 2013, the Company's shareholders approved the CenterState Banks, Inc. 2013 Equity Incentive Plan (the "2013 Plan"). The 2013 Plan replaces the 2007 Plan discussed below. The 2013 Plan authorizes the issuance of up to 1,600,000 shares through the 2023 expiration of the plan. Of this amount 1,525,000 shares are allocated to employees, all of which may be issued as incentive stock options, and 75,000 shares are allocated to directors. The Company's Board of Directors froze the Company's 2007 Equity Incentive Plan whereby no additional future grants and/or awards will be awarded pursuant to that plan effective with the shareholder approval of the 2013 Plan. During 2015 the Company did not grant any incentive stock options to its employees. The Company awarded 208,082 shares of Restricted Stock ("RSAs") during 2015 with an average fair value of $11.96 per share at the date of grant. These restricted stock awards vest over periods ranging from two to seven years. The Company also awarded Performance Share Units ("PSUs") during 2015. These PSUs will cliff vest on January 1, 2019. The units may be converted into common shares based upon the Company's Total Shareholder Return compared to its peer group and the Company's absolute earnings per share growth rate over a three year period ending January 1, 2019 pursuant to the Company's Long-Term Incentive Plan as described in the Company's 2016 Proxy Statement. The range of the units that may vest in the future is a minimum of 0 and a maximum of 46,258 with an expected target of 30,837 shares. In addition, the Company also awarded 29,092 Restricted Share Units ("RSUs") during 2015 with an average fair value of $12.22 per unit at the date of grant. The RSUs will vest at a rate of one third each January 1, 2017, 2018 and 2019. At December 31, 2015, there were a total of 614,079 shares available for future grants pursuant to the 2013 Plan, assuming maximum future vesting of PSUs outstanding.

On April 24, 2007, the Company's shareholders approved the CenterState 2007 Equity Incentive Plan (the "2007 Plan") and approved an amendment to the 2007 Plan on April 28, 2009. The 2007 Plan, as amended, replaced the 1999 Plan. The 2007 Plan, as amended, authorize the issuance of up to 1,350,000 shares of the Company stock. In 2013, the 2007 Plan was frozen whereby no additional grants and/or awards were awarded pursuant to this plan subsequent to April 2013.

The Company's stock-based compensation consists of stock options, RSAs, RSUs and PSUs. During the twelve month period ended December 31, 2015, 2014 and 2013, the Company recognized total stock-based compensation expense as listed in the table below.

	2015	2014	2013
Stock option expense	$216	$238	$292
RSA expense	2,712	1,264	317
RSU expense	27	-	-
PSU expense	328	75	-
Total stock-based compensation expense	$3,283	$1,577	$609

There is no income tax benefit provided for in the Company's tax provision for qualified incentive stock options. The Company receives a tax benefit when a non qualified stock option is exercised. The total income tax benefit related to the exercise of non qualified stock options was approximately $113, $350 and $0 during the twelve month periods ending December 31, 2015, 2014 and 2013, respectively. The Company provided an income tax benefit in its tax provision for RSA, RSU and PSU expenses of approximately $1,183, $517 and $122 during the twelve month periods ending December 31, 2015, 2014 and 2013, respectively.

As of December 31, 2015, the total remaining unrecognized compensation cost related to non-vested stock options, net of estimated forfeitures, was approximately $434 and will be recognized over the next 6 years. The weighted average period over which this expense is expected to be recognized is approximately 1.9 years.

As of December 31, 2015, the total remaining unrecognized compensation cost related to non-vested RSAs, net of estimated forfeitures, was approximately $4,980 and will be recognized over the next 9 years. The weighted average period over which this expense is expected to be recognized is approximately 2.3 years.

As of December 31, 2015, the total remaining unrecognized compensation cost related to non-vested PSUs, net of estimated forfeitures, was approximately $925 and will be recognized over the next 3 years. The weighted average period over which this expense is expected to be recognized is approximately 1.7 years.

As of December 31, 2015 the total remaining unrecognized compensation cost related to non-vested RSUs, net of estimated forfeitures, was approximately $328 and will be recognized over the next 3 years. The weighted average period over which this expense is expected to be recognized is approximately 2.0 years.

The Company granted stock options for 3,000 shares of common stock during the twelve month period ending December 31, 2013. The Company did not grant any stock options during 2014 and 2015. However, pursuant to the Company's agreement to

CENTERSTATE BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Dollar amounts in thousands, except per share data)

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acquire Gulfstream, the Company converted all outstanding Gulfstream stock options into CenterState options for 774,104 shares of common stock on the January 17, 2014 acquisition date. The estimated fair value of options granted, or acquired in the case of Gulfstream, during these periods were calculated as of the grant date, or the acquisition date in the case of Gulfstream, using the Black-Scholes option-pricing model. The weighted-average assumptions as of the grant date are as follows:

	2015	2014		2013	
Expected option life	-	0.5 years		7.7 years	
Risk-free interest rate	-	0.07	%	1.91	%
Expected volatility	-	0.01	%	44.5	%
Dividend yield	-	0.00	%	0.39	%

The Company determined the expected life of the stock options using the simplified method approach allowed for plain-vanilla share options as described in SAB 107. The risk-free interest rate is based on the U.S. Treasury yield curve in effect as of the grant date. Expected volatility was determined using historical volatility.

ASC 718 requires the recognition of stock-based compensation for the number of awards that are ultimately expected to vest. As a result, for most awards, recognized stock compensation is reduced for estimated forfeitures prior to vesting. Estimated forfeitures will be reassessed in subsequent periods and may change based on new facts and circumstances.

The weighted-average estimated fair value of stock options granted, or acquired in the case of Gulfstream, during the twelve month periods ended December 31, 2014 and 2013 was $4.67 per share and $4.91 per share respectively. The table below present's information related to stock option activity for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
Total intrinsic value of stock options exercised	$827	$1,114	$ 2
Cash received from stock options exercised	$895	1,129	-
Gross income tax benefit from the exercise of stock options	$113	350	-

A summary of stock option activity for the years ended December 31, 2015, 2014 and 2013 is as follows:

	2015		2014		2013	
	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
Outstanding, beginning of period	1,138,404	$ 11.23	1,073,716	$ 13.83	1,158,646	$ 13.64
Granted	-	-				