CenterState

2019 ANNUAL REPORT

OFFICERS

John C. Corbett
President and Chief Executive Officer

Stephen D. Young
Chief Operating Officer

William E. Matthews, V
Chief Financial Officer

Richard Murray, IV
Chief Executive Officer, CenterState Bank N.A.

Mark W. Thompson
President, CenterState Bank N.A.

Jennifer L. Idell
Chief Administrative Officer

Daniel E. Bockhorst
Chief Credit Officer

Beth S. DeSimone
Chief Risk Officer

CORPORATE OFFICE

1101 First Street. South
Winter Haven, FL 33880
863.293.4710

CORPORATE WEBSITE

CenterStateBanks.com

STOCK LISTING

Symbol - CSFL

SHAREHOLDER SERVICES

Continental Stock Transfer & Trust Company
17 Battery Place, NY, NY 10004
212.509.4000

INDEPENDENT AUDITORS

Crowe LLP
Fort Lauderdale, Florida

2020 ANNUAL MEETING

April 23, 2020 10 am
7593 Gathering Drive,
Kissimmee, FL 34747

CORPORATE PROFILE

CenterState Bank Corporation (NASDAQ: CSFL) operates as one of the largest community bank franchises headquartered in the state of Florida. Both the Company and its nationally chartered bank subsidiary, CenterState Bank, N.A. ("the Bank"), are based in Winter Haven, Florida between Orlando and Tampa. With over $17 billion assets, the Bank provides traditional retail, commercial, mortgage, wealth management and SBA services throughout its Florida, Georgia and Alabama branch network. The Bank also has a national footprint, serving clients coast to coast, through its correspondent banking division.

Ernie Pinner, Chairman and John Corbett, President and CEO

Dear Fellow Shareholders,

CenterState earned $225 million in 2019, or $1.87 in diluted earnings per share, ($2.13 on an adjusted basis, excluding merger-related expenses and non-recurring items). CenterState remains a top quartile performer compared to peers, with return on average assets equal to 1.42% (1.61% adjusted) and return on average tangible common equity equal to 16.2% (18.4% adjusted). We achieved net interest income of $586 million, despite the challenging interest rate environment, and our noninterest income business lines had an excellent year, with revenue of $166 million.

2019 was a strategically important year for CenterState, with solid operational performance and a successful merger with National Commerce Corporation. I want to highlight our 2019 accomplishments, and also spend some time talking about the future, including the challenges we face as an industry, and how your management team is reacting to those challenges.

We recognize our job as capital managers includes a focus on capital strength, returns on capital, returns of capital, and growth in tangible book value per share. Tangible book value per share grew by 11% in 2019, a year in which we also repurchased 4.6% of the company's outstanding shares, and we ended the year with a strong 10.1% tangible common equity ratio. We also announced a 27% increase in our quarterly dividend to $0.14 per share in January 2020.

Credit quality is a strategic priority for us, and our credit metrics continue to be strong. Ending NPA's were 0.26% of assets and net charge-offs were 0.09% of average non-purchased credit impaired loans. We achieved record loan production of $3.3 billion, while maintaining our credit standards. During the year, we began tracking missed loan opportunities of $1 million or greater. Interestingly, we had over $2.2 billion in loan requests that we declined based on factors such as underwriting structure, loan to value ratio, debt service coverage, and other credit components. While these likely are not "bad" loans, we are cognizant of the economic cycle and are unwilling to stretch on credit to achieve growth, particularly this late in the recovery cycle. We believe this to be a prudent posture as managers of your capital.

In addition to our earnings performance, we completed our merger with National Commerce Corporation on April 1. This merger brought us additional market density in central Florida along the I-4 corridor as well as in northeast Florida and in Atlanta. It also brought us a great group of teammates in Birmingham to help manage our company as we grow in the future.

On January 27, 2020, we entered into a "merger of equals" with South State Corporation – a company of similar size, market capitalization, and culture based in Columbia, South Carolina. We are thrilled to partner with Robert Hill and his great team at South State, and we believe South State is equally thrilled to partner with CenterState.

Common attributes of South State and CenterState include strong core deposit funding bases, strong credit quality, density in markets with growing populations, and similar values and strategic thinking. South State's "value pyramid," which has as its base Soundness, then Profitability, and Growth, is an excellent reflection of the way we prioritize our job as managers of our owners' capital. Our experience tells us that companies who prioritize growth over profitability and profitability over soundness operate with an unsustainable business model. We do not plan to invert the pyramid.

Forbes 2019
BEST BANKS
IN AMERICA

In addition to the cultural fit, there are several reasons for us entering into this strategic partnership. The banking industry faces several challenges, but there are two particular external challenges that are present today, neither of which is unique to CenterState. The first external challenge is the interest rate environment. A period of low interest rates, and particularly one with very little differential between short term and long term rates (a "flat yield curve") creates a more challenging revenue environment for banks, as it is more difficult to earn the kind of spreads we strive for (4%+) in an environment where 10 year US Treasury bonds earn less than 1.5%.

The second external challenge is the digital revolution occurring across industries including banking. Customers are increasingly interested in interacting via convenient technological solutions such as phone apps, rather than coming into a branch. While we believe our focus on long term relationships rather than transactions provides us with a superior customer service offering, we have to continue to adapt to customers' changing preferences and provide them with digital tools to allow them to conveniently access our offerings. We also need to use data to anticipate our customers' needs and provide solutions more promptly. These types of investments are critical and costly.

Your management team and board have studied these external forces. We believe the revenue challenge caused by the current interest rate environment increases the need to become more efficient, and eliminating duplicate costs through a strategic partnership with a like-minded institution such as South State helps achieve such efficiency. The need to keep pace with digital transformation requires additional investment in technological innovation, and a larger company with greater scale can better afford to make such investments.

Finally, and importantly, I'd like to close with a note about Ernie Pinner, who recently stepped back to a non-executive Chairman role. Many of you know Ernie and the outstanding leadership he has provided this organization from its founding. His wisdom and judgment have allowed the company to grow and thrive. His ethical behavior, friendly demeanor and humble nature have allowed us to attract superior teammates by creating the kind of culture where competitive people can succeed while operating with a sense of humility, candor, and compassion. And, for me personally, his friendship and guidance have helped me to become a better leader. For all of those attributes, we owe Ernie our sincere gratitude. If you see Ernie, please express your thanks for all he has meant to CenterState. I am pleased that he will continue to serve on our board of directors.

As we look forward to the remainder of 2020 and the hard work ahead of us, we are grateful for the support of our shareholders and trust we will continue to earn that support every day. Thank you.

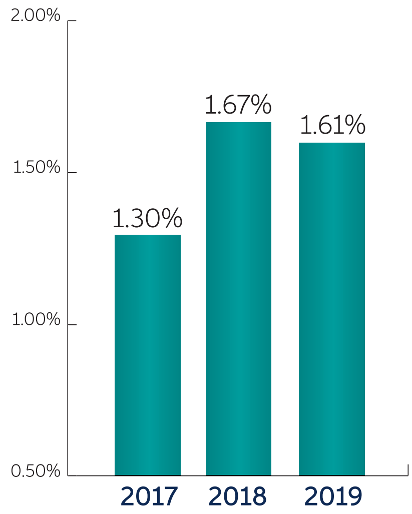
John C. Corbett
President & CEO

This Annual Report contains certain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements may address issues that involve significant risks and uncertainties. Although we believe that the expectations reflected in this discussion are reasonable, actual results may be materially different. Please refer to the Company's Annual Report on Form 10-K for the year-ended December 31, 2019 (the "Form 10-K") included in this Annual Report and filed with the U.S. Securities and Exchange Commission, for a more thorough description of the types of risks and uncertainties that may affect management's forward looking statements. Such risks and uncertainties include, among others, risks related to the adequacy of our allowance for loan losses and the amount of loan loss provisions required in future periods; risks associated with mergers and acquisitions, including integration and implementation risks; cybersecurity risks relating to our dependence on internal computer systems and the technology of outside service providers and the potential impacts of third-party security breaches resulting from deliberate attacks or unintentional events, which could result in potential business disruptions or financial losses; regulatory change risks resulting from new laws, rules, regulations, proscribed practices or ethical standards, or from changes in regulators' application of existing laws, regulations and standards, and other risks and uncertainties discussed in the Form 10-K. The Company undertakes no obligation to update any forward-looking statements, all of which are expressly qualified by the statements above and others expressed in the Company's securities filings.

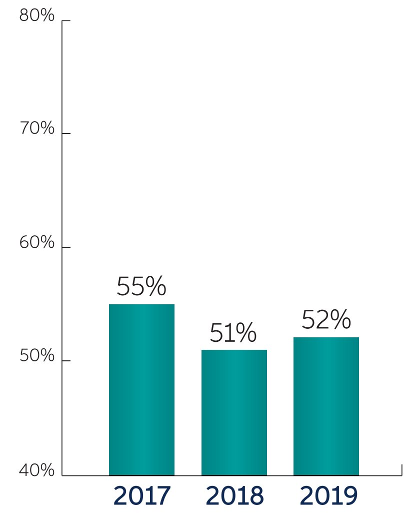
Key Performance Indicators*

Earnings Per Share

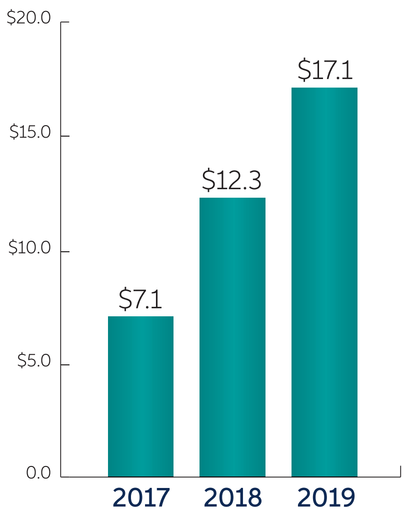
Return On Assets



Efficiency Ratio

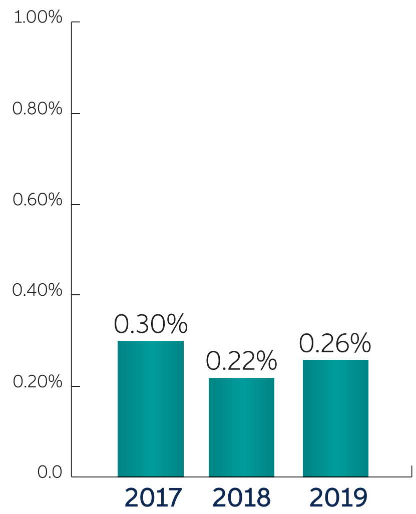


Assets (billion $)



Loans (billion $)

NPA/Assets %

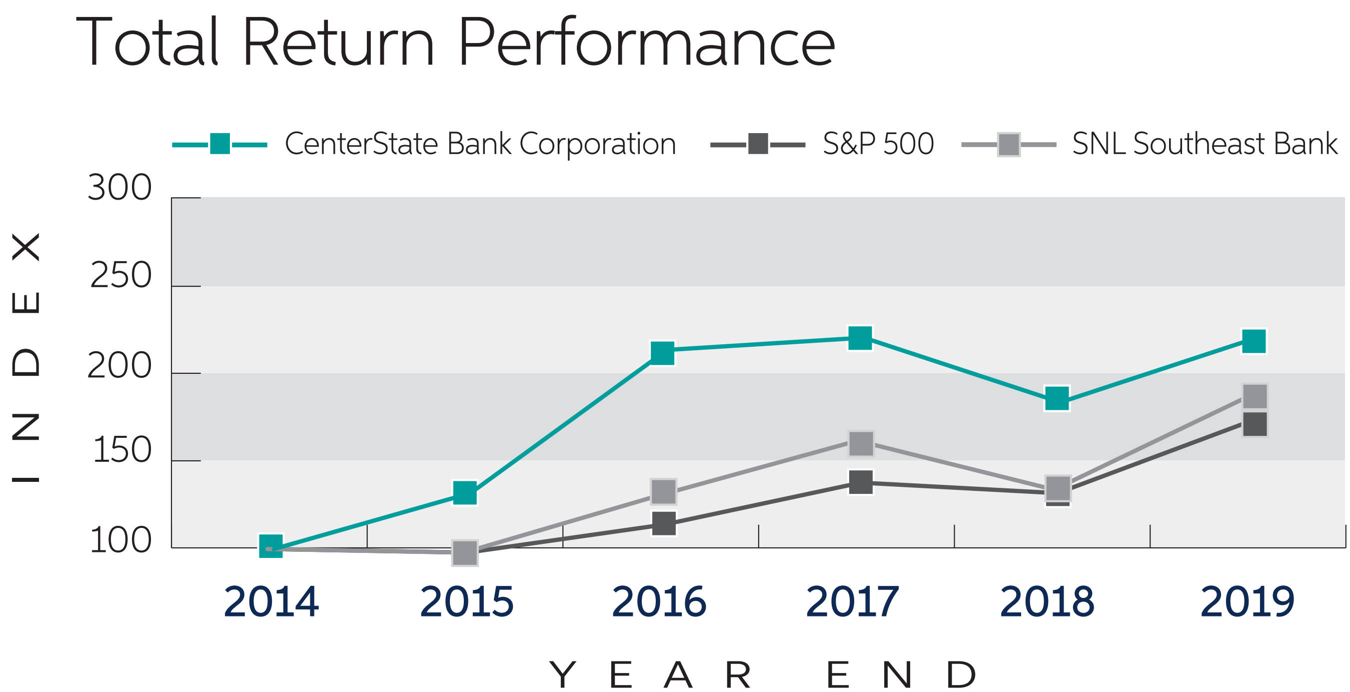


* *EPS and ROAA indicators are adjusted to exclude gain on sale of available for sale securities, gain on sale of trust department, gain on sale of deposits, merger and acquisition related expense, net of tax, and the revaluation of the net deferred tax asset. Efficiency indicator is adjusted as shown above with the additional exclusion of intangible amortization on a pre-tax basis.*

Stock Performance

Five Year Performance Index

The shares of the Company's 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 SNL Southeast Bank Index, since December 31, 2014 (assuming a $100 investment on December 31, 2014 and reinvestment of all dividends).



Source: SNL Global Market Intelligence

	2014	2015	2016	2017	2018	2019
CenterState Bank Corporation	**100**	**132**	**214**	**221**	**184**	**222**
S&P 500	100	101	114	138	132	174
SNL Southeast Bank Index	100	98	131	162	134	188

Data obtained from Proxy Graph worksheet in 10K folder.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 000-32017

CENTERSTATE BANK CORPORATION

(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.)**
1101 First Street South, Suite 202, Winter Haven, Florida **(Address of principal executive offices)**	**33880** **(Zip Code)**

Issuer's telephone number, including area code:
(863) 293-4710

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 ☐

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

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 ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not 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. ☒

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ☐ NO ☒

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock	**CSFL**	**NASDAQ**

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Common stock, par value $.01 per share	**124,429,792 shares**
(class)	**Outstanding at February 26, 2020**

The aggregate market value of the Common Stock of the registrant held by non-affiliates of the registrant (99,727,055 shares) on June 30, 2019, was approximately $2,296,714,000. The aggregate market value was computed by reference to the last sale of the Common Stock of the registrant at $23.03 per share on June 30, 2019. 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.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on April 23, 2020 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

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 “continue” or the 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 impact on failing to implement our business strategy, including our growth and acquisition strategy; the ability to successfully integrate our acquisitions; additional capital requirements due to our growth plans; the impact of an increase in our asset size to over $10 billion; the ability to implement our mortgage and SBA lines of business; the risks of changes in interest rates and the level and composition of deposits, loan demand, the credit and other risks in our loan portfolio and the values of loan collateral; the impact of us not being able to manage our risk; the impact of a loss of management or other experienced employees; the impact if we failed to maintain our culture and attract and retain skilled people; risks related to pending or future litigation; the risk of changes in technology and customer preferences; the impact of any material failure or breach in our infrastructure or the infrastructure of third parties on which we rely as a result of cyber-attacks; or material regulatory liability in areas such as BSA or consumer protection; the effects of future economic and political conditions; reputational risks from such failures or liabilities or other events; adverse weather or manmade events that may or may not be caused by climate change; governmental monetary and fiscal policies, as well as legislative and regulatory changes; the effects of competition from technological change and other commercial banks, thrifts, consumer finance companies, and other financial institutions operating in our market area and elsewhere; other factors disclosed in this Annual Report on Form 10-K, including, among others, those disclosed in Part I, Item 1A. “Risk Factors.” 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.

Item 1. Business

General

CenterState Bank Corporation (“We,” “Our,” “CenterState,” “CSFL,” or the “Company”) is a financial holding company incorporated in September 20, 1999 under the laws of the State of Florida. Through our national bank subsidiary, CenterState Bank, N.A. (“CenterState Bank” or the “Bank”), we provide a full range of consumer and commercial banking services to individuals, businesses and industries through our headquarters branch in Winter Haven, Florida and, as of December 31, 2019, a 149 bank branch network located throughout Florida, Georgia and Alabama, as well as one loan production office in Florida and one loan production office in Georgia. CenterState is among the largest Florida-based community banking organizations in terms of publicly available deposit data as of December 31, 2019.

We also operate, through our Bank, a correspondent banking and capital markets service division for over 650 small and medium sized community banks throughout the United States. Based primarily in Atlanta, Georgia and Birmingham, Alabama, this division earns commissions on fixed income security sales, fees from hedging services, loan brokerage fees and consulting fees for services related to these activities. The Bank also owns CBI Holding Company, LLC (“CBI”), which in turn owns Corporate Billing, LLC (“Corporate Billing”), a transaction-based finance company headquartered in Decatur, Alabama that provides factoring, invoicing, collection and accounts receivable management services to transportation companies and automotive parts and services providers throughout the United States and Canada.

We have grown primarily through a series of acquisitions, starting in June 2000 through 2019. Our most recent acquisitions include:

- Community Bank of South Florida, Inc. (“Community”), in March 2016, which added approximately $453 million in deposits;

- Hometown of Homestead Banking Company (“Hometown”), in March 2016, which added approximately $253 million in deposits;
- Platinum Bank Holding Company (“Platinum”), in April 2017, which added approximately $520 million in deposits;
- Gateway Financial Holdings of Florida, Inc. (“Gateway”) in May 2017, which added approximately $708 million in deposits;
- HCBF Holding Company, Inc. (“HCBF”), in January 2018, which added approximately $719 million in deposits;
- Sunshine Bancorp, Inc. (“Sunshine”), also in January 2018, which added approximately $1.8 billion in deposits;
- Charter Financial Corporation (“Charter”), in September 2018, which added approximately $1.3 billion in deposits; and
- National Commerce Corporation (“NCOM” or “NCC”), in April 2019, which added approximately $3.5 billion in deposits

On January 25, 2020, CenterState entered into an Agreement and Plan of Merger with South State Corporation (“South State”), a bank holding company headquartered in Columbia, South Carolina, which engages in the business of banking through South State Bank. South State Bank operates branches throughout South Carolina, North Carolina, Georgia and Virginia. The combined company will operate under the South State Bank name and will trade under the South State ticker symbol SSB on the Nasdaq stock market. The company will be headquartered in Winter Haven, Florida and will maintain a significant presence in Columbia and Charleston, South Carolina; Charlotte, North Carolina; and Atlanta, Georgia. Upon completion of the merger, which is subject to receipt of regulatory and shareholder approvals and other customary closing conditions, the combined company will have, on a pro forma basis, excluding purchase accounting adjustments, assets of $34 billion, deposits of $26 billion and loans of $24 billion.

In addition to the Bank, we own R4ALL, Inc. (“R4ALL”), which acquires and disposes troubled assets, and CSFL Insurance Corp. (“CSFL IC”), which operates a captive insurance subsidiary pursuant to section 831(b) of the U.S. Tax Code. National Commerce Risk Management, Inc. (“Risk Mgmt”), acquired from the NCOM transaction, was also a captive insurance subsidiary pursuant to Section 831(b) of the U.S. Tax Code, and it has since been dissolved.

At December 31, 2019, we had total consolidated assets of $17.1 billion, total consolidated loans of $12.0 billion, total consolidated deposits of $13.1 billion, and total consolidated shareholders’ equity of $2.9 billion.

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.

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 the tax, monetary and fiscal policies of the U.S. and state government and 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, including tax rates and regulatory structure. We face strong competition in the attraction of deposits (our primary source of lendable funds) and in the origination of loans. See “Competition.”

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, 2019 and 2018 were $12.0 billion, or 70% and $8.3 billion, or 68%, 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, 2019, approximately 83% of our consolidated loan portfolio consisted of loans secured by mortgages on real estate, 15% of the loan portfolio consisted of commercial loans (not secured by real estate) and 2% of our loan portfolio consisted of consumer and other loans.

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 made at adjustable interest rates. 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 consists primarily of loans to small-to-medium sized businesses located primarily in our market area 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 15% and 14% of our Company’s total loan portfolio as of December 31, 2019 and 2018, 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, 2019, approximately 52% of our total non-PCI (“Purchased Credit-Impaired”) loan portfolio is fixed rate, 23% is floating rate and 25% is variable rate other than floating.

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 employ shorter loan terms in order to reduce the risk of a decline in the value of such collateral.

In addition, we have a mortgage line of business which originates single-family home loans and sells a majority of those mortgages into the secondary market of which the majority are sold with servicing rights released. We also have a SBA 7(a) line of business whereby we routinely sell the government guaranteed portion of the SBA loans to investors with the unguaranteed portion of the loan and the servicing rights retained.

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

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, negotiable order of withdrawal or NOW, and money market deposit accounts to be core deposits. These accounts comprised approximately 83% and 81% of our consolidated total deposits at December 31, 2019 and 2018, respectively. Approximately 17% and 19% of our consolidated deposits at December 31, 2019 and 2018, respectively, were certificates of deposit. 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 10% of consolidated total deposits at December 31, 2019 and 2018. The majority of the deposits are generated from customers in the market areas where we conduct business. Generally, we do not solicit deposits on a national level. 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 available for sale investment debt securities portfolio was $1.9 billion and $1.7 billion at December 31, 2019 and 2018, respectively, representing 11% and 14% of our total consolidated assets. At December 31, 2019, approximately 94% of this portfolio was invested in U.S. government mortgage backed securities ("MBS"), specifically residential Fannie Mae, Freddie Mac and Ginnie Mae MBS. We have selected these types of investments because such securities generally represent what we believe to be a minimal investment risk. We do not own any private label MBSs. Approximately 5% or $93.9 million, 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 debt 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 shareholders' 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 2019, we sold approximately $227.2 million of these securities and recognized a net gain on the sales of approximately $25. In addition, we sold approximately $42.0 million of securities acquired from the purchase of NCOM on April 1, 2019. All of the acquired securities sold were collateralized loan obligation securities ("CLOs"). The CLOs were marked to fair value at acquisition and subsequently sold resulting in a loss of $5.

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 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 Statements of Income and Comprehensive Income." Securities purchased for this portfolio have primarily been municipal securities and are held for short periods of time. During 2019, we purchased approximately $194.8 million of securities for this portfolio and sold $191.6 million, recognizing a net realized gain on sale of approximately $133 thousand. At December 31, 2019, we had $5.0 million of securities in our trading portfolio.

Our held to maturity debt securities portfolio was $202.9 million and $216.8 million at December 31, 2019 and 2018, respectively, representing 1% and 2% our total consolidated assets. These securities had unrecognized net gains of approximately $5.9 million and unrecognized net losses of approximately $4.7 million, resulting in estimated fair values of $208.9 million and $212.2 million at December 31, 2019 and 2018, respectively. At December 31, 2019, approximately 35% of this portfolio is invested in MBS and 65% in municipal securities. 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

Our correspondent banking and capital markets segment operates as a division within our 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.

Acquisition Strategy

Our business growth, profitability and market share have been enhanced by us engaging in strategic mergers and acquisitions either within or contiguous to our existing footprint. Our acquisition strategy focuses on banking institutions that:

- are a good fit with our culture;
- are strategically attractive by enhancing our footprint, allowing for cost savings and economies of scale, or providing market diversification, or otherwise may be strategically compelling;
- have been determined to meet our risk appetite and profile; and
- meet our financial criteria.

We expect to continue to assess future opportunities of financial companies using these criteria, based on market and other conditions.

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.

The Bank provides item processing services and certain other information technology ("IT") services for itself 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, seeks to influence interest rates and the supply of money and credit within the United States. Among the traditional methods that have been used to achieve this objective are open market operations in U.S. government securities, changes in the discount rate for bank borrowings, expanded access to funds for non-banks and changes in reserve requirements against bank deposits. The Federal Reserve has, as a response to the financial crisis, steeply increased the size of its balance sheet by buying securities and has paid interest on excess reserves held by banks at the Federal Reserve. Both the traditional and more recent methods are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, interest rates on loans and securities, and rates paid for deposits. 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. Following a prolonged period in which the federal funds rate was stable or decreasing, the Federal Reserve began to increase this benchmark rate, but has more recently started to decrease the federal funds rate. In addition, since the period during which the Federal Reserve increased the size of its balance sheet substantially above historical levels through the purchase of debt securities, the Federal Reserve has started to vary the size of its balance sheet, which might also affect interest rates. Future monetary policies, including whether the Federal Reserve will increase or decrease the federal funds rate and whether or at what pace it will reduce or increase the size of its balance sheet, 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

We are extensively regulated under federal and state law. The following is a brief summary of certain aspects of that regulation which are material to us, and does not purport to be a complete description of all regulations that affect us or all aspects of those regulations. To the extent particular statutory and regulatory provisions are described, the description is qualified in its entirety by reference to the particular statute or regulation. 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. In addition to laws and regulations, bank regulatory agencies may issue policy statements, interpretive letters and similar written guidance applicable to the Company or the Bank. A change in applicable laws, regulations or regulatory guidance, or in the manner such laws, regulations or regulatory guidance 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 and customers, the deposit insurance fund and the U.S. banking and financial system rather than shareholders.

Both the scope of the laws and regulations and the intensity of the supervision to which we are subject have increased in recent years in response to the financial crisis, as well as other factors such as technological and market changes. As described in further detail below, the Company and the Bank have become subject to additional regulatory requirements as a result of the growth of their assets. Regulatory enforcement and fines have also increased across the banking and financial services sector. Many of these changes have occurred as a result of the Dodd-Frank Act Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") and its implementing regulations. While there have been some changes in the post financial crisis framework applicable to the Company, the Company expects that its business will remain subject to extensive regulation and supervision.

We are also subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, both as administered by the SEC, as well as the rules of Nasdaq that apply to companies with securities listed on the Nasdaq Global Select Market.

Regulation of the Company

We are registered as a bank holding company with the Federal Reserve under the Bank Holding Company Act of 1956 (the "BHC Act") and have elected to be a financial holding company. As a financial holding company, we are subject to comprehensive regulation, examination and supervision by the Federal Reserve and are subject to its regulatory reporting requirements. Federal law subjects financial holding companies, such as the Company, 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.

As a financial holding company, we are permitted to engage in, and be affiliated with companies engaging in, a broader range of activities than those permitted for a bank holding company. Bank holding companies are generally restricted to engaging in the business of banking, managing or controlling banks and certain other activities determined by the Federal Reserve to be closely related to banking. Financial holding companies may also engage in activities that are considered to be financial in nature, as well as those incidental or complementary to financial activities, including certain insurance underwriting activities. We and the Bank must each remain "well-capitalized" and "well-managed" and the Bank must receive a Community Reinvestment Act ("CRA") rating of at least "Satisfactory" at its most recent examination in order for us to maintain our status as a financial holding company. In addition, the Federal Reserve has the power to order a financial 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.

A financial holding company is required 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" has been defined 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 the depository institution (in this case the Office of the Comptroller of the Currency or "OCC") may require reports from the Company to assess its ability to serve as a source of strength and to enforce compliance with the source-of-strength requirements by requiring the holding company to provide financial assistance to the Bank if its capital were to become impaired. If the Company fails to provide such assistance within three months, it could be ordered to sell its stock of the Bank to cover the deficiency. Any capital loans by the Company to the Bank would be subordinate in right of payment to deposits and certain other debts of the Bank. In the event of the Company's bankruptcy, any commitment by the Company to a federal bank regulatory agency to maintain the capital of the Bank would be assumed by the bankruptcy trustee and entitled to a priority of payment.

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 additional bank or bank holding company, (ii) taking any action that causes an additional bank or bank holding company to become a subsidiary of the financial holding company, or (iii) merging or consolidating with any other bank holding company. The Federal Reserve may not approve any such 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 (1) the financial and managerial resources of the companies involved, including pro forma capital ratios; (2) the risk to the stability of the United States banking or financial system; (3) the convenience and needs of the communities to be served, including the companies' performance under the CRA; and (4) the effectiveness of the companies in combatting money laundering. We are permitted under applicable federal and state law to make out of state acquisitions and mergers of other banks and bank holding companies, subject to the requirements summarized above.

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 or a national 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, such as the Company, and the OCC before acquiring control of any national bank, such as the 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. As a result, a person or entity generally must provide prior notice to the Federal Reserve before acquiring the power to vote 10% or more of our outstanding common stock. Investors should be aware of these requirements when acquiring shares of our stock.

Regulation of the Bank

CenterState Bank is a national bank subject to comprehensive regulation, examination and supervision by the OCC and is subject to its regulatory reporting requirements. The deposits of the Bank are insured by the FDIC 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 certain Federal Reserve regulations. These 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; the disclosure of the costs and terms of such credit, requirements to maintain reserves against deposits and loans, limitation on the types of investment that may be made and requirements governing risk management practices.

The Bank also is subject to restrictions on its ability to lend to and engage in other transactions with the Company and the Bank's other affiliates. Under these provisions, individual loans or other extensions of credit between the Bank and the Company or any nonbank affiliate generally are limited to 10% of the Bank's capital and surplus, and all such transactions between the Bank and either the Company or any nonbank affiliate are limited to 20% of the Bank's capital and surplus. Loans and other extensions of credit from the Bank to any affiliate generally are required to be secured by eligible collateral in specified amounts. In addition, any transaction between the Bank and any affiliate are required to be on arm's length terms and conditions. The definition of "extension of credit" for these purposes includes credit exposures arising from a derivative transaction, a repurchase or reverse repurchase agreement and a securities lending or borrowing transaction.

Federal banking laws also place similar restrictions on loans and other extensions of credit by FDIC-insured banks, such as the Bank, to their directors, executive officers and principal shareholders. These restrictions have not had a material impact on the Company or the Bank.

Federal Reserve rules require depository institutions, such as the Bank, to maintain reserves against their transaction accounts, primarily NOW and regular checking accounts. For 2019, the first $16 million of covered balances are exempt from the reserve requirement, aggregate balances between $16 million and $122.3 million are subject to a 3% reserve requirement and aggregate balances above $122.3 million are subject to a 10% reserve requirement. These reserve requirements are subject to annual adjustment by the Federal Reserve.

The Bank is permitted under federal law to branch on a de novo basis across state lines where the laws of that state would permit a bank chartered by that state to open a de novo branch.

Supervision, Examination and Enforcement

The Federal Reserve, OCC and FDIC have broad supervisory, examination and enforcement authority with regard to bank holding companies and banks, including the power to impose nonpublic supervisory agreements, issue cease and desist or removal orders, impose fines and other civil and criminal penalties, initiate injunctive actions, terminate deposit insurance and appoint a conservator or receiver. In general, these actions may be initiated for violations of laws and regulations, as well as engagement in unsafe and unsound practices, and certain of these actions also may be taken against an "institution affiliated party" as defined in the law. Specifically, the regulators may direct a bank holding company or bank to, among other things, increase its capital, sell subsidiaries or other assets, limit its dividends and distributions, restrict its growth or remove officers and directors. Supervision and examinations are confidential, and the outcomes of these actions may not be made public.

Changes to our Regulation and Supervision in Crossing $10 Billion in Assets Threshold

Effective July 1, 2019, which was the date following the fourth consecutive quarter (plus any applicable phase-in period) in which the Company or the Bank's total consolidated assets exceeded that $10 billion threshold, certain changes occurred in our supervision:

- The calculation of the Bank's FDIC deposit insurance assessment base changed, which utilizes the performance score and a loss-severity score system as summarized under "FDIC Insurance Assessments."
- The Consumer Financial Protection Bureau ("CFPB") became our supervisor and examiner with respect to consumer protection laws and regulations. Prior to July 1, 2019, the Bank was subject to regulations adopted by the CFPB, but the OCC was primarily responsible for examining our compliance with consumer protection laws and regulations.

In addition, beginning on July 1, 2019, the Bank became subject to the cap on debit card interchange fees imposed by the so-called Durbin Amendment. Under the Durbin Amendment and the Federal Reserve's implementing regulations, bank issuers who are not exempt may only receive an interchange fee from merchants that is reasonable and proportional to the cost of clearing the transaction. The maximum permissible interchange fee is equal to no more than $0.21 plus 5 basis points of the transaction value for many types of debit interchange transactions. A debit card issuer may also recover $0.01 per transaction for fraud prevention purposes if the issuer complies with certain fraud-related requirements required by the Federal Reserve. In addition, the Federal Reserve has rules governing routing and exclusivity that require issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product. The impact of this change reduced the Bank's fee income by approximately $6.2 million in year 2019 and is expected to reduce by $12.4 million annually, afterwards.

FDIC Insurance Assessments and Depositor Preference

The deposits of the Bank are insured by the FDIC up to the limits under applicable law, which currently are set at $250,000 for accounts under the same name and title. The Bank is subject to deposit insurance premium assessments. The FDIC imposes a risk-based deposit premium assessment system. Under this system, the assessment rates for an insured depository institution vary according to the level of risk incurred in its activities. To arrive at an assessment rate for a banking institution, the FDIC places it in one of four risk categories determined by reference to its capital levels and supervisory ratings. In the case of those institutions in the lowest risk category, the FDIC further determines its assessment rate based on certain specified financial ratios or, if applicable, long-term debt ratings. The assessment rate schedule can change from time to time, at the discretion of the FDIC, subject to certain limits. Under the current system, premiums are assessed quarterly. The FDIC has published guidelines on the adjustment of assessment rates for certain institutions. In addition, insured depository institutions have been required to pay a pro rata portion of the interest due on the obligations issued by the Financing Corporation to fund the closing and disposal of failed thrift institutions by the Resolution Trust Corporation.

The assessment base on which the Bank's deposit insurance premiums is paid to the FDIC was previously calculated based on its average consolidated total assets less its average equity. However, effective as of July 1, 2019, the FDIC uses a performance score and loss-severity score to calculate the Bank's initial FDIC assessment rate. In calculating these scores, the FDIC uses the Bank's capital level and regulatory supervisory ratings and certain financial measures to assess the Bank's ability to withstand asset-related and funding related stress, and make certain adjustments based on risk factors that are not adequately captured in these calculations.

Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by a bank's federal regulatory agency. Deposits and certain claims for administrative expenses and employee compensation against insured depository institutions are afforded a priority over other general unsecured claims against the institution, including federal funds and letters of credit, in the liquidation or other resolution of that institution by any receiver appointed by federal authorities. These priority creditors include the FDIC.

Dividend Restrictions

The Company is a legal entity separate and distinct from its banking and other subsidiaries and has in the past relied on dividends from the Bank as its primary source of liquidity. There are limitations on the payment of dividends by the Bank to the Company, as well as by the Company to its shareholders.

The OCC has the general authority to limit the dividends paid by the Bank if such payment may be deemed to constitute an unsafe and unsound practice. The 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, such as the 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.

We and the Bank must maintain the applicable common equity Tier 1 ("CET1") capital conservation buffer of 2.5% to avoid becoming subject to restrictions on capital distributions, including dividends. For more information on the CET1 capital conservation buffer, see Part I Item 1. Supervision and Regulation – Capital Requirements.

In addition, Federal Reserve policy provides that bank holding companies, such as the Company, should generally pay dividends to shareholders only if (i) the organization's net income available to common shareholders over the past year has been sufficient to fully fund the dividends; (ii) the prospective rate of earnings retention appears consistent with the organization's capital needs, asset quality and overall financial condition; and (iii) the organization will continue to meet minimum capital adequacy ratios. The policy also provides that a bank holding company should inform the Federal Reserve reasonably in advance of declaring or paying a dividend that exceeds earnings for the period for which the dividend is being paid or that could result in a material adverse change to the bank holding company's capital structure. Bank holding companies also are required to consult with the Federal Reserve before increasing dividends or redeeming or repurchasing capital instruments. Additionally, the Federal Reserve could prohibit or limit the payment of dividends by a bank holding company if it determines that payment of the dividend would constitute an unsafe or unsound practice.

Capital Requirements

We are required under federal law to maintain certain minimum capital levels at each of the Company and the Bank. The federal banking agencies have issued substantially similar risk-based and leverage capital requirements to banking organizations they supervise. Under these requirements, the Company and the Bank are required to maintain certain capital standards based on ratios of capital to total assets and capital to risk-weighted assets. The requirements also define the weights assigned to assets and off-balance sheet items to determine the risk-weighted asset components of the risk-based capital rules. The required capital ratios are minimums, and the Federal Reserve and OCC may determine that a banking organization, based on its size, complexity or risk profile, must maintain a higher level of capital in order to operate in a safe and sound manner. Risks such as concentration of credit risks and the risk arising from non-traditional activities, as well as the institution's exposure to a decline in the economic value of its capital due to changes in interest rates, and an institution's ability to manage those risks are important factors that are to be taken into account by the federal banking agencies in assessing an institution's overall capital adequacy.

Under the applicable capital rules, the Company and the Bank are subject to the following risk-based capital ratios: a CET1 risk-based capital ratio, a Tier 1 risk-based capital ratio, which includes CET1 and additional Tier 1 capital, and a total capital ratio, which includes Tier 1 and Tier 2 capital. CET1 is primarily comprised of the sum of common stock instruments and related surplus net of treasury stock, retained earnings, and certain qualifying minority interests, less certain adjustments and deductions, including with respect to goodwill, intangible assets, mortgage servicing assets and deferred tax assets subject to temporary timing differences. Additional Tier 1 capital is primarily comprised of noncumulative perpetual preferred stock, tier 1 minority interests and grandfathered trust preferred securities. Because the Company exceeded $15 billion in assets upon completion of its merger with NCC, the Company's trust preferred securities no longer qualify as Tier 1 capital.

Tier 2 capital consists of instruments disqualified from Tier 1 capital, including qualifying subordinated debt, other preferred stock and certain hybrid capital instruments, and a limited amount of loan loss reserves up to a maximum of 1.25% of risk-weighted assets, subject to certain eligibility criteria. For institutions, such as us, that have exercised an opt-out election regarding the treatment of accumulated other comprehensive income ("AOCI"), up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair market values are also included in Tier 2 capital. The capital rules also define the risk-weights assigned to assets and off-balance sheet items to determine the risk-weighted asset components of the risk-based capital rules, including, for example, "high volatility" commercial real estate, past due assets, structured securities and equity holdings.

In addition, in December 2018, the U.S. federal banking agencies finalized rules that would permit bank holding companies and banks to phase-in, for regulatory capital purposes, the day-one impact of the new current expected credit loss accounting rule on retained earnings over a period of three years. For further discussion of the new current expected credit loss accounting rule, see Note 1 of the "Notes to Consolidated Financial Statements."

The capital rules require a minimum CET1 risk-based capital ratio of 4.5%, a minimum overall Tier 1 risk-based capital ratio of 6.0%, and a total risk-based capital ratio of 8.0%. In addition, the capital rules require a capital conservation buffer of 2.5% above each of the minimum capital ratio requirements (CET1, Tier 1, and total risk-based capital), which must be met for a bank or bank holding company to be able to pay dividends, engage in share buybacks or make discretionary bonus payments to executive management without restriction. This capital conservation buffer was phased in over a four-year period that began on January 1, 2016, was 1.25% as of January 1, 2017, 1.875% as of January 1, 2018, and is 2.50% as of January 1, 2019, so that a banking organization now needs to maintain a CET1 capital ratio of at least 7%, a total Tier 1 capital ratio of at least 8.5% and a total risk-based capital ratio of at least 10.5% or it would be subject to restrictions on capital distributions and discretionary bonus payments to its executive management.

The leverage capital ratio, which serves as a minimum capital standard, is the ratio of Tier 1 capital to quarterly average total assets, less goodwill and other disallowed intangible assets. The required minimum leverage ratio for all banks and bank holding companies is 4%.

To be well-capitalized, the Bank must maintain the following capital ratios:

- CET1 risk-based capital ratio of 6.5% or greater;
- Tier 1 risk-based capital ratio of 8.0% or greater;
- Total risk-based capital ratio of 10.0% or greater; and
- Tier 1 leverage ratio of 5.0% or greater.

The Federal Reserve has not yet revised the well-capitalized standard for bank holding companies to reflect the higher capital requirements imposed under the current capital rules. For purposes of the Federal Reserve's Regulation Y, including determining whether a bank holding company meets the requirements to be a financial holding company, bank holding companies, such as the Company, must maintain a Tier 1 risk-based capital ratio of 6.0% or greater and a total risk-based capital ratio of 10.0% or greater to be well-capitalized. If the Federal Reserve were to apply the same or a very similar well-capitalized standard to bank holding companies as that applicable to the Bank, the Company's capital ratios as of December 31, 2019 would exceed such revised well-capitalized standard. The Federal Reserve may require bank holding companies, including the Company, to maintain capital ratios substantially in excess of mandated minimum levels, depending upon general economic conditions and a bank holding company's particular condition, risk profile and growth plans.

Failure to be well-capitalized or to meet minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have an adverse material effect on our operations or financial condition. For example, only a well-capitalized depository institution may accept brokered deposits without prior regulatory approval. Failure to be well-capitalized or to meet minimum capital requirements could also result in restrictions on the Company's or the Bank's ability to pay dividends or otherwise distribute capital or to receive regulatory approval of applications or other restrictions on its growth.

As of December 31, 2019 the Company's and the Bank's regulatory capital ratios were above the well-capitalized standards and met the fully phased-in capital conservation buffer. Please refer to the table below for a summary of the Company's and the Bank's regulatory capital ratios as of December 31, 2019 and 2018, calculated using the regulatory capital methodology applicable to us during 2019.

		Minimum Regulatory Capital Ratio	Minimum Ratio + Capital Conservation Buffer (1)	Well-Capitalized Minimums (2)	Actual	Capital Above Minimums (3)
As of December 31, 2019						
Tier 1 leverage ratio	Consolidated	4.00%	N/A	N/A	9.74%	$ 916,890
	Bank	4.00%	N/A	5.00%	10.21%	$ 831,741
CET1 risk-based capital ratio . . .	Consolidated	4.50%	7.000%	N/A	11.34%	$ 595,489
	Bank	4.50%	7.000%	6.50%	11.88%	$ 669,926
Tier 1 risk-based capital ratio . .	Consolidated	6.00%	8.500%	6.00%	11.34%	$ 389,717
	Bank	6.00%	8.500%	8.00%	11.88%	$ 464,190
Total risk-based capital ratio . . .	Consolidated	8.00%	10.500%	10.00%	12.19%	$ 232,510
	Bank	8.00%	10.500%	10.00%	12.18%	$ 230,528
As of December 31, 2018						
Tier 1 leverage ratio	Consolidated	4.00%	N/A	N/A	10.04%	$ 687,898
	Bank	4.00%	N/A	5.00%	9.99%	$ 567,921
CET1 risk-based capital ratio . . .	Consolidated	4.50%	6.375%	N/A	11.86%	$ 510,855
	Bank	4.50%	6.375%	6.50%	12.21%	$ 532,000
Tier 1 risk-based capital ratio . .	Consolidated	6.00%	7.875%	6.00%	12.27%	$ 409,565
	Bank	6.00%	7.875%	8.00%	12.21%	$ 392,312
Total risk-based capital ratio . . .	Consolidated	8.00%	9.875%	10.00%	12.70%	$ 251,300
	Bank	8.00%	9.875%	10.00%	12.64%	$ 245,828

(1) Reflects the capital conservation buffer of 2.5% applicable during 2019.
(2) Reflects the well-capitalized standard applicable to the Bank and the well-capitalized standard applicable to the Company under Federal Reserve Regulation Y.
(3) Amount greater than the highest of the minimum regulatory capital ratio, the minimum regulatory capital ratio plus the capital conservation buffer and the well-capitalized minimum, as applicable.

Safety and Soundness Guidelines

The federal banking agencies have adopted guidelines prescribing safety and soundness standards relating to internal controls, risk management, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth and compensation, fees and benefits. These guidelines in general require appropriate systems and practices to identify and manage specified risks and exposures. The guidelines prohibit excessive compensation as an unsafe and unsound practice and characterize compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer or employee, director or principal shareholder. In addition, the agencies have adopted regulations that authorize but do not require an agency to order an institution that has been given notice by the agency that it is not in compliance with any of the safety and soundness standards to submit a compliance plan. If after being so notified, an institution fails to submit an acceptable compliance plan, the agency must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types, including those that may limit growth or capital distributions.

Lending Standards and Guidance

The federal banking agencies have adopted uniform regulations prescribing standards for extensions of credit that are secured by liens or interests in real estate or made for the purpose of financing permanent improvements to real estate. Under these regulations, all insured depository institutions, such as the Bank, must adopt and maintain written policies establishing appropriate limits and standards for extensions of credit that are secured by liens or interests in real estate or are made for the purpose of financing permanent improvements to real estate. These policies must establish loan portfolio diversification standards, prudent underwriting standards (including loan-to-value limits) that are clear and measurable, loan administration procedures, and documentation, approval and reporting requirements. The real estate lending policies must reflect consideration of the federal bank regulators' Interagency Guidelines for Real Estate Lending Policies.

The federal banking agencies have also jointly issued guidance on "Concentrations in Commercial Real Estate Lending" (the "Guidance"), which 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. If a concentration is present, management must employ heightened risk management practices that address key elements, including board and management oversight and strategic planning, portfolio management, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing, and maintenance of increased capital levels as needed to support the level of commercial real estate lending. The required heightened risk management practices 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 states that the following metrics may indicate a concentration of commercial real estate loans, but that these metrics are neither limits nor a safe harbor: (1) total reported loans for construction, land development, and other land represent 100% or more of total risk-based capital; or (2) total reported loans secured by multi-family properties, non-farm non-residential properties (excluding those that are owner-occupied), and loans for construction, land development, and other land represent 300% or more of total risk-based capital and the bank's commercial real estate loan portfolio has increased 50% or more during the prior 36 months. As of December 31, 2019, our total reported loans for construction, land development, and other land were 63% of the Bank's total risk based capital and our total reported loans secured by multifamily and non-farm nonresidential properties and loans for construction, land development, and other land were 289% of the Bank's total risk based capital.

Consumer Protection Laws

The Bank is subject to a number of federal laws designed to protect its customers. These consumer protection laws apply to a broad range of our activities and to various aspects of our business and include laws relating to interest rates, fair lending, disclosures of credit terms and estimated transaction costs to consumer borrowers, debt collection practices, the use of and the provision of information to consumer reporting agencies, and the prohibition of unfair, deceptive or abusive acts or practices in connection with the offer, sale or provision of consumer financial products and services. Administration of many of these consumer protection rules are the responsibility of the CFPB, which has exclusive supervisory authority over insured depository institutions with more than $10 billion in total assets and any affiliates thereof. The CFPB also has authority to define and prevent unfair, deceptive and abusive practices in the consumer financial area, and expanded data collecting powers for purposes of determining bank compliance with the fair lending laws. Because our insured depository institution, the Bank, has had less than $10 billion in total assets, we have been supervised in these areas by the OCC. The CFPB became our exclusive supervisor in these areas following the fourth consecutive quarter where the Bank's total assets exceed $10 billion or as of the second quarter of 2019.

The CFPB has promulgated many mortgage-related final rules, including rules related to the ability to repay and qualified mortgage standards, mortgage servicing standards, loan originator compensation standards, high-cost mortgage requirements, Home Mortgage Disclosure Act requirements and appraisal and escrow standards for higher priced mortgages. In addition, several proposed revisions to mortgage-related rules are pending finalization. The mortgage-related final rules issued by the CFPB have materially restructured the origination, servicing and securitization of residential mortgages in the United States. These rules have impacted, and will continue to impact, the business practices of mortgage lenders, including the Company. For example, under the CFPB's Ability to Repay and Qualified Mortgage rule, before making a mortgage loan, a lender must establish that a borrower has the ability to repay the mortgage. "Qualified mortgages", as defined in the rule, are presumed to comply with this requirement and, as a result, present less litigation risk to lenders. For a loan to qualify as a qualified mortgage, the loan must satisfy certain limits on terms and conditions, pricing and a maximum debt-to-income ratio. Loans eligible for purchase, guarantee or insurance by a government agency or government-sponsored enterprise are exempt from some of these requirements. Satisfying the qualified mortgage standards, ensuring correct calculations are made for individual loans, recordkeeping and monitoring, as well as understanding the effect of the qualified mortgage standards on CRA obligations, impose significant new compliance obligations on, and involve compliance costs for, mortgage lenders, including the Company.

Community Reinvestment Act

The CRA requires the appropriate federal banking agency, in connection with its examination of a bank, to assess the bank's record in meeting the credit needs of the communities served by the institution, including low and moderate income neighborhoods. Furthermore, the relevant federal bank regulatory agency is required to consider a bank's CRA assessment when considering the bank's application to, among other things, merge or consolidate with or acquire the assets or assume the liabilities of an insured depository institution or open or relocate a branch office. In the case of a bank holding company, the Federal Reserve Board is required to assess the CRA record of each subsidiary bank of any bank holding company that applies to acquire a bank or bank holding company in connection with the application. Under the CRA, institutions are assigned a rating of "outstanding," "satisfactory," "needs to improve," or "unsatisfactory." The Bank received an "outstanding" rating at its most recent CRA evaluation.

Leaders of the federal banking agencies recently have indicated their support for revising the CRA regulatory framework, and in December 2019, the OCC and FDIC issued a joint proposed rule that would amend the CRA regulatory framework. It is too early to tell whether and to what extent any changes will be made to applicable CRA requirements.

Anti-Money Laundering Rules

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 ("AML") program and file suspicious activity and currency transaction reports when appropriate. Among other things, these laws and regulations require the Bank to take steps to prevent the use of the Bank to facilitate the flow of illegal or illicit money, to report large currency transactions and to file suspicious activity reports. The Bank also is required to develop and implement a comprehensive AML compliance program. Banks must also have in place appropriate "know your customer" policies and procedures.

Violations of these requirements can result in substantial civil and criminal sanctions, and the federal banking agencies are required to consider the effectiveness of a financial institution's AML activities when reviewing bank mergers and bank holding company acquisitions. 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, CFPB, Drug Enforcement Administration, and Internal Revenue Service.

OFAC Regulation

The Office of Foreign Assets Control or OFAC is responsible for administering economic sanctions that affect transactions with designated foreign countries, nationals and others, as defined by various Executive Orders and in various legislation. OFAC-administered sanctions take many different forms. For example, sanctions may include: (1) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on U.S. persons engaging in financial transactions relating to, making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (2) a blocking of assets in which the government or "specially designated nationals" of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction, including property in the possession or control of U.S. persons. OFAC also publishes lists of persons, organizations and countries suspected of aiding, harboring or engaging in terrorist acts, known as Specially Designated Nationals and Blocked Persons. Blocked assets, for example property and bank deposits, cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. 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. Failure to comply with these sanctions could have serious legal and reputational consequences.

Data Privacy

Federal and state law contains extensive consumer privacy protection provisions. The Gramm-Leach-Bliley Act of 1999 requires financial institutions to periodically disclose their privacy policies and practices relating to sharing such information and enables retail customers to opt out of our ability to share information with unaffiliated third parties under certain circumstances. Other federal and state laws and regulations impact our ability to share certain information with affiliates and non-affiliates for marketing and/or non-marketing purposes, or to contact customers with marketing offers. The Gramm-Leach-Bliley Act also requires financial institutions to implement a comprehensive information security program that includes administrative, technical and physical safeguards to ensure the security and confidentiality of customer records and information. These security and privacy policies and procedures for the protection of personal and confidential information are in effect across all businesses and geographic locations. Federal law also makes it a criminal offense, except in limited circumstances, to obtain or attempt to obtain customer information of a financial nature by fraudulent or deceptive means.

Data privacy and data protection are areas of increasing state legislative focus. For example, in June of 2018, the Governor of California signed into law the California Consumer Privacy Act of 2018 ("CCPA"). The CCPA, which became effective on January 1, 2020, applies to for-profit businesses that conduct business in California and meet certain revenue or data collection thresholds. The CCPA will give consumers the right to request disclosure of information collected about them, and whether that information has been sold or shared with others, the right to request deletion of personal information (subject to certain exceptions), the right to opt out of the sale of the consumer's personal information, and the right not to be discriminated against for exercising these rights. The CCPA contains several exemptions, including that many, but not all, requirements of the CCPA are inapplicable to information that is collected, processed, sold, or disclosed pursuant to the Gramm-Leach-Bliley Act. The California State Legislature has amended the Act since its passage, which the Governor has signed into law, and the California Attorney General has proposed regulations implementing the CCPA that have not yet been adopted. Because our correspondent division has an office in California, we are in the process of changing our data collection and retrieval processes to comply with the CCPA. In addition, similar laws may be adopted by other states where we do business. The federal government may also pass data privacy or data protection legislation.

Like other lenders, the Bank uses credit bureau data in their underwriting activities. Use of such data is regulated under the Fair Credit Reporting Act, which also regulates reporting information to credit bureaus, prescreening individuals for credit offers, sharing of information between affiliates, and using affiliate data for marketing purposes. Similar state laws may impose additional requirements on us and our subsidiaries.

Future Legislation and Regulation

Banking statutes, regulations and policies are continually under review by Congress, state legislatures and federal and state regulatory agencies. In addition to laws and regulations, state and federal bank regulatory agencies may issue policy statements, interpretive letters and similar written guidance applicable to us and our subsidiaries. We cannot predict the substance or impact of pending or future legislation or regulation or the application of those laws or regulations, although enactment of any significant proposal could affect how we operate and could significantly increase our costs, impede the efficiency of internal business processes or limit our ability to pursue business opportunities in an efficient manner, any of which could materially and adversely affect our business, financial condition and results of operations.

Competition

We encounter strong competition both in making loans and in attracting deposits. In one or more aspects of its business, our Company competes with other local, regional and national financial service providers, including commercial banks, savings and loan associations, credit unions, finance companies, mutual funds, insurance companies, brokerage and investment banking companies, and other financial intermediaries located both within and outside our market area. 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.

Technological advances have made it possible for our non-bank competitors to offer products and services that traditionally were banking products and for financial institutions and other companies to provide electronic and internet-based financial solutions, including online deposit accounts, electronic payment processing and marketplace lending, without having a physical presence where their customers are located. 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, 2019, we had a total of 2,756 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

We make available at no cost all of our reports filed electronically with the United States Securities and Exchange Commission ("SEC"), including our Annual Report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and the annual proxy statement, as well as amendments to those reports, through our website at www.centerstatebanks.com. These filings are also accessible on the SEC's website at www.sec.gov.

We also will provide without charge a copy of our Annual Report on Form 10-K to any shareholder by mail. Requests should be sent to CenterState Bank Corporation, Attention: Corporate Secretary, 1101 1st Street South, Winter Haven, FL 33880.

We have adopted a Code of Ethics, which is available on our website at www.centerstatebanks.com under Investor Relations/Governance Documents, and encourage our employees to take initiative and be responsible for their actions. The importance of maintaining our culture and communicating our core values to our stakeholders, including our employees and mentoring and training our employees as we grow is such that in 2018 we established a Board Culture Committee, designed to tap the expertise and leadership experience of two Board members who are expert in employee engagement, training and brand development in developing a service oriented culture, committed to employee diversity, recruitment, training and motivation. We also have adopted a formal corporate governance policy, a copy of which is available on our website at www.centerstatebanks.com.

Item 1A. Risk Factors

An investment in our common stock is subject to risks inherent in our business. The following discussion highlights the risks that management believes are material for our Company, but do not necessarily include all the risks that we may face. You should carefully consider the risk factors and uncertainties described below and elsewhere in this Annual Report on Form 10-K ("Report") in evaluating an investment in our common stock.

Risks relating to our Business and Business Strategy

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. Our ability to continue to grow successfully will depend on a variety of factors including economic conditions in the markets in which we operate as well as in the U.S. and globally, continued availability of desirable business opportunities, the competitive responses from other financial and non-financial institution competitors 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 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 and other resources and internal systems in place to successfully manage our future growth, and we are expanding those resources and systems as we continue to grow, 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. Particularly in light of prevailing economic and competitive 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.

We may face risks with respect to future expansion.

Our business growth, profitability and market share has been enhanced by us engaging in strategic mergers and acquisitions and de novo branching either within or contiguous to our existing footprint. We may acquire other financial institutions or parts of those institutions in the future and engage in additional de novo branching. We may also consider and enter into or acquire new lines of business or offer new products or services and through new sales channels, such as on-line and mobile banking. As part of our acquisition strategy, we seek companies that are culturally similar to us, have experienced management and are in markets in which we operate or close to those markets so we can achieve economies of scale. We have entered into an Agreement and Plan of Merger with South State to engage in a so-called "merger of equals." 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 also face litigation risks with respect to potential mergers and acquisitions. Such litigation is common, and we expect to face litigation risks with respect to our proposed merger with South State.

We expect to continue to evaluate merger and acquisition opportunities that are presented to us in our current and expected markets and expected markets and conduct due diligence related to those opportunities, as well as negotiate to acquire or merge with other institutions. If we announce a transaction, we may issue equity securities, including common stock and securities convertible into shares of our common stock in connection with future acquisitions. We also may issue debt to finance one or more transactions, including subordinated debt issuances. Generally, acquisitions of financial institution involve the payment of a premium over book and market values, resulting in dilution of our book value and fully diluted earnings per share, as well as dilution to our existing shareholders. 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 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 increased revenues comparable to or better than our historical experience, and failure to. realize such expected revenue increases, cost savings, increases in market presence or other benefits could have a material adverse effect on our financial conditions and results of operations.

We face risks related to our proposed merger with South State.

The Company and South State have operated and, until the completion of their proposed merger, will continue to operate, independently. The success of the merger, including anticipated benefits and cost savings, will depend, in part, on our and South State's ability to successfully combine and integrate our businesses in a manner that permits growth opportunities and does not materially disrupt the existing customer relations or result in decreased revenues due to loss of customers. It is possible that the integration process could result in the loss of key employees, the disruption of either company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the combined company's ability to maintain relationships with customers, depositors, clients and employees or to achieve the anticipated benefits and cost savings of the merger. If the combined companies experience difficulties with the integration process, the anticipated benefits of the merger may not be realized fully or at all, or may take longer to realize than expected.

We may have difficulty attracting and retaining key personnel until the proposed merger is complete, which could cause customers to seek to discontinue or reduce their banking relationship with us. Some of our employees may experience uncertainty about their future roles with the combined company following the proposed merger with South State. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with us, our business could be harmed. In addition, subject to certain exceptions, we have agreed to operate our business in the ordinary course prior to the closing of the proposed merger with South State. This restriction may prevent us from pursuing certain business opportunities that may arise prior to completion of the merger.

We have incurred, and will continue to incur, substantial expenses in connection with the negotiation and completion of the transactions contemplated by the merger agreement with South State. If the merger is not completed, we would have to recognize these expenses without realizing the expected benefits of the merger. These circumstances could have an adverse effect on our business, results of operations and stock price.

Under the merger agreement, both us and South State have agreed not to, subject to certain exceptions generally related to their respective boards of directors' exercise of their fiduciary duties, as set forth in the merger agreement, initiate or solicit, or knowingly facilitate or knowingly encourage, inquiries or proposals with respect to, engage or participate in any discussions or negotiations concerning, or provide any confidential information relating to, certain alternative business combination transactions. In addition, the merger agreement contains certain termination rights for both the Company and South State. If the merger agreement is terminated under certain circumstances by the Company, including termination of the merger agreement to accept an alternative business combination transaction as permitted by and subject to the terms of the merger agreement, we would be required to pay South State a termination fee of $120.0 million, which could have an adverse impact on our financial condition. Further, these provisions might discourage a party that might have an interest in merging with us or acquiring all or a significant part of the Company from considering or proposing that merger or acquisition even if it were prepared to pay consideration with a higher per share price than that proposed in the merger, or might result in a potential competing merger partner or acquiror proposing to pay a lower per share price to acquire us than it might otherwise have proposed to pay.

Before the merger may be completed, we and South State must obtain approvals from the Federal Reserve and OCC. Other approvals, waivers or consents from regulators may also be required. These regulators may impose conditions on the completion of the merger or require changes to the terms of the merger. Although we and South State do not currently expect that any such conditions or changes would be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying or preventing completion of the merger or imposing additional costs on or limiting the revenues of the combined company following the merger, any of which might have an adverse effect on the combined company following the merger.

Before the merger may be completed, the Company and South State must obtain the requisite approval of their respective shareholders. There is no assurance that these approvals will be obtained.

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

While we seek continued organic growth, we anticipate continuing to evaluate merger and acquisition opportunities presented to us in our core markets and beyond. The number of financial institutions headquartered in Florida, Georgia, Alabama, or elsewhere in the Southeastern United States, and across the country continues to decline through merger and other activity. 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, as the number of appropriate merger targets decreases, could increase prices for potential acquisitions which could reduce our potential returns, and reduce the attractiveness of these opportunities to us. Also, acquisitions are subject to various regulatory approvals, including our proposed merger with South State. 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, risk management, regulatory compliance, including with respect to AML obligations, consumer protection laws and CRA obligations 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.

We may not be able to successfully integrate our latest mergers or to realize the anticipated benefits of them.

We completed the acquisitions of HCBF and Sunshine on January 1, 2018, completed the acquisition of Charter on September 1, 2018, and completed the acquisition of NCC on April 1, 2019. In addition, we entered into an Agreement and Plan of Merger with South State on January 25, 2020, which, if completed, would be the largest merger undertaken by CenterState as of this date. We integrated the systems of Sunshine in February 2018, the systems of Jefferson (which was previously acquired by HCBF) in April 2018, the systems of HCBF in May 2018, and the systems of Charter in February 2019. We also integrated the systems and operations of NCC, including by combining the executive management teams of CenterState and NCC in 2019.

A successful integration of these banks' operations with our operations so that the Company operates as one entity will depend substantially on our ability to successfully consolidate operations, management teams, corporate cultures, systems and procedures and to eliminate redundancies and costs. While we have substantial experience in successfully integrating institutions we have acquired, we may encounter difficulties during integration, such as:

- the loss of key employees and customers;
- the disruption of operations and businesses;
- inability to maintain and increase competitive presence;
- loan and deposit attrition, customer loss and revenue loss;
- inconsistencies in standards, control procedures and policies;
- unexpected issues with expected branch closures;
- unexpected issues with costs, operations, personnel, technology and credit; and/or
- problems with the assimilation of new operations, sites or personnel, which could divert resources from regular banking operations;

all of which could divert resources from regular banking operations. Additionally, general market and economic conditions or governmental actions affecting the financial industry generally may inhibit our successful integration of these entities.

In addition, the attention and effort devoted to the future integration of South State's operations with our operations, the integration of NCC with CenterState's existing operations, to the continued integration of Charter with CenterState, or to the continued integration of Landmark and Premier with NCC or the combined company, may divert management's attention away from one merger integration to another, or away from other important issues, each of which could seriously harm the combined company's business.

Further, we acquired HCBF, Sunshine and Charter, NCC and are proposing to merge with South State with the expectation that these mergers will result in various benefits including, among other things, benefits relating to enhanced revenues, a strengthened market position for the combined company, cross selling opportunities, technology, cost savings and operating efficiencies. Achieving the anticipated benefits of these mergers is subject to a number of uncertainties, including whether we integrate these institutions in an efficient and effective manner, and general competitive factors in the marketplace. Failure to achieve these anticipated benefits could result in a reduction in the price of our shares as well as in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy and could materially and adversely affect our business, financial condition and operating results.

The loss of any member of our management team may adversely affect us.

We have a management team that has substantial experience in banking and financial services in the markets we serve. We rely on our management team to achieve and sustain our profitability. Our future success and profitability are substantially dependent upon this management and banking abilities of our senior executives. Although we currently have employment agreements in place with our executive management team and our regional presidents, we cannot guarantee that our executives will remain with us. Changes in key personnel and their responsibilities may be disruptive to our business because of their skills, customer relationship and/or the potential difficulty of promptly replacing them with successors.

The continued implementation of our mortgage and SBA lines of business may subject us to additional risk.

We continued to build our mortgage line of business in 2019, and in so doing, invested significant time and resources to continue to expand the mortgage business within our market areas in both Florida and Georgia, including by acquiring additional teams of lenders, and in expanding our third party origination or TPO channel. We also continue to build our SBA business in 2019 by continuing to hire experienced SBA lenders and support personnel. Our price and profitability targets for these businesses may not prove feasible, due to unexpected delays in the continued implementation of these strategies, as well as external factors, such as compliance with regulations, competitive alternatives, changing tax rates and strategies, interest rates, economic conditions, and shifting market preferences, which could impact the profitability of these lines of business and have a material adverse effect on our businesses, and, in turn, our financial condition and results of operations.

The implementation of other new lines of business or new products and services may subject us to additional risk.

We continuously evaluate our service offerings and may implement new lines of business or offer new products and services within existing lines of business in new sales channels such as on-line and mobile banking in the future. There are substantial risks and uncertainties associated with these efforts. In developing and marketing new lines of business and/or new products and services, we undergo a new product process to assess the risks of and resources needed for the initiative, and invest significant time and resources to build internal controls, policies and procedures to mitigate those risks, including hiring experienced management to oversee the implementation of the initiative. Initial timetables for the introduction and development of new lines of business and/or new products or services and/or new sales channels may not be achieved and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business and/or a new product or service and/or sales channels. Furthermore, any new line of business and/or new product or service could require the establishment of new key and other controls and have a significant impact on our existing system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business and/or new products or services could have a material adverse effect on our business and, in turn, our financial condition and results of operations.

Our size and 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. These capital requirements disallow the Company's trust preferred securities from qualifying as Tier 1 capital once the Company exceeds $15 billion in assets, which the Company did upon completion of its merger with NCC. While we have successfully raised approximately $63 million in capital in January 2017, our ability to raise capital, if needed, in the future to meet capital requirements or otherwise 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 total consolidated assets increased to over $10 billion during 2018, which will reduce our revenue due to the Durbin Amendment limits on interchange, and increase our costs due to increased regulatory expectations and FDIC insurance assessment increases, and that will impact our earnings.

As of December 31, 2019, the Company and the Bank both had total assets of approximately $17 billion.

Beginning on July 1, 2019, the Bank became subject to certain limits on the amounts of interchange fees. In addition, as of July 1, 2019, the Bank became subject to a different calculation methodology for deposit insurance assessments, and the CFPB also became our federal supervisor with respect to federal consumer protection laws.

Anticipating that we would cross the $10 billion threshold, since 2017, we have expended and will continue to expend resources to meet increased regulatory expectations. Increased deposit insurance assessments could result in increased expense related to our use of deposits as a funding source. Likewise, a reduction in the amount of interchange fees we receive for electronic debit interchange has reduced our revenues.

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.

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

A substantial majority 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, declines in local economic conditions will adversely affect the values of our real estate collateral. Consequently, a decline in local economic conditions may have a greater effect on our earnings and capital than on the earnings and capital of other financial institutions whose real estate loan portfolios are more 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, 2019, approximately 83% 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.

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, 2019 and 2018 were $8.08 billion and $5.64 billion, respectively, or 68% and 69% 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. 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.

As a result, banking regulators 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 maintain higher capital levels and loss allowances. The Guidance states that the following metrics may indicate a concentration of commercial real estate loans, but that these metrics are neither limits nor a safe harbor:

1) total reported loans for construction, land development, and other land equal 100% or more of total risk based capital (as of December 31, 2019, our consolidated ratio was 63%); and
2) total reported loans secured by multifamily and non-farm nonresidential properties and loans for construction, land development, and other land equal 300% or more of total risk-based capital (as of December 31, 2019, our consolidated ratio was 289%).

Regulators may require 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 downturn in our local real estate markets. See Part I Item 1. “Supervision and Regulation – Lending Standards and Guidance” for further details on the Guidance.

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 profitability is vulnerable to interest rate fluctuations.

Our profitability depends substantially upon our net interest income. That net 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). Interest rates are highly sensitive to many factors, including governmental monetary policies and domestic and international economic and political conditions. Conditions such as inflation, deflation, recession, unemployment, money supply, and other factors beyond our control may also affect interest rates. In addition, during 2019, the Federal Reserve reduced and then increased the size of its balance sheet, which also affects interest rates.

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.

We have ongoing policies and procedures designed to manage the risks associated with changes in market interest rates, including prepayment risks, and we model expected customer behavior based on historical experience of other interest rate cycles. Notwithstanding these policies and procedures, our customers may not react to changes in interest rates in the same manner in which they historically have reacted, resulting in a larger outflow of deposits or a higher level of loan prepayments than we expect. Such reaction could require us to increase interest rates to retain or acquire deposits, or lower loan rates to retain or attract loans. In either case, our deposit costs may increase and our loan interest income may decline, either or both of which may have an adverse effect on our financial results.

The results of our most recent stress tests may not accurately predict the impact on our financial condition if the economy were to deteriorate.

We perform liquidity and capital stress testing on an annual basis and credit stress testing on a quarterly basis, using the economic data and stress testing assumptions provided by the regulators for the CCAR stress tests. Under the stress test, we estimate our loan losses (loan charge-offs), resources available to absorb those losses and any necessary additions to capital that would be required under the “more adverse” stress test scenario. The results of these stress tests involve many assumptions about the economy and future loan losses and default rates, and may not accurately reflect the impact on our financial condition if the economy were to deteriorate. Any deterioration of the economy could result in credit losses significantly higher, with a corresponding impact on our financial condition and capital, than those predicted by our internal stress test.

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, cybersecurity risk, corporate governance and legal risk, 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.

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 were discovered on any of these properties, we may be liable to governmental agencies or third parties for the full costs of remediation, as well as for related 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. Many environmental laws impose liability regardless of whether the Company knew of, or were responsible for, the contamination.

Changes in or an inadequate allowance for loan losses could increase volatility in 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. In June 2016, the FASB issued a new current expected credit loss rule, which will be effective for us in 2020 and which will change our accounting for credit losses by requiring us to record, at the time of origination, credit losses expected throughout the life of loans, held-to-maturity securities, and certain other assets and off-balance sheet credit exposures as opposed to the current practice of recording losses when it is probable that a loss event has occurred. Prior to the effective date, the Company formed a CECL committee and selected a third-party vendor to assist with implementation of the rule. Management decided on a discounted cash flow model, worked on internal controls, and built a qualitative framework. Based on the most recent analysis, we expect the allowance to loans ratio to increase by approximately 55 bps to 70 bps, which equates to a $65 to $84 million increase to the allowance, as a result of the adoption of CECL effective January 1, 2020. This increase includes the reclassification of the credit mark on Purchased Credit Deteriorated ("PCD") loans from loan discount to Allowance for Credit Losses ("ACL"). Excluding the reclassification of the credit mark on PCD loans, the increase to the allowance is estimated to be $48 to $67 million. In addition, the Company estimates a reserve for potential credit losses on unfunded commitments to be in the range of $5 to $10 million, which will be recorded as a liability. Based on these ranges, the impact to retained earnings, net of deferred taxes, for the increase in ACL, reserve for the unfunded commitments and expected credit losses on debt securities is estimated to be in the range of $40 to $58 million. These estimates on the potential impact of the adoption of CECL on the Company's financial statements are based on ongoing analyses, current expectations and forecasted economic conditions. The adoption of the CECL may result in more volatility in the Company's quarterly provision for credit losses and thus may result in earnings volatility. Further, 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.

The uncertainty in the amount and timing of the resolution of purchase impaired loans may create a negative impact on our profitability.

As required by applicable accounting standards, we have accounted for our purchased impaired loan portfolio under ASC 310-30, which requires us to periodically re-estimate the expected cash flow of these loans. Lower expected cash flow, whether due to changes in projected cash flow estimates, reduction in payoffs due to rising interest rates, increases in loss estimates, or defaults, may result in impairment of the carrying value of these loans. Any such impairment must be taken in the period in which the change in cash flow estimate occurs. Any such impairment will reduce our earnings and results of operations.

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.

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 core deposits, 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, a secured line of credit we have with NexBank, 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.

Uncertainty about the future of LIBOR may adversely affect our business.

In 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it intended to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis cannot be guaranteed after 2021. While there is no consensus on what rate or rates may become accepted alternatives to LIBOR, a group of large banks, the Alternative Reference Rate Committee (ARRC), selected and the Federal Reserve Bank of New York started in April 2018 to publish the Secured Overnight Finance Rate or SOFR as an alternative to LIBOR. SOFR is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities, given the depth and robustness of the U.S. Treasury repurchase market. Furthermore, the Bank of England has commenced publication of a reformed Sterling Overnight Index Average (SONIA), comprised of a broader set of overnight Sterling money market transactions, as of April 23, 2018. The SONIA has been recommended as the alternative to Sterling LIBOR by the Working Group on Sterling Risk-Free Reference Rates. At this time, it is impossible to predict whether SOFR and SONIA will become accepted alternatives to LIBOR.

The market transition away from LIBOR to an alternative reference rate, including SOFR or SONIA, is complex and could have a range of adverse effects on our business, financial condition and results of operations. In particular, any such transition could:

- adversely impact the value of LIBOR-based securities, including certain of our floating rate corporate debentures or our hedging instruments, or other securities or financial arrangements given LIBOR's role in determining market interest rates globally;
- although the Bank has implemented language in its hedging and loan documents to accommodate a change from LIBOR to an alternative pricing benchmark, including SOFR or SONIA, we may be required to make further changes to existing LIBOR-based products;
- prompt inquiries or other actions from regulators in respect of our preparation and readiness for the replacement of LIBOR with an alternative reference rate;
- result in disputes, litigation or other actions with counterparties regarding the interpretation and enforceability of certain fallback language in LIBOR-based securities; and
- require the transition and/or development of appropriate systems and analytics to effectively transition our risk management processes from LIBOR-based products to those based on the applicable alternative pricing benchmark, such as SOFR or SONIA.

The manner and impact of this transition, as well as the effect of these developments on our funding costs, loan and investment and trading securities portfolios, asset-liability management, and business, is uncertain.

Our business could suffer if we fail to maintain our culture and attract and retain skilled people.

Our success depends, in large part, on our ability to attract and retain competent, experienced people. Our strategic goals in particular require that we be able to attract qualified and experienced retail and commercial lending officers, mortgage loan officers, and SBA lenders in our existing markets as well as those markets in which we may want to expand who share our relationship banking philosophy and have those customer relationships that will allow us to successfully expand. We also need to attract and retain qualified and experienced technology, risk and back-office personnel to operate our business. Many of our competitors are pursuing the same relationship banking strategy in our markets, and also are looking to hire and retain qualified technology, risk and back-office personnel, which increases the competition to identify, hire and retain talented employees.

We have focused our strategic attention on our employees and our corporate culture, including enhancing our employee orientation, ongoing general and management training, mentoring and employee work environment as well as diversity and employee advancement. Our failure to maintain our culture and attractive working environment, through competitive compensation packages that reward initiative, as well as mentoring, training, and advancement opportunities in order to successfully compete for experienced, qualified employees may have an adverse effect on our ability to meet our financial goals and thus adversely affect our future results of operations.

If we are unable to offer our key management personnel long-term incentive compensation, including restricted stock units and performance share units, as part of their total compensation package, we may have difficulty retaining such personnel, which would adversely affect our operations and financial performance.

We have historically granted equity awards under an equity compensation plan, which includes granting performance share units and restricted stock awards or restricted stock units, to key management personnel as part of a competitive compensation package. Our ability to grant these awards has been vital to attracting, retaining and aligning shareholder interest with a talented management team in a highly competitive marketplace.

Shareholder advisory groups have implemented guidelines and issued voting recommendations related to how much equity companies should be able to grant to employees. The factors used to formulate these guidelines and voting recommendations include the volatility of a company's share price and are influenced by broader macro economic conditions that can change year to year. The variables used by shareholder advisory groups to formulate equity plan recommendations may limit our ability to adopt new equity plans in the future. In addition, the federal banking regulators have issued guidance on executive compensation and have also, along with the SEC, proposed rules that would prohibit certain incentive compensation arrangements. We do not believe that the guidance or proposal will impact our current compensation arrangements.

If we are limited in our ability to grant equity compensation awards, we would need to explore offering other compelling alternatives to supplement our compensation, including long term cash compensation plans or significantly increased short term cash compensation, in order to continue to attract and retain key management personnel. If we used these alternatives to long term equity awards, our compensation costs could increase and our financial performance could be adversely affected. If we are unable to offer key management personnel long term incentive compensation, including stock options, restricted stock or restricted stock units, or performance share units, as part of their total compensation package, we may have difficulty attracting and retaining such personnel, which would adversely affect our operations and financial performance.

We rely on the performance of highly skilled personnel and if we are unable to attract, retain, develop and motivate our human capital in the form of well-qualified employees, our business and results of operations could be harmed.

We believe our success has depended, continues to and in the future will, depend, on the efforts and talents of our management team and our highly skilled employees and workers. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. The loss of any of our senior management or key employees could materially and adversely affect our ability to build on the efforts that they have undertaken and to execute our business plan, and we may not be able to find adequate replacements. Despite our current efforts, we cannot ensure that we will be able to retain the services of any members of our senior management or other key employees. If we do not succeed in attracting well-qualified employees or developing, retaining and motivating our employees, our business and results of operations could be harmed.

Technological changes, including online and mobile banking, have the potential of disrupting our business model, 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, including mobile and online banking services. Changes in customer behaviors have increased the need to offer these options to our customers. 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 invest in and use technology to provide products and services that provide convenience to customers and to create additional efficiencies in operations. One of our strategic goals is to continue to focus on technological change and digital transformation of our product and service channels, which will impact how we deliver our products and services in the future. We will need to make significant additional capital investments in technology to achieve this strategic goal, and we may not be able to effectively implement new technology-driven products and services in a timely manner in response to changes in customer behaviors, thus adversely impacting our operations. Many competitors have substantially greater resources to invest in technological improvements than the Company.

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

Third parties provide key components of our business infrastructure, such as our loan and deposit documents, underwriting software, compliance software, product and service offerings, core 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 our clients and otherwise to conduct business. Technological or financial difficulties of one or our third party service providers or their sub-contractors could adversely affect our business to the extent those difficulties result in the interruption or discontinuation of services provided by that party. In addition, one or more of our third party service providers may become subject to cyber-attacks or information security breaches that could result 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. While we have processes in place to monitor our third party service providers' data and information security safeguards, we do not control such service providers' day to day operations and a successful attack or security breach at one or more of such third party service providers is not within our control. The occurrence of any such breaches or failures 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. 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, third party breaches, or other disruptions. Failures in our business structure or in the structure of one or more of our third party service providers 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.

The potential for operational risk exposure exists throughout our business and, as a result of our interactions with, and reliance on, third parties, is not limited to our own internal operational functions. 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 data security, 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.

We rely on our employees and third parties in our day-to-day and ongoing operations, who may, as a result of human error, misconduct, malfeasance or failure, or breach of our or of third-party systems or infrastructure, expose us to risk. For example, our ability to conduct business may be adversely affected by any significant disruptions to us or to third parties with whom we interact or upon whom we rely. In addition, our ability to implement backup systems and other safeguards with respect to third-party systems is more limited than with respect to our own systems. Our financial, accounting, data processing, backup or other operating or security systems and infrastructure may fail to operate properly or become disabled or damaged as a result of a number of factors, including events that are wholly or partially beyond our control, which could adversely affect our ability to process transactions or provide services. Such events may include sudden increases in customer transaction volume; electrical, telecommunications or other major physical infrastructure outages; natural disasters such as earthquakes, tornadoes, hurricanes and floods; disease pandemics; and events arising from local or larger scale political or social matters, including wars and terrorist acts. In addition, we may need to take our systems offline if they become infected with malware or a computer virus or as a result of another form of cyber-attack. In the event that backup systems are utilized, they may not process data as quickly as our primary systems and some data might not have been saved to backup systems, potentially resulting in a temporary or permanent loss of such data. We frequently update our systems to support our operations and growth and to remain compliant with all applicable laws, rules and regulations. This updating entails significant costs and creates risks associated with implementing new systems and integrating them with existing ones, including business interruptions. Implementation and testing of controls related to our computer systems, security monitoring and retaining and training personnel required to operate our systems also entail significant costs. Operational risk exposures could adversely impact our results of operations, liquidity and financial condition, as well as cause reputational harm. In addition, we may not have adequate insurance coverage to compensate for losses from a major interruption.

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.

We face security risks, including denial of service attacks, hacking, social engineering attacks targeting our colleagues and customers, malware intrusion or data corruption attempts, and identity theft that could result in the disclosure of confidential information, adversely affect our business or reputation, and create significant legal and financial exposure.

Our computer systems and network infrastructure and those of third parties, on which we are highly dependent, are subject to security risks and could be susceptible to cyber-attacks, such as denial of service attacks, hacking, terrorist activities or identity theft. Our business relies on the secure processing, transmission, storage and retrieval of confidential, proprietary and other information in our computer and data management systems and networks, and in the computer and data management systems and networks of third parties. In addition, to access our network, products and services, our customers and other third parties may use personal mobile devices or computing devices that are outside of our network environment and are subject to their own cybersecurity risks.

We, our customers, regulators and other third parties, including other financial services institutions and companies engaged in data processing, have been subject to, and are likely to continue to be the target of, cyber-attacks. These cyber-attacks include computer viruses, malicious or destructive code, phishing attacks, denial of service attacks, ransomware, improper access by employees or vendors, attacks on personal email of employees, ransom demands to not expose security vulnerabilities in our systems or the systems of third parties or other security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of ours, our employees, our customers or of third parties, damage our systems or otherwise materially disrupt our or our customers' or other third parties' network access or business operations. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities or incidents. Despite efforts to ensure the integrity of our systems and implement controls, processes, policies and other protective measures, we may not be able to anticipate all security breaches, nor may we be able to implement guaranteed preventive measures against such security breaches. Cyber threats are rapidly evolving and we may not be able to anticipate or prevent all such attacks and could be held liable for any security breach or loss.

Cybersecurity risks for banking organizations have significantly increased in recent years in part because of the proliferation of new technologies, and the use of the internet and telecommunications technologies to conduct financial transactions. For example, cybersecurity risks may increase in the future as we continue to increase our mobile-payment and other internet-based product offerings and expand our internal usage of web-based products and applications. In addition, cybersecurity risks have significantly increased in recent years in part due to the increased sophistication and activities of organized crime affiliates, terrorist organizations, hostile foreign governments, disgruntled employees or vendors, activists and other external parties, including those involved in corporate espionage. Even the most advanced internal control environment may be vulnerable to compromise. Targeted social engineering attacks and "spear phishing" attacks are becoming more sophisticated and are extremely difficult to prevent. In such an attack, an attacker will attempt to fraudulently induce colleagues, customers or other users of our systems to disclose sensitive information in order to gain access to its data or that of its clients. Persistent attackers may succeed in penetrating defenses given enough resources, time, and motive. The techniques used by cyber criminals change frequently, may not be recognized until launched and may not be recognized until well after a breach has occurred. The risk of a security breach caused by a cyber-attack at a vendor or by unauthorized vendor access has also increased in recent years. Additionally, the existence of cyber-attacks or security breaches at third-party vendors with access to our data may not be disclosed to us in a timely manner.

We also face indirect technology, cybersecurity and operational risks relating to the customers, clients and other third parties with whom we do business or upon whom we rely to facilitate or enable our business activities, including, for example, financial counterparties, regulators and providers of critical infrastructure such as internet access and electrical power. As a result of increasing consolidation, interdependence and complexity of financial entities and technology systems, a technology failure, cyber-attack or other information or security breach that significantly degrades, deletes or compromises the systems or data of one or more financial entities could have a material impact on counterparties or other market participants, including us. This consolidation, interconnectivity and complexity increases the risk of operational failure, on both individual and industry-wide bases, as disparate systems need to be integrated, often on an accelerated basis. Any third-party technology failure, cyber-attack or other information or security breach, termination or constraint could, among other things, adversely affect our ability to effect transactions, service our clients, manage our exposure to risk or expand our business. In addition, we, our employees and our customers, are increasingly transitioning our and their computing infrastructure to cloud-based computing, storage, data processing, networking and other services, which may increase these security risks.

Cyber-attacks or other information or security breaches, whether directed at us or third parties, may result in a material loss or have material consequences. Furthermore, the public perception that a cyber-attack on our systems has been successful, whether or not this perception is correct, may damage our reputation with customers and third parties with whom we do business. Hacking of personal information and identity theft risks, in particular, could cause serious reputational harm. A successful penetration or circumvention of system security could cause us serious negative consequences, including our loss of customers and business opportunities, significant business disruption to our operations and business, misappropriation or destruction of our confidential information and/or that of our customers, or damage to our or our customers' and/or third parties' computers or systems, and could result in a violation of applicable privacy laws and other laws, litigation exposure, regulatory fines, penalties or intervention, loss of confidence in our security measures, reputational damage, reimbursement or other compensatory costs, additional compliance costs, and could adversely impact our results of operations, liquidity and financial condition.

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 controls 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. 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. In addition, properly integrating our acquisitions into our disclosure controls and procedures in a timely manner presents challenges. 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 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.

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 and providing growth opportunities for 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, including as a result of a successful cyberattack against us or other unauthorized release or loss of customer information, our business and, therefore, our operating results may be materially adversely affected.

Risks relating to the Regulatory Environment

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, CFPB and the FDIC. This regulation is imposed primarily to protect depositors, the FDIC deposit insurance fund, consumers, and the banking system as a whole. We also are regulated by the SEC and the Financial Industry Regulatory Authority or FINRA, which regulation is designed to protect investors. Our compliance with these regulations is costly and potentially 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 capital 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.

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.

The Company and the Bank each 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. In recent years, these market and regulatory expectations have increased substantially and have resulted in higher and more stringent capital requirements for us and the Bank. For example, current capital requirements disallow the Company's trust preferred securities from qualifying as Tier 1 capital as a result of the Company exceeding $15 billion in assets, which the Company did upon completion of its merger with NCC.

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. At December 31, 2019, we had approximately $279 million in wholesale brokered deposits, $28 million of in-market CDARs deposits, $301 million of ICS deposits and approximately $45 million of deposits related to our prepaid card business, which are considered brokered deposits for regulatory purposes.

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, consumer compliance, 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.

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 and have material impact on our business strategy.

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 AML program and file suspicious activity and currency transaction reports when appropriate. The Bank is also subject to increased scrutiny of compliance with the rules enforced by OFAC 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. Please see Item I – Part 1 – Supervision and Regulation – Anti-Money Laundering Rules and Item 1 – Part 1 – Supervision and Regulation – OFAC Regulation for further information regarding the Bank's obligations under applicable AML laws and regulations and sanctions, respectively.

If the Bank's policies, procedures, and systems are deemed deficient, or the policies, procedures and systems of the financial institutions that we have already acquired or may acquire in the future are 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 and ability 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.

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 material penalties and other sanctions.

The 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.

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. The assessment base on which the Bank's deposit insurance premiums is paid to the FDIC has been calculated based on its average consolidated total assets less its average equity. However, effective July 1, 2019, which was following the fourth consecutive quarter where the Bank's total consolidated assets exceeded $10 billion, the FDIC started to use a performance score and loss-severity score to calculate the Bank's initial FDIC assessment rate. An institution's risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to its regulators. While our risk management processes are designed to reduce risk by maintaining capital levels and mitigating any supervisory concerns, we may be unable to control the amount of premiums that we are required to pay for FDIC insurance in the event of a new economic downturn and an increase in financial institution failures. Any future increases in assessments 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.

Risks relating to our Common Stock

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

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 the Company 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, tax 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 64 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. For information on these regulatory restrictions on the right of the Bank to pay dividends to us and on the right of the

Company to pay dividends to its shareholders, see Part I – Item 1 – "Supervision and Regulation – Dividend Restrictions." 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 shareholders

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, 2019, we had outstanding trust preferred securities and accompanying junior subordinated debentures totaling $38.5 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, 2019, our shareholders include three funds owning approximately 24% 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, 2019, our shareholders include three funds that collectively own approximately 24% of the outstanding shares of our common stock. Top ten institutional owners collectively own approximately 41% 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, these institutional owners nonetheless 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.

Risk relating to Economic Conditions and other Outside Forces

The political and economic environment could materially impact our business operations and financial performance.

The political and economic environment in the United States and elsewhere has resulted in some uncertainty. In the recent years, the enactment of a tax bill resulted in lower costs for businesses in general and banks in particular, which in turn resulted in various benefits including, among other things, enhanced revenues and operating efficiencies, lower loan rates, increased dividend payments and increased employee compensation, but also decreased the value of our deferred tax asset by $18.6 million, which the provision impact of this decrease was recorded in 2017, as well as the value of our tax advantaged loans and investments we have made, and the impact overall has diminished. During 2019, the Company also recorded a one-time charge to its net deferred tax asset of approximately $987 to reflect a state income tax rate reduction in Florida and Georgia effective January 1, 2019. The enactment of a regulatory relief bill reduced some requirements for the Company, including the Dodd Frank Act regulator directed stress test. Changes in policy by the regulators also have reduced some regulatory requirements, but those policy changes may not be permanent. Because of the political environment, there may be changes in law or regulation in the future that could alter the anticipated benefits (and costs) of recent legal or policy changes, which could result in a reduction in the price of our shares due to perceived changes in our regulatory and compliance costs or decreases in the amount of expected revenues, all of which could materially and adversely affect our business, financial condition and operating results.

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

The economic crisis of 2008 caused many financial institutions to seek additional capital, to reduce or eliminate dividends, to merge with larger and stronger institutions and to fail. The 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 normalized and growth has been stronger than in previous years, future political and 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. For example, changes in international trade policy, combined with the recent outbreak of the coronavirus in China is disrupting global supply chains, which could adversely impact our customers and their customers, which in turn could impact their ability to make loan payments, with the impacts to our business listed above. Changes in the financial services industry and the effects of current and future law and regulations that may be imposed in response to future market developments also could negatively affect us by restricting our business operations, including our ability to originate or sell loans, and adversely impact our financial performance.

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 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. If the communities in which we operate do not grow or if prevailing economic conditions locally or nationally become challenging, our business may be adversely affected. 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, while our core markets in the last year have expanded to Georgia and Alabama, and we have benefited from such growth, we cannot give any assurance we will continue to benefit from market growth or favorable economic conditions in our primary market areas if they do occur.

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 and fintech or e-commerce companies that operate 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 or more advanced technology may possess an advantage by being capable of maintaining numerous and more convenient banking locations, easy to use and available mobile and computer apps or Internet platforms, operating more ATMs and conducting extensive promotional and advertising campaigns.

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 and credit unions. 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, sophisticated Internet or mobile applications, 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.

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, Georgia and Alabama are susceptible to hurricanes, tropical storms and related flooding and wind damage as well as tornados and other types of strong storms. These type of storms may increase in intensity because of changes in weather patterns and other factors including climate change. 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. Storms during 2019 only minimally impacted our operations but 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, as well as our own properties, 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, tropical storms, tornados or other extreme weather events, 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.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

Our holding company owns no real property. Our corporate office is located at 1101 First Street South, Suite 202, Winter Haven, Florida 33880. At the end of 2019, our Company, through the Bank, operated a total of 149 full service banking offices. 121 of these offices are located in 34 counties in central, southeast, northeast and the panhandle area of Florida. 18 of these offices are located in 8 counties in Georgia and 10 of these offices are located in 5 counties in Alabama. We own 116 offices and lease 33 of these offices. We also have two loan production offices of which we own 1 and lease 1. 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, and office space for our Mortgage banking division, primarily in Atlanta and Macon, Georgia. See Note 8 to the “Notes to Consolidated Financial Statements” included in this Report and “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Bank Premises and Equipment,” for additional information regarding our premises and equipment.

Item 3. Legal Proceedings

We or 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 its 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 Shareholder Matters and Issuer Purchases of Equity Securities

The shares of our Common Stock are traded under the symbol "CSFL" on the NASDAQ Global Select Market. As of December 31, 2019, there are 125,173,597 shares of common stock outstanding. As of this same date we have approximately 2,688 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 2019 and 2018.

	2019	2018
1st Quarter	$0.11	$0.10
2nd Quarter	$0.11	$0.10
3rd Quarter	$0.11	$0.10
4th Quarter	$0.11	$0.10

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. For information on regulatory restrictions on the right of the Bank to pay dividends to us and on the right of the Company to pay dividends to its shareholders, see Part I - Item 1 "Supervision and Regulation - Dividend Restrictions." There are various statutory and contractual limitations on the ability of our Bank to pay dividends to us.

Share Repurchases

A summary of our common stock repurchases during the fourth quarter of 2019 is set forth in the table below.

Beginning Period	Ending Period	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, 2019	October 31, 2019	969,580	$23.50	958,726	797,006
November 1, 2019	November 30, 2019	—	—	—	797,006
December 1, 2019	December 31, 2019	292	$24.72	—	797,006
Total for quarter ending December 31, 2019		969,872	$23.50	958,726	797,006

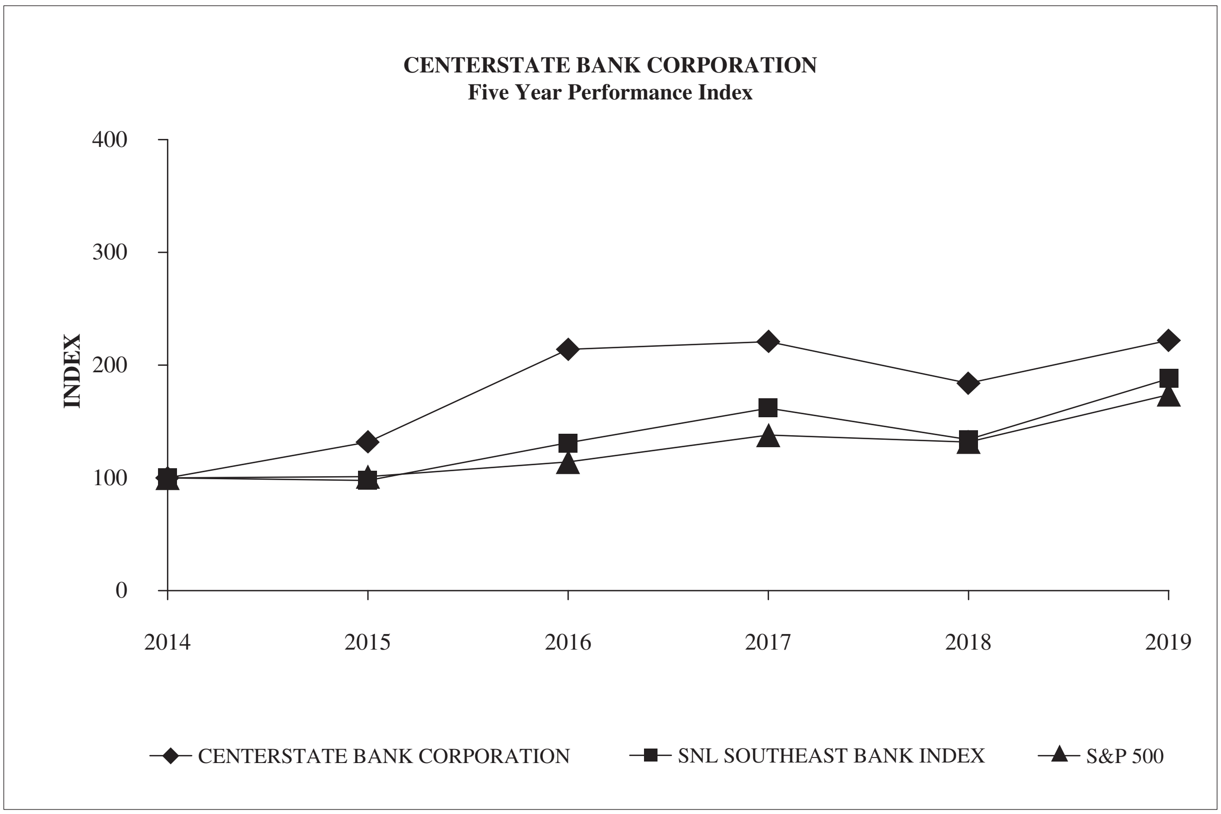
During the fourth quarter of 2019, we repurchased 958,726 shares of our common stock, at an average price of approximately $23.48 per share, pursuant to our stock repurchase plan currently in place. We repurchased 11,146 shares of our common stock from our employees during the fourth quarter of 2019 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 2019 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, 2014 (assuming a $100 investment on December 31, 2014 and reinvestment of all dividends).



	2014	2015	2016	2017	2018	2019
CenterState Bank Corporation	100	132	214	221	184	222
S&P 500	100	101	114	138	132	174
SNL Southeast Bank Index	100	98	131	162	134	188

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 nonrecurring expenses, such as loss on termination of FDIC loss share agreements. 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) by total taxable-equivalent net interest income and non-interest income (less nonrecurring items). 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 market place 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 financial 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:

(Dollars in thousands)	Years Ended December 31, 2019	2018	2017	2016	2015
Income Statement Non-GAAP measures and ratios					
Interest income (GAAP)					
Loans, excluding purchase credit impaired ("PCI") loans	$584,359	$369,937	$187,584	$129,619	$101,051
PCI loans	33,766	35,944	32,388	34,006	40,645
Securities—taxable	48,432	42,723	22,598	18,920	16,460
Securities—tax-exempt	6,899	6,399	5,324	3,909	2,641
Federal funds sold and other	11,876	5,629	3,432	2,211	1,523
Total Interest income (GAAP)	685,332	460,632	251,326	188,665	162,320
Tax equivalent adjustment					
Non PCI loans	1,229	1,442	3,185	1,487	819
Securities—tax-exempt	834	1,079	2,531	1,972	1,379
Total tax equivalent adjustment	2,063	2,521	5,716	3,459	2,198
Interest income—tax equivalent					
Loans excluding PCI loans	585,588	371,379	190,769	131,106	101,870
PCI loans	33,766	35,944	32,388	34,006	40,645
Securities—taxable	48,432	42,723	22,598	18,920	16,460
Securities—tax-exempt	7,733	7,478	7,855	5,881	4,020
Federal funds sold and other	11,876	5,629	3,432	2,211	1,523
Total interest income—tax equivalent	687,395	463,153	257,042	192,124	164,518
Total Interest expense (GAAP)	(99,604)	(47,550)	(15,783)	(9,340)	(7,286)
Net interest income—tax equivalent	$587,791	$415,603	$241,259	$182,784	$157,232
Net interest income (GAAP)	$585,728	$413,082	$235,543	$179,325	$155,034
Yields and costs					
Yield on loans excluding PCI—tax equivalent	5.38%	5.14%	4.59%	4.47%	4.49%
Yield on loans—tax equivalent	5.61%	5.50%	5.16%	5.26%	5.66%
Yield on securities tax-exempt—tax equivalent	3.51%	3.55%	4.33%	4.61%	5.01%
Yield on interest earning assets (GAAP)	5.02%	4.86%	4.46%	4.33%	4.66%
Yield on interest earning assets—tax equivalent	5.04%	4.89%	4.56%	4.41%	4.72%
Cost of interest bearing liabilities (GAAP)	1.09%	0.76%	0.44%	0.33%	0.32%
Net interest spread (GAAP)	3.93%	4.10%	4.02%	4.00%	4.34%
Net interest spread—tax equivalent	3.95%	4.13%	4.13%	4.08%	4.40%
Net interest margin (GAAP)	4.29%	4.36%	4.18%	4.12%	4.45%
Net interest margin—tax equivalent	4.31%	4.39%	4.28%	4.20%	4.51%
Efficiency ratio					
Non-interest income (GAAP)	$166,060	$105,127	$ 65,175	$ 64,369	$ 37,450
Gain on sale of deposits	—	(611)	—	—	—
Gain on sale of trust department	—	—	(1,224)	—	—
Nonrecurring income	—	—	—	(308)	—
Adjusted non-interest income	$166,060	$104,516	$ 63,951	$ 64,061	$ 37,450
Net interest income before provision (GAAP)	$585,728	$413,082	$235,543	$179,325	$155,034
Total tax equivalent adjustment	2,063	2,521	5,716	3,459	2,198
Adjusted net interest income	$587,791	$415,603	$241,259	$182,784	$157,232

Income Statement Non-GAAP measures and ratios *(continued)*

continued from previous page	Years Ended December 31, 2019	2018	2017	2016	2015
Non-interest expense	$446,907	$312,467	$186,485	$174,481	$126,082
Nonrecurring expense	—	—	—	(17,560)	—
Adjusted non-interest expense	$446,907	$312,467	$186,485	$156,921	$126,082
Efficiency ratio	59%	60%	61%	64%	65%

Analysis of changes in interest income and expense

	Net Change December 31, 2019 versus 2018 Volume	Rate	Net change
Loans—tax equivalent	$191,467	$20,564	$212,031
Securities—tax-exempt—tax equivalent	333	(78)	255
Total interest income—tax equivalent	203,329	20,913	224,242
Net interest income—tax equivalent	180,065	(7,877)	172,188

Analysis of changes in interest income and expense

	Net Change December 31, 2018 versus 2017 Volume	Rate	Net change
Loans—tax equivalent	$168,546	$15,620	$184,166
Securities—tax-exempt—tax equivalent	1,163	(1,540)	(377)
Total interest income—tax equivalent	188,674	17,437	206,111
Net interest income—tax equivalent	169,280	5,064	174,344

(Dollars in thousands, except per share data)	Years Ended December 31, 2019	2018	2017	2016	2015
Balance Sheet Non-GAAP measures and ratios					
Total assets	$17,142,025	$12,337,588	$7,123,975	$5,078,559	$4,022,717
Goodwill	(1,204,417)	(802,880)	(257,683)	(106,028)	(76,739)
Intangible assets, net	(95,664)	(69,178)	(24,614)	(16,294)	(13,001)
Tangible assets	$15,841,944	$11,465,530	$6,841,678	$4,956,237	$3,932,977
Common stockholders' equity	$ 2,896,718	$ 1,971,344	$ 904,750	$ 552,457	$ 490,514
Goodwill	(1,204,417)	(802,880)	(257,683)	(106,028)	(76,739)
Intangible assets, net	(95,664)	(69,178)	(24,614)	(16,294)	(13,001)
Tangible common stockholders' equity	$ 1,596,637	$ 1,099,286	$ 622,453	$ 430,135	$ 400,774
Book value per common share	$ 23.14	$ 20.60	$ 15.04	$ 11.47	$ 10.79
Effect of intangible assets	$ (10.39)	$ (9.11)	$ (4.69)	$ (2.54)	$ (1.97)
Tangible book value per common share	$ 12.76	$ 11.49	$ 10.35	$ 8.93	$ 8.82
Equity to total assets	16.90%	15.98%	12.70%	10.88%	12.19%
Effect of intangible assets	(6.82)%	(6.39)%	(3.60)%	(2.20)%	(2.00)%
Tangible common equity to tangible assets	10.08%	9.59%	9.10%	8.68%	10.19%

The selected consolidated financial data presented on the following page 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, 2019 and 2018, and the three-year period ended December 31, 2019, presented elsewhere herein. Operating results for prior periods are not necessarily indicative of results that might be expected for any future period.

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)	2019	2018	2017	2016	2015
SUMMARY OF OPERATIONS:					
Total interest income	$ 685,332	$ 460,632	$ 251,326	$ 188,665	$ 162,320
Total interest expense	(99,604)	(47,550)	(15,783)	(9,340)	(7,286)
Net interest income	585,728	413,082	235,543	179,325	155,034
Provision for loan losses	(10,585)	(8,283)	(4,958)	(4,962)	(4,493)
Net interest income after provision for loan losses	575,143	404,799	230,585	174,363	150,541
Non-interest income	101,137	71,150	35,617	30,363	9,883
Income from correspondent banking capital markets division	64,898	33,388	28,341	33,685	27,563
Net gain (loss) on sale of securities available for sale	25	(22)	(7)	13	4
Gain on sale of deposits	—	611	—	—	—
Gain on sale of trust department	—	—	1,224	—	—
Gain on extinguishment of debt	—	—	—	308	—
Loss on termination of FDIC loss share agreements	—	—	—	(17,560)	—
Non-interest expense	(446,907)	(312,467)	(186,485)	(156,921)	(126,082)
Income before income taxes	294,296	197,459	109,275	64,251	61,909
Income tax expense	(67,698)	(41,024)	(53,480)	(21,910)	(22,571)
Net income	$ 226,598	$ 156,435	$ 55,795	$ 42,341	$ 39,338
Earnings attributable to noncontrolling interest	1,202	—	—	—	—
Net income attributable to CeneterState Bank Corporation	$ 225,396	$ 156,435	$ 55,795	$ 42,341	$ 39,338
PER COMMON SHARE DATA:					
Basic earnings per share	$ 1.88	$ 1.78	$ 0.97	$ 0.89	$ 0.87
Diluted earnings per share	$ 1.87	$ 1.76	$ 0.95	$ 0.88	$ 0.85
Common equity per common share outstanding	$ 23.14	$ 20.60	$ 15.04	$ 11.47	$ 10.79
Tangible common equity per common share outstanding	$ 12.76	$ 11.49	$ 10.35	$ 8.93	$ 8.82
Dividends per common share	$ 0.44	$ 0.40	$ 0.24	$ 0.16	$ 0.07
Actual shares outstanding	125,173,597	95,679,596	60,161,334	48,146,981	45,459,195
Weighted average common shares outstanding	119,746,949	87,641,220	57,244,698	47,409,142	45,182,224
Diluted weighted average common shares outstanding	120,603,823	88,758,853	58,340,813	48,191,523	45,788,632
BALANCE SHEET DATA:					
Assets	$ 17,142,025	$12,337,588	$ 7,123,975	$ 5,078,559	$ 4,022,717
Total loans	11,983,943	8,340,504	4,773,221	3,429,747	2,593,776
Allowance for loan losses	40,655	39,770	32,825	27,041	22,264
Total deposits	13,136,392	9,477,336	5,560,523	4,152,544	3,215,178
Other borrowed funds	633,334	713,132	558,570	290,413	252,722
Corporate and subordinated debentures	71,343	32,415	26,192	25,958	24,093
Common stockholders' equity	2,896,718	1,971,344	904,750	552,457	490,514

Selected Consolidated Financial Data—continued
For the twelve-month period ending or as of December 31

	2019	2018	2017	2016	2015
Total stockholders' equity	2,896,718	1,971,344	904,750	552,457	490,514
Tangible capital	1,596,637	1,099,286	622,453	430,135	400,774
Goodwill	1,204,417	802,880	257,683	106,028	76,739
Core deposit intangible (CDI)	91,157	66,225	24,063	15,510	12,164
Other intangible assets	4,507	2,953	551	784	837
Average total assets	15,915,885	10,950,654	6,341,159	4,864,151	3,928,523
Average loans	11,041,121	7,407,765	4,326,325	3,140,343	2,518,572
Average interest earning assets	13,638,936	9,475,205	5,631,772	4,356,455	3,484,739
Average deposits	12,278,626	8,545,623	5,107,495	3,991,078	3,178,569
Average interest bearing deposits	8,492,276	5,627,353	3,271,415	2,568,605	2,038,955
Average interest bearing liabilities	9,121,123	6,247,314	3,612,651	2,834,392	2,278,427
Average total common equity	2,661,800	1,662,815	819,626	531,734	471,130
Average total equity	2,667,709	1,662,815	819,626	531,734	471,130
SELECTED FINANCIAL RATIOS:					
Return on average assets	1.42%	1.43%	0.88%	0.87%	1.00%
Return on average common equity	8.47%	9.41%	6.81%	7.96%	8.35%
Dividend payout	24%	23%	25%	18%	8%
Efficiency ratio (1)	59%	60%	61%	64%	65%
Net interest margin, tax equivalent basis (2)	4.31%	4.39%	4.28%	4.20%	4.51%
Net interest spread, tax equivalent basis (3)	3.95%	4.13%	4.13%	4.08%	4.40%
CAPITAL RATIOS:					
Tier 1 leverage ratio	9.74%	10.04%	9.82%	9.11%	10.53%
Risk-based capital					
Common equity Tier 1	11.34%	11.86%	11.46%	11.27%	14.39%
Tier 1	11.34%	12.27%	11.96%	11.83%	14.99%
Total	12.19%	12.70%	12.57%	12.54%	15.79%
Tangible common equity ratio	10.08%	9.59%	9.10%	8.68%	10.19%
ASSET QUALITY RATIOS:					
Net charge-offs to average loans (4)	0.09%	0.02%	(0.02)%	0.00%	0.09%
Allowance to period end loans (4)	0.34%	0.48%	0.71%	0.82%	0.93%
Allowance for loan losses to non-performing loans (4)	105%	168%	188%	140%	106%
Non-performing assets to total assets (4)	0.26%	0.22%	0.30%	0.52%	0.56%
OTHER DATA:					
Banking locations	149	126	78	67	57
Full-time equivalent employees	2,756	2,113	1,200	952	784

(1) Efficiency ratio is non-interest expense (less non-recurring items such as the merger-related expenses, gain on sale of deposits, gain on sale of trust department and gain on early extinguishment of debt) 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 such as the loss on termination of FDIC loss share agreements).

(2) Net interest margin is net interest income divided by total average earning assets.

(3) Net interest spread is the difference between the average yield on earning assets and the average yield on average interest bearing liabilities.

(4) Excludes purchased credit-impaired loans.

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 NCOM acquisition in 2019 and the Sunshine, HCBF and Charter acquisitions in 2018. 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)

	2019				2018			
(Dollars in thousands except for per share data)	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Interest income	$ 183,872	$ 183,925	$ 185,253	$132,282	$132,181	$114,663	$110,629	$103,159
Interest expense	(25,947)	(28,978)	(26,572)	(18,107)	(16,499)	(12,810)	(10,100)	(8,141)
Net interest income	157,925	154,947	158,681	114,175	115,682	101,853	100,529	95,018
Provision for loan losses	(3,048)	(3,692)	(2,792)	(1,053)	(2,100)	(1,950)	(2,933)	(1,300)
Net interest income after provision for loan losses	154,877	151,255	155,889	113,122	113,582	99,903	97,596	93,718
Non-interest income	26,970	27,470	26,414	20,283	22,503	18,808	15,513	14,937
Correspondent banking and capital markets division income	23,346	21,018	11,534	9,000	9,893	8,296	7,076	8,123
Gain on sales of securities available for sale	13	—	(5)	17	—	—	—	(22)
Non-interest expenses	(113,409)	(127,036)	(121,989)	(84,473)	(79,520)	(77,339)	(79,612)	(75,996)
Income before income tax	91,797	72,707	71,843	57,949	66,458	49,668	40,573	40,760
Income tax expense	(20,665)	(17,006)	(16,721)	(13,306)	(15,807)	(11,683)	(8,410)	(5,124)
Net income before earnings attributable to noncontrolling interest	71,132	55,701	55,122	44,643	50,651	37,985	32,163	35,636
Earnings attributable to noncontrolling interest	—	(603)	(599)	—	—	—	—	—
Net income	$ 71,132	$ 55,098	$ 54,523	$ 44,643	$ 50,651	$ 37,985	$ 32,163	$ 35,636
Basic earnings per common share	$ 0.57	$ 0.43	$ 0.42	$ 0.47	$ 0.53	$ 0.43	$ 0.38	$ 0.43
Diluted earnings per common share	$ 0.56	$ 0.43	$ 0.42	$ 0.46	$ 0.52	$ 0.43	$ 0.38	$ 0.42

The 2019 results were impacted by the merger and acquisition related expenses due to the 2019 acquisition of NCOM as reflected in the table above. The 2018 results were impacted by the merger and acquisition related expenses due to the 2018 acquisitions of Sunshine, HCBF and Charter as reflected in the table above. The acquisitions resulted in continuous increase in net interest income to the extent of the earning assets and deposits acquired while limiting the additional non-interest expense due to significant cost reductions related to the consolidation of back office operations and elimination of branch redundancies created by the acquisitions. The further improvement of the quarterly results in 2019 compared to the quarterly results of 2018 are primarily a reflection of the benefits of the NCOM and Charter acquisitions, an increase in correspondent banking revenue due to higher interest rate swap revenue in the correspondent banking division and an increase in SBA and mortgage banking revenue.

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.)

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, 2019 and 2018, and the results of operations for the years ended December 31, 2019, 2018 and 2017. 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 Bank Corporation (the "Parent Company," "Company," "Corporate," "CenterState," "Holding Company", "CSFL", "we" or "our"), our wholly owned subsidiary bank, CenterState Bank, N.A. ("CSB" or the "Bank"), our non-bank subsidiaries, R4ALL, Inc. ("R4ALL") and CSFL Insurance Corp ("CSFL IC").

CenterState, incorporated under the laws of the State of Florida on September 20, 1999, is a financial holding company whose principal subsidiary is the Bank. Headquartered in Winter Haven, Florida, we provide traditional retail, commercial, mortgage, wealth management and SBA services throughout our Florida, Georgia and Alabama branch network and customer relationships in neighboring states. CenterState is among the largest Florida-based community banking organizations in terms of publicly available deposit data.

We also operate a correspondent banking and capital markets service division through our Bank for over 650 small and medium sized community banks throughout the United States. Based primarily in Atlanta, Georgia and Birmingham, Alabama, this division earns commissions on fixed income security sales, fees from hedging services, loan brokerage fees and consulting fees for services related to these activities. The Bank also owns CBI, which in turn owns Corporate Billing, a transaction-based finance company headquartered in Decatur, Alabama that provides factoring, invoicing, collection and accounts receivable management services to transportation companies and automotive parts and services providers throughout the United States and Canada.

In addition to our organic growth, we have grown through acquisitions. Listed below are our acquisitions since 2016.

- Community Bank of South Florida, Inc. ("Community"), in March 2016, which added approximately $453 million in deposits;
- Hometown of Homestead Banking Company ("Hometown"), in March 2016, which added approximately $253 million in deposits;
- Platinum Bank Holding Company ("Platinum"), in April 2017, which added approximately $520 million in deposits;
- Gateway Financial Holdings of Florida, Inc. ("Gateway") in May 2017, which added approximately $708 million in deposits;
- HCBF Holding Company, Inc. ("HCBF"), in January 2018, which added approximately $719 million in deposits;

- Sunshine Bancorp, Inc. (“Sunshine”), also in January 2018, which added approximately $1.8 billion in deposits;
- Charter Financial Corporation (“Charter”), in September 2018, which added approximately $1.3 billion in deposits; and
- National Commerce Corporation (“NCOM”), in April 2019, which added approximately $3.5 billion in deposits.

In addition to the Bank, we own R4ALL, Inc., which acquires and disposes of troubled assets and CSFL IC, which operates as a captive insurance subsidiary pursuant to section 831(b) of the U.S. Tax Code.

At December 31, 2019, we had total consolidated assets of $17.1 billion, total consolidated loans of $12.0 billion, total consolidated deposits of $13.1 billion, and total consolidated common stockholders’ equity of $2.9 billion.

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 and generally oversee and monitor the activities of our 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 Bank.

A Condensed Consolidating Balance Sheet at December 31, 2019 and a Condensed Consolidating Statement of Operations for the year ending December 31, 2019 are presented below.

Condensed Consolidating Balance Sheet

At December 31, 2019	CSB	CSFL IC	Risk Mgmt	R4ALL	Parent Co.	Eliminations	Consolidated
Cash and due from banks	$ 325,917	$4,030	$—	$135	$ 5,168	$ (9,082)	$ 326,168
Federal funds sold and Federal Reserve deposits	163,890	—	—	—	—	—	163,890
Cash and cash equivalents	489,807	4,030	—	135	5,168	(9,082)	490,058
Investment securities	2,094,614	—	—	—	—	—	2,094,614
Loans held for sale	142,801	—	—	—	—	—	142,801
Purchase credit impaired ("PCI") loans	135,468	—	—	—	—	—	135,468
Loans, excluding PCI loans	11,848,408	—	—	67	—	—	11,848,475
Allowance for loan losses	(40,652)	—	—	(3)	—	—	(40,655)
Bank premises and equipment, net	296,379	—	—	—	327	—	296,706
Right-of-use operating lease assets	32,163	—	—	—	270	(270)	32,163
Goodwill	1,204,417	—	—	—	—	—	1,204,417
Other intangible assets, net	95,664	—	—	—	—	—	95,664
Other repossessed real estate owned	5,092	—	—	—	—	—	5,092
Investment in subsidiaries	—	—	—	—	2,970,471	(2,970,471)	—
All other assets	832,087	1,152	—	2	5,253	(1,272)	837,222
Total assets	$17,136,248	$5,182	$—	$201	$2,981,489	$(2,981,095)	$17,142,025
Deposits	$13,145,474	$ —	$—	$—	$ —	$ (9,082)	$13,136,392
Other borrowings	622,334	—	—	—	82,343	—	704,677
All other liabilities	401,401	1,951	—	—	2,428	(1,542)	404,238
Total stockholders' equity	2,967,039	3,231	—	201	2,896,718	(2,970,471)	2,896,718
Total liabilities and stockholders' equity	$17,136,248	$5,182	$—	$201	$2,981,489	$(2,981,095)	$17,142,025

Condensed Consolidating Statement of Operations

For the twelve-month period ending December 31, 2019	CSB	CSFL IC	Risk Mgmt	R4ALL	Parent Co.	Eliminations	Consolidated
Interest income	$ 685,250	$ —	$ 82	$—	$ —	$ —	$ 685,332
Interest expense	(95,229)	—	—	—	(4,375)	—	(99,604)
Net interest income	590,021	—	82	—	(4,375)	—	585,728
Provision for loan losses	(10,585)	—	—	—	—	—	(10,585)
Net interest income after loan loss provision	579,436	—	82	—	(4,375)	—	575,143
Non-interest income	168,978	1,115	919	—	232,108	(237,060)	166,060
Non-interest expense	(445,992)	(444)	(51)	—	(5,372)	4,952	(446,907)
Net income before income tax provision	302,422	671	950	—	222,361	(232,108)	294,296
Income tax (provision) benefit	(70,734)	(1)	2	—	3,035	—	(67,698)
Noncontrolling interest	(1,202)	—	—	—	—	—	(1,202)
Net income	$ 230,486	$ 670	$952	$—	$ 225,396	$ (232,108)	$ 225,396

Through our 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, Georgia and Alabama.

Our strategy is to grow organically and by acquisition in our market areas or close to it. In pursuing this strategy, we seek lending teams and companies that are culturally similar to us, that are experienced and are located in our markets or in markets close to us so we can achieve economies of scale. We established mortgage line of business led by an experienced mortgage lending team, and an SBA business and intend to grow those business lines in our markets, thus increasing our non-interest income. We also closed two acquisitions in 2017, three acquisitions in 2018, and closed one additional acquisition during 2019.

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, 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.

Correspondent banking division

The correspondent banking and capital markets division is integrated with and part of our Bank, although the majority of our bond salesmen, traders and operations personnel are physically housed in facilities located in Atlanta, Georgia and Birmingham, Alabama. 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 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 and portfolio managers assign a loan grade to newly originated loans in accordance with the standard loan grades. Throughout the lending relationship, the loan officer, portfolio manager, and Special Assets Department are responsible for periodic reviews, and if warranted will downgrade or upgrade a particular loan based on specific events and/or analyses. We use a loan risk rating system of 1 through 8. Grade 1 is "excellent" and grade 8 is "doubtful." Loans graded 6 or higher are placed on a watch list each month end and reported to the special asset committee, which includes the Bank's Chief Credit Officer, Director of Credit Administration Services ("DCS"), Controller, Special Assets Manager ("SAM") and Special Assets officers. Our loan review department, which is independent of the lending function periodically reviews loan portfolios and lending relationships. The loan review department may disagree with the Bank's grade on a particular loan and subsequently downgrade or upgrade such loan(s) based on the department's risk analysis. Loan review seeks input from anyone with information relating to the credit in order to make an informed conclusion and after review, will make the final risk rating decision.

Our DCS and SAM and their teams are responsible for identifying and reporting all impaired loans, non-accrual loans, troubled debt restructures or TDRs and other real estate owned or OREO. They hold monthly meetings with our Controller and Special Assets Credit Administrator ("SACA") who along with the SAM, are 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 DCS, SAM and their teams make sure that all non-performing loans subject to FASB Accounting Standards Codification No. 310 ("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. The purpose of the meetings is to allow the sharing of information with senior management.

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 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 $1.2 billion of goodwill on our "Consolidated Balance Sheets" at December 31, 2019. Other acquired intangible assets consist of core deposit 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 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 $28.8 million in our "Consolidated Balance Sheets" at December 31, 2019. For additional discussion of income taxes, see Notes 1 and 15 of "Notes to Consolidated Financial Statements."

Purchased Non-Credit Impaired and 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. Loans are valued by management with the assistance of third-party specialists using a discounted cash flow method. Under this approach, the assumptions include prepayment, probability of default, loss given default, recovery lags and discount rates. The expected credit losses are estimated based on the probability of default and loss given default assumptions. The probability of default and loss given default assumptions were estimated based on credit quality and loan characteristics for each loan.

We elect to account for loans acquired with deteriorated credit quality since origination due to certain conditions including loans on non-accrual status, loans with insufficient cash flow, loans that are delinquent, loans with high loan-to-value ratios, loans in process of foreclosure or any TDR with loss potential in accordance with guidance outlined in ASC 310-30. For each acquisition, these PCI loans are aggregated into pools based on common risk characteristics and each pool then is accounted as a single asset with a single composite interest rate and an aggregate expectation of cash flow. For the loan portfolios acquired through the FDIC-assisted failed bank acquisitions, we aggregated commercial, consumer, and residential loans into pools of loans with common risk characteristics for each failed institution acquired.

As the PCI loans are recorded at fair value at the acquisition date, any losses after the acquisition are recognized through the allowance for loan losses. We estimate the timing and amount of expected cash flows for each loan pool. The expected cash flows in excess of the amount paid is accreted into interest income over the remaining life of the loan pools (accretable yield). The excess of contractual amounts over the total cash flows expected to be collected from the loans (non-accretable yield) is not accreted into income.

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 each acquired pool as frequently as on a quarterly, no less than annually. The review frequency is determined based on our discretion.

COMPARISON OF RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Net Income

Our net income for the year ended December 31, 2019 was $225,396 or $1.88 and $1.87 per share basic and diluted, respectively, compared to $156,435 or $1.78 and $1.76 per share basic and diluted for the year ended December 31, 2018. The increase of $68,961 between both years was primarily due to the increase in income producing assets from the acquisition of NCOM on April 1, 2019 and Charter on September 1, 2018.

Net Interest Income/Margin

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

Net interest income increased $172,646, or 42% to $585,728 during the year ended December 31, 2019 compared to $413,082 for the same period in 2018. The increase was the result of a $224,700 increase in interest income offset by a $52,054 increase in interest expense.

Interest earning assets averaged $13,638,936 during the year ended December 31, 2019 as compared to $9,475,205 for the same period in 2018, an increase of $4,163,731, or 43.9%. The yield on average interest earning assets increased 16 basis points (“bps”) to 5.02% (15 bps to 5.04% tax equivalent basis) during the year ended December 31, 2019, compared to 4.86% (4.89% tax equivalent basis) for the same period in 2018. The combined net effects of the $4,163,731 increase in average interest earning assets and the increase in yields on average interest earning assets resulted in the $224,700 ($224,242 tax equivalent basis) increase in interest income between the two years.

Interest bearing liabilities averaged $9,121,123 during the year ended December 31, 2019 as compared to $6,247,314 for the same period in 2018, an increase of $2,873,809, or 46%. The cost of average interest bearing liabilities increased 33 bps to 1.09% during the year ended December 31, 2019, compared to 0.76% for 2018. The combined net effects of the $2,873,809 increase in average interest bearing liabilities and the 33 bps increase in cost of average interest bearing liabilities resulted in the $52,054 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.

Average Balances (8) – Yields & Rates

	Years Ended December 31,					
	2019			2018		
	Average Balance	Interest Inc / Exp	Average Rate	Average Balance	Interest Inc / Exp	Average Rate
ASSETS:						
Originated loans, excluding PCI (notes 1, 2 and 8)	$ 5,041,236	$251,360	4.99%	$ 3,505,332	$162,906	4.65%
Acquired loans, excluding PCI (notes 8 and 9)	5,849,339	334,228	5.71%	3,725,861	208,473	5.60%
PCI loans (note 10)	150,546	33,766	22.43%	176,572	35,944	20.36%
Securities—taxable	1,761,124	48,432	2.75%	1,580,506	42,723	2.70%
Securities—tax exempt (note 8)	220,382	7,733	3.51%	210,905	7,478	3.55%
Fed funds sold and other (note 3)	616,309	11,876	1.93%	276,029	5,629	2.04%
Total interest earning assets	13,638,936	687,395	5.04%	9,475,205	463,153	4.89%
Allowance for loan losses	(39,858)			(35,887)		
All other assets	2,316,807			1,511,336		
Total assets	$15,915,885			$10,950,654		
LIABILITIES & EQUITY:						
Deposits:						
Now	$ 2,299,647	$ 9,131	0.40%	$ 1,531,007	$ 3,367	0.22%
Money Market	3,223,763	35,386	1.10%	1,900,642	10,571	0.56%
Savings	748,332	1,353	0.18%	703,021	877	0.12%
Time deposits (note 4)	2,220,534	37,229	1.68%	1,492,683	18,444	1.24%
Repurchase agreements	73,314	1,106	1.51%	54,344	632	1.16%
Fed funds purchased	286,179	6,563	2.29%	250,499	5,062	2.02%
Other borrowed funds (note 5)	207,663	5,110	2.46%	280,313	6,384	2.28%
Corporate and subordinated debenture (notes 11 and 12)	61,691	3,726	6.04%	34,805	2,213	6.36%
TOTAL INTEREST BEARING LIABILITIES	9,121,123	99,604	1.09%	6,247,314	47,550	0.76%
Demand deposits	3,786,350			2,918,270		
Other liabilities	340,703			122,255		
Total equity	2,667,709			1,662,815		
TOTAL LIABILITIES AND EQUITY	$15,915,885			$10,950,654		
Net interest spread (tax equivalent basis) (note 6)			3.95%			4.13%
Net interest income (tax equivalent basis)		$587,791			$415,603	
Net interest margin (tax equivalent basis) (note 7)			4.31%			4.39%

(1) Loan balances are net of deferred origination fees and costs.

(2) Interest income on average loans includes amortization of loan fee recognition of $2,284 and $2,531 for the years ended December 31, 2019 and 2018, respectively.
(3) Includes federal funds sold, interest earned on deposits at the Federal Reserve Bank and earnings on Federal Reserve Bank stock, Federal Home Loan Bank stock and other equity stocks.
(4) Includes net amortization of fair market value adjustments related to various acquisitions of time deposits of ($3,838) and ($1,775).
(5) Includes securities sold under agreements to repurchase, Federal Home Loan Bank advances and subordinated notes.
(6) Represents the average rate earned on interest earning assets minus the average rate paid on interest bearing liabilities (Non-GAAP).
(7) Represents net interest income divided by total interest earning assets (Non-GAAP).
(8) Interest income and rates include the effects of a tax equivalent adjustment using applicable statutory tax rates to adjust tax-exempt interest income on tax-exempt investment securities and loans to a fully taxable basis (Non-GAAP).
(9) Interest income on acquired loans, excluding PCI, includes amortization of loan discounts of $35,622 and $22,390.
(10) PCI loans are accounted for pursuant to ASC 310-30. Interest income on PCI loans includes amortization of loan discounts of $24,478 and $26,381.
(11) Includes amortization of fair value adjustments related to various assumptions of corporate debentures of $351 during both years ended December 31, 2019 and 2018.
(12) Includes accretion of fair value adjustments related to an assumption of subordinated debt of $225 during the year ended December 31, 2019.

Non-accrual loans: A loan is moved to non-accrual 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, excluding factored receivables. For CBI's factored receivables, which are commercial trade credits rather than promissory notes, the Company's practice, in most cases, is to charge-off unpaid recourse receivables when they become 90 days past due from the invoice due date and the non-recourse receivables when they become 120 days past due from the statement billing date. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful, excluding factored receivables. For CBI's factored receivables, which are commercial trade credits rather than promissory notes, the Company's practice, in most cases, is to charge-off unpaid recourse receivables when they become 90 days past due from the invoice due date and the non-recourse receivables when they become 120 days past due from the statement billing date. Non-accrual 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 non-accrual, 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, 2019 versus 2018		
	Volume	Rate	Net Change
INTEREST INCOME			
Loans (tax equivalent basis)	$191,467	$20,564	$212,031
Securities—taxable	4,956	753	5,709
Securities—tax exempt	333	(78)	255
Federal funds sold and other	6,573	(326)	6,247
TOTAL INTEREST INCOME (tax equivalent basis)	$203,329	$20,913	$224,242
INTEREST EXPENSE			
Deposits			
NOW accounts	$ 2,213	$ 3,551	$ 5,764
Money market accounts	10,346	14,469	24,815
Savings	60	416	476
Time deposits	10,847	7,938	18,785
Repurchase agreements	256	218	474
Federal funds purchased	771	730	1,501
Other borrowed funds	(1,084)	1,354	270
Corporate debentures	(145)	114	(31)
TOTAL INTEREST EXPENSE	$ 23,264	$28,790	$ 52,054
NET INTEREST INCOME (tax equivalent basis)	$180,065	$ (7,877)	$172,188

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 $2,302 to $10,585 during the year ending December 31, 2019 compared to a provision of $8,283 for the comparable period in 2018. 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. Net changes resulting from a mixture of decreases and increases in the Company's various two-year historical loss factors and qualitative factors affected the net change. 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, 2019 was $166,060 compared to $105,127 for the comparable period in 2018. This increase of $60,933 was the result of the following components listed in the table below.

	2019	2018	$ Increase (Decrease)	% Increase (Decrease)
Correspondent banking capital markets revenue	$ 60,373	$ 28,884	$31,489	109.0%
Other correspondent banking related revenue	4,525	4,504	21	0.5%
Wealth management related revenue	3,161	2,657	504	19.0%
Service charges on deposit accounts	30,168	22,831	7,337	32.1%
Debit, prepaid, ATM and merchant card related fees	18,399	16,243	2,156	13.3%
Bank owned life insurance income	7,801	5,976	1,825	30.5%
Gain on sale of bank properties held for sale	1,408	2,675	(1,267)	(47.4)%
Mortgage banking revenue	29,553	12,610	16,943	134.4%
Small business administration loans revenue	5,136	3,532	1,604	45.4%
Other non-interest income	5,511	4,626	885	19.1%
Gain (loss) on sale of securities	25	(22)	47	213.6%
Subtotal	166,060	104,516	61,544	58.9%
Gain on sale of deposits	—	611	(611)	(100.0)%
Total non-interest income	$166,060	$105,127	$60,933	58.0%

As shown in the table above, the increase in non-interest income year-to-year is in part due to an increase in correspondent banking capital markets revenue mainly due to higher interest rate swap revenue during the current year compared to the same period in 2018. The decline in interest rates and the flattening of the yield curve led to strong demand from our correspondent bank customers for interest rate swaps in order to allow them to meet demand from our correspondent bank customers' clients for longer-term fixed rate loans.

Mortgage banking revenue increased $16,943 during the current year compared to 2018, which is primarily attributable to higher demand for mortgage loans due to the decline in interest rates, thus leading to increased revenue from realized gains on the sale of loans held for sale and the addition of NCOM, which had a significant mortgage banking division. Other increases in non-interest income between the periods presented are mainly attributable to a full year impact of the Charter acquisition, which was completed in September 2018 and the NCOM acquisition, which was completed in April 2019.

Non-Interest Expense

Non-interest expense for the year ended December 31, 2019 increased $134,440, or 43.0%, to $446,907, compared to $312,467 for 2018. The table below breaks down the individual components.

	2019	2018	$ Increase (Decrease)	% Increase (Decrease)
Employee salaries and wages	$205,867	$133,945	$ 71,922	53.7%
Employee incentive/bonus compensation	27,408	13,131	14,277	108.7%
Employee stock based compensation	5,149	4,193	956	22.8%
Employer 401K matching contributions	5,598	3,444	2,154	62.5%
Deferred compensation expense	1,546	641	905	141.2%
Health insurance and other employee benefits	15,070	12,237	2,833	23.2%
Payroll taxes	13,188	9,180	4,008	43.7%
Other employee related expenses	3,915	5,396	(1,481)	(27.4)%
Incremental direct cost of loan origination	(17,507)	(9,849)	(7,658)	(77.8)%
Total salaries, wages and employee benefits	260,234	172,318	87,916	51.0%
Gain on sale of OREO	(428)	(1,933)	1,505	77.9%
Valuation write down of OREO	395	482	(87)	(18.0)%
(Gain) loss on repossessed assets other than real estate	(25)	138	(163)	(118.1)%
Foreclosure and repossession related expenses	3,221	2,815	406	14.4%
Total credit related fees	3,163	1,502	1,661	110.6%
Occupancy expense	28,350	20,897	7,453	35.7%
Depreciation of premises and equipment	14,438	9,788	4,650	47.5%
Supplies, stationary and printing	3,234	2,498	736	29.5%
Marketing expenses	7,540	6,235	1,305	20.9%
Data processing expense	19,605	14,308	5,297	37.0%
Legal, auditing and other professional fees	8,870	6,163	2,707	43.9%
Bank regulatory related expenses	5,048	4,885	163	3.3%
Postage and delivery	3,967	2,961	1,006	34.0%
ATM and debit card related expenses	5,501	4,253	1,248	29.3%
Amortization of intangibles	16,030	10,018	6,012	60.0%
Internet and telephone banking	4,018	3,178	840	26.4%
Operational write-offs and losses	3,643	2,284	1,359	59.5%
Correspondent accounts and Federal Reserve charges	1,565	1,077	488	45.3%
Conferences/Seminars/Education/Training	2,526	1,379	1,147	83.2%
Director fees	1,819	1,281	538	42.0%
Travel expenses	2,543	1,051	1,492	142.0%
Impairment on bank property held for sale	1,736	2,667	(931)	(34.9)%
Other expenses	13,820	8,812	5,008	56.8%
Subtotal	407,650	277,555	130,095	46.9%
Merger, acquisition and conversion related expenses	39,257	34,912	4,345	12.4%
Total non-interest expense	$446,907	$312,467	$134,440	43.0%

Excluding merger, acquisition and conversion related expenses, total non-interest expense increased $130,095 or 46.9% year to year as shown in the above table. The majority of the increases in the various expense categories presented above, such as employee salaries and wages, other employee related benefits, occupancy expense and amortization of intangibles are primarily due to our acquisition of NCOM on April 1, 2019 and a full-year impact of the Charter acquisition on September 1, 2018.

Income Tax Provision

We recognized an income tax expense for the year ended December 31, 2019 of $67,698 (an effective tax rate of 23.1%) compared to $41,024 (an effective tax rate of 20.8%) for the year ended December 31, 2018. The primary reason for the increase was due to higher revenue resulting in higher taxable income. In addition, the Company recorded excess tax benefits on stock awards of $999 in 2019 compared to $6,149 in 2018, which contributed to the lower effective tax rate in 2018. During 2019, the Company also recorded a one-time charge to its net deferred tax asset of approximately $987 to reflect a state income tax rate reduction in Florida and Georgia effective January 1, 2019.

COMPARISON OF RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

Net Income

Our net income for the year ended December 31, 2018 was $156,435 or $1.78 and $1.76 per share basic and diluted, respectively, compared to $55,795 or $0.97 and $0.95 per share basic and diluted for the year ended December 31, 2017. The increase of $100,640 between both years was primarily due to the increase in income producing assets from the acquisitions of Sunshine and HCBF on January 1, 2018 and Charter on September 1, 2018. In addition, as a result of the Tax Act signed into law on December 22, 2017, the Federal corporate income tax rate applicable to the Company decreased from 35% to 21% resulting in lower income tax expense during 2018 compared to the prior year.

Net Interest Income/Margin

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

Net interest income increased $177,539, or 75% to $413,082 during the year ended December 31, 2018 compared to $235,543 for the same period in 2017. The increase was the result of a $209,306 increase in interest income and a $31,767 increase in interest expense.

Interest earning assets averaged $9,475,205 during the year ended December 31, 2018 as compared to $5,631,772 for the same period in 2017, an increase of $3,843,433, or 68%. The yield on average interest earning assets increased 40 basis points ("bps") to 4.86% (33 bps to 4.89% tax equivalent basis) during the year ended December 31, 2018, compared to 4.46% (4.56% tax equivalent basis) for the same period in 2017. The combined net effects of the $3,843,433 increase in average interest earning assets and the increase in yields on average interest earning assets resulted in the $209,306 ($206,111 tax equivalent basis) increase in interest income between the two years.

Interest bearing liabilities averaged $6,247,314 during the year ended December 31, 2018 as compared to $3,612,651 for the same period in 2017, an increase of $2,634,663, or 73%. The cost of average interest bearing liabilities increased 32 bps to 0.76% during the year ended December 31, 2018, compared to 0.44% for 2017. The combined net effects of the $2,634,663 increase in average interest bearing liabilities and the 32 bps increase in cost of average interest bearing liabilities resulted in the $31,767 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.

Average Balances (8) – Yields & Rates

	Years Ended December 31,					
	2018			2017		
	Average Balance	Interest Inc / Exp	Average Rate	Average Balance	Interest Inc / Exp	Average Rate
ASSETS:						
Originated loans, excluding PCI (1) (2) (7)	$ 3,505,332	$162,906	4.65%	$2,586,907	$111,208	4.30%
Acquired loans, excluding PCI (1) (2) (7)	3,725,861	208,473	5.60%	1,565,533	79,561	5.08%
Purchased credit-impaired loans (9)	176,572	35,944	20.36%	173,885	32,388	18.63%
Securities—taxable	1,580,506	42,723	2.70%	195,431	3,432	1.76%
Securities—tax exempt (7)	210,905	7,478	3.55%	928,494	22,598	2.43%
Federal funds sold and other	276,029	5,629	2.04%	181,522	7,855	4.33%
TOTAL INTEREST EARNING ASSETS	$ 9,475,205	$463,153	4.89%	$5,631,772	$257,042	4.56%
Allowance for loan losses	(35,887)			(29,505)		
All other assets	1,511,336			738,892		
TOTAL ASSETS	$10,950,654			$6,341,159		
LIABILITIES & STOCKHOLDERS' EQUITY						
Deposits:						
Now	$ 1,531,007	$ 3,367	0.22%	$ 956,331	$ 1,058	0.11%
Money market	1,900,642	10,571	0.56%	1,091,550	3487	0.32%
Savings	703,021	877	0.12%	472,890	479	0.10%
Time deposits	1,492,683	18,444	1.24%	750,644	6,055	0.81%
Repurchase agreements	54,344	632	1.16%	43,850	246	0.56%
Federal funds purchased	250,499	5,062	2.02%	263,669	2989	1.13%
Other borrowed funds (3)	280,313	6,384	2.28%	7,642	119	1.56%
Corporate debenture (4)	34,805	2,213	6.36%	26,075	1350	5.18%
TOTAL INTEREST BEARING LIABILITIES	$ 6,247,314	$ 47,550	0.76%	$3,612,651	$ 15,783	0.44%
Demand deposits	2,918,270			1,836,080		
Other liabilities	122,255			72,802		
Total stockholders' equity	1,662,815			819,626		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$10,950,654			$6,341,159		
NET INTEREST SPREAD (tax equivalent basis) (5)			4.13%			4.13%
NET INTEREST INCOME (tax equivalent basis)		$415,603			$241,259	
NET INTEREST MARGIN (tax equivalent basis) (6)			4.39%			4.28%

(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 $2,531 and $1,536 for the years ended December 31, 2018 and 2017, respectively.
(3) Includes short-term (usually overnight) Federal Home Loan Bank advances and other borrowings.
(4) Includes net amortization of origination costs and amortization of purchase accounting adjustment of $351 and $234 during year ended December 31, 2018 and 2017, 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 non-accrual 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 non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Non-accrual 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 non-accrual, 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, 2018 versus 2017		
	Volume	Rate	Net Change
INTEREST INCOME			
Loans (tax equivalent basis)	$168,546	$15,620	$184,166
Securities—taxable	17,386	2,739	20,125
Securities—tax exempt	1,163	(1,540)	(377)
Federal funds sold and other	1,579	618	2,197
TOTAL INTEREST INCOME (tax equivalent basis)	$188,674	$17,437	$206,111
INTEREST EXPENSE			
Deposits			
NOW accounts	$ 873	$ 1,436	$ 2,309
Money market accounts	3,542	3,542	7,084
Savings	270	128	398
Time deposits	8,055	4,334	12,389
Repurchase agreements	70	316	386
Federal funds purchased	(156)	2,229	2,073
Other borrowed funds	6,185	80	6,265
Corporate debentures	555	308	863
TOTAL INTEREST EXPENSE	$ 19,394	$12,373	$ 31,767
NET INTEREST INCOME (tax equivalent basis)	$169,280	$ 5,064	$174,344

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 $3,325 to $8,283 during the year ending December 31, 2018 compared to a provision of $4,958 for the comparable period in 2017. 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. Net changes resulting from a mixture of decreases and increases in the Company's various two-year historical loss factors and qualitative factors affected the net change. 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, 2018 was $105,127 compared to $65,175 for the comparable period in 2017. This increase of $39,952 was the result of the following components listed in the table below.

	2018	2017	$ Increase (Decrease)	% Increase (Decrease)
Correspondent banking capital markets revenue	$ 28,884	$23,520	$ 5,364	22.8%
Other correspondent banking related revenue	4,504	4,821	(317)	(6.6)%
Wealth management related revenue	2,657	3,554	(897)	(25.2)%
Service charges on deposit accounts	22,831	14,986	7,845	52.3%
Debit, prepaid, ATM and merchant card related fees	16,243	9,035	7,208	79.8%
Bank owned life insurance income	5,976	3,293	2,683	81.5%
Gain on sale of bank properties held for sale	2,675	340	2,335	686.8%
Mortgage banking revenue	12,610	1,511	11,099	734.5%
Other service charges and fees	8,158	2,898	5,260	181.5%
Loss on sale of securities	(22)	(7)	(15)	(214.3)%
Subtotal	104,516	63,951	40,565	63.4%
Gain on sale of deposits	611	—	—	NM
Gain on sale of trust department	—	1,224	(1,224)	(100.0)%
Total non-interest income	$105,127	$65,175	$39,952	61.3%

As shown in the table above, the increase in non-interest income year to year is in part due to an increase in mortgage banking revenue. This particular business line experienced higher volume in mortgage loan sales as a result of the acquisitions of Charter and the mortgage team both completed in September 2018.

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 is mainly due to greater brokerage revenue from interest rate swaps in 2018. This line of business produced $20,799 of gross revenue during the current year compared to $13,618 in 2017.

The increase in all other non-interest income is in part due to the acquisitions of Sunshine and HCBF on January 1, 2018 and Charter on September 1, 2018.

Non-Interest Expense

Non-interest expense for the year ended December 31, 2018 increased $125,982, or 67.6%, to $312,467, compared to $186,485 for 2017. The table below breaks down the individual components.

	2018	2017	$ Increase (Decrease)	% Increase (Decrease)
Employee salaries and wages	$133,945	$ 82,348	$ 51,597	62.7%
Employee incentive/bonus compensation	13,131	10,456	2,675	25.6%
Employee stock based compensation	4,193	4,580	(387)	(8.4)%
Employer 401K matching contributions	3,444	2,249	1,195	53.1%
Deferred compensation expense	641	568	73	12.9%
Health insurance and other employee benefits	12,237	7,229	5,008	69.3%
Payroll taxes	9,180	5,458	3,722	68.2%
Other employee related expenses	5,396	1,930	3,466	179.6%
Incremental direct cost of loan origination	(9,849)	(5,406)	(4,443)	(82.2)%
Total salaries, wages and employee benefits	172,318	109,412	62,906	57.5%
Gain on sale of OREO	(1,933)	(876)	(1,057)	(120.7)%
Valuation write down of OREO	482	682	(200)	(29.3)%
Loss (gain) on repossessed assets other than real estate	138	(23)	161	700.0%
Foreclosure and repossession related expenses	2,815	2,252	563	25.0%
Total credit related fees	1,502	2,035	(533)	(26.2)%
Occupancy expense	20,897	12,777	8,120	63.6%
Depreciation of premises and equipment	9,788	7,247	2,541	35.1%
Supplies, stationary and printing	2,498	1,610	888	55.2%
Marketing expenses	6,235	3,929	2,306	58.7%
Data processing expense	14,308	8,436	5,872	69.6%
Legal, auditing and other professional fees	6,163	3,644	2,519	69.1%
Bank regulatory related expenses	4,885	3,051	1,834	60.1%
Postage and delivery	2,961	1,938	1,023	52.8%
ATM and debit card related expenses	4,253	2,746	1,507	54.9%
Amortization of intangibles	10,018	4,066	5,952	146.4%
Internet and telephone banking	3,178	2,231	947	42.4%
Operational write-offs and losses	2,284	687	1,597	232.5%
Correspondent accounts and Federal Reserve charges	1,077	854	223	26.1%
Conferences/Seminars/Education/Training	1,379	820	559	68.2%
Director fees	1,281	897	384	42.8%
Travel expenses	1,051	760	291	38.3%
Impairment on bank property held for sale	2,667	519	2,148	413.9%
Other expenses	8,812	5,780	3,032	52.5%
Subtotal	277,555	173,439	104,116	60.0%
Merger, acquisition and conversion related expenses	34,912	13,046	21,866	167.6%
Total non-interest expense	$312,467	$186,485	$125,982	67.6%

Excluding merger, acquisition and conversion related expenses, total non-interest expense increased $104,116 or 60.0% year to year as shown in the above table. The increase is primarily due to our acquisitions of Sunshine and HCBF on January 1, 2018 and Charter on September 1, 2018.

Income Tax Provision

As a result of the Tax Act signed into law on December 22, 2017, the Federal corporate tax rate applicable to the Company changed from 35% to 21% effective January 1, 2018. As a result, we recognized an income tax expense for the year ended December 31, 2018 of $41,024 (an effective tax rate of 20.8%) compared to $53,480 (an effective tax rate of 48.9%) for the year ended December 31, 2017. Also as a result of the Tax Act signed into law on December 22, 2017, we evaluated our deferred tax asset at December 31, 2017 to account for the future impact of lower corporate tax rates on our deferred tax asset. The lower corporate tax rate resulted in a one-time charge to our deferred tax asset of $18,575 which was booked as additional income tax expense in 2017. Excluding the one-time charge to our deferred tax asset of $18,575, the effective tax rate was 31.9% for the year ended December 31, 2017. In addition, we implemented ASU 2016-09, *Stock Compensation Improvements to Employee Share-Based Payment Activity*, on January 1, 2017 which resulted in excess tax benefits on stock awards of $6,149 and $3,007 during the years ended December 31, 2018 and 2017, respectively.

COMPARISON OF BALANCE SHEETS AT DECEMBER 31, 2019 AND DECEMBER 31, 2018

Overview

Our total assets grew by $4,804,437, or 39%, from $12,337,588 at December 31, 2018 to $17,142,025 at December 31, 2019, primarily due to the acquisition of NCOM on April 1, 2019.

Investment Debt Securities Available for Sale

We have an available for sale debt 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 Sheets".

Our available for sale debt portfolio totaled $1,886,724 at December 31, 2019 and $1,727,348 at December 31, 2018, or 11% and 14% respectively, of total assets. See Note 3 in our "Notes to 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 debt 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 debt portfolio is carried at fair market value and had a net unrealized gain of approximately $30,698 (which includes gross unrealized losses of $1,452) at December 31, 2019, compared to a net unrealized loss of approximately $30,032 at December 31, 2018.

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 not 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 Other Correspondent Banking Related Revenue in our "Consolidated Statements of Income 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 "Notes to Consolidated Financial Statements" for a summary of purchases, sales and revenue recognized for the years ending December 31, 2019 and 2018.

Investment Debt Securities Held to Maturity

We have a held to maturity debt securities portfolio. At December 31, 2019, the portfolio had securities of $202,903 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, 2019, these securities had gross unrecognized gains of approximately $5,978 and $29 of gross unrecognized losses. Similar to our available for sale debt 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 that we will not 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 "Notes to Consolidated Financial Statements" for a summary of security type, maturity, estimated fair value, gross unrecognized gains and gross unrecognized losses.

Loans held for sale

We have a mortgage line of business whereby we originate single-family home loans and sell the majority of those mortgages into the secondary market of which the majority are sold with servicing rights released. Effective January 1, 2018, the Company elected to account for these loans under the fair value option with changes in fair value recognized in current period earnings. At the date of funding of the loan, the funded amount of the loan, the relative derivative asset or liability of the associated interest rate lock commitment, less direct costs, becomes the initial recorded investment in the loan held for sale. Such amount approximates the fair value of the loan. This change was accounted for on a prospective basis. Gains and losses on the sale of mortgage loans held for sale and changes in fair value are included as components of Mortgage Banking Revenue which are reported in Non-interest Income in our "Consolidated Statement of Income and Comprehensive Income". For more information, See Note 4 in our "Notes to Consolidated Financial Statements" on loans held for sale.

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, 2019, were $11,041,121, or 81% of average earning assets, as compared to $7,407,765, or 78% of average earning assets, for the year ending December 31, 2018. Total loans at December 31, 2019 and 2018 were $11,983,943 and $8,340,504, respectively, an increase of $3,643,439, or 44%. This also represents a loan to total asset ratio of 70% and 68% and a loan to deposit ratio of 91% and 88%, at December 31, 2019 and 2018, respectively.

In the aggregate, approximately 83% are collateralized by real estate, 15% are commercial non real estate loans and the remaining 2% 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 $2,558,339 representing approximately 21% of our total loans. Approximately $45,795 of this total amount is included in our PCI loan portfolio. Of the remaining $2,512,544 that are not PCI loans, approximately $13,455 or 0.5% are non-performing (non-accrual) at December 31, 2019.

Commercial real estate loans: This is the largest category ($6,406,684) of our loan portfolio representing approximately 53% 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, Georgia and Alabama. The borrowers are a mix of professionals, doctors, lawyers, and other small business owners. Approximately 39% of commercial real estate loans are owner occupied. Approximately $81,576 of total commercial real estate loans are included in our PCI loan portfolio. Of the remaining $6,325,108 that are not PCI loans, approximately $12,141 or 0.2% are non-performing (non-accrual) at December 31, 2019.

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 8% ($1,004,578) of our total loan portfolio. The majority of this amount is land development, lots, and other land loans. Approximately $4,655 of these loans are included in our PCI loan portfolio. Of the remaining $999,923 that are not PCI loans, approximately $2,516 or 0.3% are non-performing (non-accrual) at December 31, 2019.

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:	2019	2018	2017	2016	2015
Loans excluding PCI loans					
Real estate loans:					
Residential	$ 2,512,544	$1,702,114	$1,025,303	$ 816,304	$ 647,496
Commercial	6,325,108	4,454,098	2,546,143	1,755,922	1,254,782
Land, development and construction	999,923	635,562	235,816	142,044	105,276
Total real estate loans	9,837,575	6,791,774	3,807,262	2,714,270	2,007,554
Commercial	1,759,074	1,183,380	693,501	439,540	307,321
Consumer and other loans	247,307	203,686	107,480	89,538	67,500
Total loans—gross	11,843,956	8,178,840	4,608,243	3,243,348	2,382,375
Less: unearned fees/costs	4,519	2,693	820	475	873
Total loans excluding PCI loans	11,848,475	8,181,533	4,609,063	3,243,823	2,383,248
PCI loans					
Real estate loans:					
Residential	45,795	58,804	59,975	72,179	86,104
Commercial	81,576	87,336	92,791	99,566	105,629
Land, development and construction	4,655	7,028	6,656	9,944	15,548
Total real estate loans	132,026	153,168	159,422	181,689	207,281
Commercial	3,342	5,594	4,444	3,825	2,771
Consumer and other loans	100	209	292	410	476
Total PCI loans	135,468	158,971	164,158	185,924	210,528
Total loans	$11,983,943	$8,340,504	$4,773,221	$3,429,747	$2,593,776

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, 2019, excluding unearned net fees and costs.

	December 31, 2019			
	0 – 12 Months	1 – 5 Years	Over 5 Years	Total
All loans other than construction, development, land	$1,207,140	$2,994,877	$6,772,829	$10,974,846
Real estate—land, development and construction	334,727	268,842	401,009	1,004,578
Total	$1,541,867	$3,263,719	$7,173,838	$11,979,424
Fixed interest rate	$ 564,955	$2,460,291	$2,102,601	$ 5,127,847
Variable interest rate	976,912	803,428	5,071,237	6,851,577
Total	$1,541,867	$3,263,719	$7,173,838	$11,979,424

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.

- 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.
- Levels of and trends in charge-offs and recoveries.
- Changes in the nature and volume of the portfolio and in the terms of loans.
- 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.
- Changes in the experience, ability, and depth of our lending management and other relevant staff.
- Changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments (national and local economic trends and conditions).
- 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).
- 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, 2019 and 2018.

	December 31, 2019			December 31, 2018			Increase (Decrease)		
	Loan Balance	ALLL Balance	%	Loan Balance	ALLL Balance	%	Loan Balance	ALLL Balance	%
Originated non-impaired loans	$ 5,907,801	$37,151	0.63%	$4,096,828	$36,105	0.88%	$1,810,973	$1,046	0.06%
Impaired originated loans	15,078	842	5.58%	11,828	878	7.42%	3,250	(36)	(1.11)%
Total originated loans	5,922,879	37,993	0.64%	4,108,656	36,983	0.90%	1,814,223	1,010	0.06%
Acquired loans (Note 1)	5,914,534	1,400	0.02%	4,069,005	1,858	0.05%	1,845,529	(458)	(0.02)%
Impaired acquired loans (Note 2)	11,062	1,036	9.37%	3,872	738	19.06%	7,190	298	4.14%
	5,925,596	2,436	0.04%	4,072,877	2,596	0.06%	1,852,719	(160)	(0.01)%
Total Non-PCI loans	11,848,475	40,429		8,181,533	39,579		3,666,942	850	
PCI loans	135,468	226		158,971	191		(23,503)	35	
Total loans	$11,983,943	$40,655		$8,340,504	$39,770		$3,643,439	$ 885	

Note 1: These are performing acquired loans that were recorded at estimated fair value on the related acquisition dates. The total net unamortized fair value adjustment at December 31, 2019 was approximately $51,952 or 0.9% of the aggregate outstanding related loan balances. Acquired loans currently include performing loans acquired from the TD Bank acquisition (year 2011), the Federal Trust acquisition (year 2011), the Gulfstream Bank acquisition (year 2014), the First Southern Bank acquisition (year 2014), the Community Bank acquisition (year 2016), the Hometown of Homestead Banking Company acquisition (year 2016), the Platinum Bank acquisition (year 2017), the Gateway Bank acquisition (year 2017), the Sunshine Bank acquisition (year 2018), the Harbor Bank acquisition (year 2018), the CharterBank acquisition (year 2018) and the National Bank of Commerce acquisition (year 2019).

Note 2: These are loans that were acquired as performing loans that subsequently became impaired.

The general loan loss allowance (non-impaired loans) relating to originated loans increased by $1,046 resulting primarily from the increase in loans outstanding. Net changes resulting from a mixture of decreases and increases in the Company's various two-year historical loss factors and qualitative factors also slightly affected the net change.

The general loan loss allowance (non-impaired loans) relating to acquired loans decreased by $458 resulting primarily from a decrease in loans outstanding, excluding the loans acquired from NCOM on April 1, 2019. At December 31, 2019 the non-impaired loans acquired from the NCOM acquisition were equal to approximately $2,729,430. These loans were recorded at estimated fair value at acquisition date with no indication of credit deterioration since the acquisition date. As such, there is no allowance for loan losses associated with these loans as of December 31, 2019. The unamortized acquisition date fair value adjustment related to these loans at December 31, 2019 was approximately $24,579, or 0.89% of the related aggregate outstanding loan balances.

The specific loan loss allowance (impaired loans) for both originated loans and acquired loans is the aggregate of the results of individual analyses prepared for each one of the impaired loans, excluding PCI loans. Total impaired loans at December 31, 2019 are equal to $26,140 ($15,078 originated impaired loans plus $11,062 acquired impaired 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 $2,167 to $26,140 ($24,262 when the $1,878 specific allowance is considered) from their legal unpaid principal balance outstanding of $28,307. In the aggregate, total impaired loans have been written down to approximately 86% of their legal unpaid principal balance when the related specific allowance is considered and non-performing impaired loans have been written down to approximately 83% 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) of $38,608 at December 31, 2019 have been written down to approximately 83% of their legal unpaid principal balance, when the related specific allowance is also considered.

Approximately $8,012 of the Company's impaired troubled debt restructured loans (31%) are accruing performing loans pursuant to their modified terms. 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, 2019. 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

at December 31:	2019	2018	2017	2016	2015
Loans excluding PCI loans					
Balance, beginning of year	$ 39,579	$32,530	$26,569	$22,143	$19,384
Residential real estate	(721)	(516)	(254)	(290)	(1,283)
Commercial real estate	(567)	(13)	(74)	(1,190)	(173)
Construction & land development	(42)	(126)	—	(232)	(461)
Commercial, industrial & factored receivables	(9,545)	(1,474)	(677)	(186)	(1,121)
Consumer	(3,182)	(1,706)	(994)	(849)	(853)
Total loans charged-off	(14,057)	(3,835)	(1,999)	(2,747)	(3,891)
Recoveries on loans previously charged-off:					
Residential real estate	710	1,027	950	1,220	901
Commercial real estate	1,057	679	662	625	485
Construction & land development	85	39	596	269	5
Commercial, industrial & factored receivables	1,934	360	334	325	344
Consumer	571	327	217	189	156
Total loan recoveries	4,357	2,432	2,759	2,628	1,891
Net (charge-offs) recoveries	(9,700)	(1,403)	760	(119)	(2,000)
Provision for loan losses charged to expense	10,550	8,452	5,201	4,545	4,759
Allowance for loan losses for loans that are not PCI loans	$ 40,429	$39,579	$32,530	$26,569	$22,143
PCI loans					
Balance, beginning of year	$ 191	$ 295	$ 472	$ 121	$ 514
Loans charged-off:					
Residential real estate	—	—	—	—	—
Commercial real estate	—	—	—	—	(77)
Construction & land development	—	—	—	(66)	—
Commercial & industrial	—	(10)	—	—	—
Consumer	—	—	—	—	(50)
Total loans charged-off	—	(10)	—	(66)	(127)
Recoveries on loans previously charged-off:					
Residential real estate	—	—	—	—	—
Commercial real estate	—	—	66	—	—
Construction & land development	—	—	—	—	—
Commercial & industrial	—	75	—	—	—
Consumer	—	—	—	—	—
Total loan recoveries	—	75	66	—	—
Net recoveries (charge-offs)	—	65	66	(66)	(127)
Provision for loan losses charged to expense	35	(169)	(243)	417	(266)
Allowance for loan losses on PCI loans	$ 226	$ 191	$ 295	$ 472	$ 121
Total allowance at end of period	$ 40,655	$39,770	$32,825	$27,041	$22,264

	2019	2018	2017	2016	2015
Loans at year end (Note 1)	$11,848,475	$8,181,533	$4,609,063	$3,243,823	$2,383,248
Average loans outstanding (Note 1)	$10,890,575	$7,231,193	$4,152,440	$2,930,213	$2,270,525
Net charge-offs (recoveries) (Note 1)	$ 9,700	$ 1,403	$ (760)	$ 119	$ 2,000
Allowance for loan losses as percentage of year end loans (Note 1)	0.34%	0.48%	0.71%	0.82%	0.93%
Net charge-offs (recoveries) as a percentage of average loans outstanding (Note 1)	0.09%	0.02%	(0.02)%	— %	0.09%

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 factored receivables. For CBI's factored receivables, which are commercial trade credits rather than promissory notes, the Company's practice, in most cases, is to charge-off unpaid recourse receivables when they become 90 days past due from the invoice due date and the non-recourse receivables when they become 120 days past due from the statement billing date. 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. 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, 2019 totaled $36,916 (305 loans). This amount is further delineated by loan category as follows:

	Aggregate Loan Amounts	% of Non-Accrual by Category	Number of Loans
Residential real estate	$13,455	36%	148
Commercial real estate	12,141	33%	39
Land, development, construction	2,516	7%	16
Commercial	7,884	21%	45
Consumer and other	920	3%	57
Total	$36,916	100%	305

The non-accrual loans reported above include $5,819 of SBA loans, of which $5,188 is government guaranteed with minimal potential loss to the Company. 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. For CBI's factored receivables, which are commercial trade credits rather than promissory notes, the Company's practice, in most cases, is to charge-off unpaid recourse receivables when they become 90 days past due from the invoice due date and the non-recourse receivables when they become 120 days past due from the statement billing date.

At December 31, 2019, total OREO was $5,092 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 Statements of Income and Comprehensive Income". OREO is further delineated in the following table.

	Carrying Amount at December 31, 2019
6 single family homes	$1,083
7 commercial buildings	3,384
Land / various acreages	583
1 mobile home	42
Total	$5,092

At December 31, 2019, we also had repossessed assets other than real estate with an aggregate estimated fair value of approximately $170. Interest income not recognized on non-accrual loans was approximately $1,134, $1,213 and $787 for the years ended December 31, 2019, 2018 and 2017, respectively.

The table below summarizes non-performing loans and assets for the periods provided.

Non-Performing Loans and Non-Performing Assets

	December 31,				
	2019	2018	2017	2016	2015
Non-accrual loans (Note 1)	$36,916	$23,567	$17,288	$19,003	$20,833
Past due loans 90 days or more and still accruing interest (Note 1)	1,692	—	—	—	—
Total non-performing loans (Note 1)	**38,608**	**23,567**	**17,288**	**19,003**	**20,833**
Repossessed real estate ("OREO") (Note 1)	5,092	2,909	3,987	7,090	1,567
Repossessed assets other than real estate (Note 1)	170	350	147	114	145
Total non-performing assets (Note 1)	**$43,870**	**$26,826**	**$21,422**	**$26,207**	**$22,545**
OREO covered by FDIC loss share agreements (Note 2):					
80% covered	—	—	—	—	4,828
30% covered	—	—	—	—	4,742
0% covered	—	—	—	—	59
Total non-performing assets including FDIC covered OREO	$43,870	$26,826	$21,422	$26,207	$32,174
Non-performing loans as percentage of total loans excluding PCI loans	0.33%	0.29%	0.38%	0.59%	0.87%
Non-performing assets as percentage of total assets					
Excluding FDIC covered OREO	0.26%	0.22%	0.30%	0.52%	0.56%
Including FDIC covered OREO (Note 2)	0.26%	0.22%	0.30%	0.52%	0.80%
Non-performing assets as percentage of loans and OREO plus other repossessed assets (Note 1)					
Excluding FDIC covered OREO	0.37%	0.33%	0.46%	0.81%	0.95%
Including FDIC covered OREO (Note 2)	0.37%	0.33%	0.46%	0.81%	1.34%
Loans past due 30 thru 89 days and accruing interest as a percentage of total loans (Note 1)	0.48%	0.45%	0.30%	0.58%	0.62%
Allowance for loan losses as a percentage of non-performing loans (Note 1)	105%	168%	188%	140%	106%

Note 1: Excludes PCI loans.
Note 2: On February 3, 2016, we terminated the loss share agreements with the FDIC.

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. 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 $410, $461 and $469 for the years ended December 31, 2019, 2018 and 2017, respectively. The average recorded investment in impaired loans during 2019, 2018 and 2017 were $21,361, $18,211 and $19,327, 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, 2019, we had approximately $12,524 of troubled debt restructures ("TDRs"). Of this amount, $8,012 were performing pursuant to their modified terms, and $4,512 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,				
	2019	**2018**	**2017**	**2016**	**2015**
Performing TDRs	$ 8,012	$ 8,475	$12,081	$11,030	$10,254
Non-performing TDRs	4,512	1,002	698	2,075	4,873
Total TDRs	$12,524	$ 9,477	$12,779	$13,105	$15,127
Impaired loans that are not TDRs	13,616	6,223	7,566	7,148	8,048
Impaired loans that are TDRs	12,524	9,477	12,779	13,105	15,127
Recorded investment in impaired loans	$26,140	$15,700	$20,345	$20,253	$23,175
Allowance for loan losses related to impaired loans	$ 1,878	$ 1,616	$ 804	$ 695	$ 1,080

TDRs as of December 31, 2019 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
Residential	$4,862	$1,147	$ 6,009
Commercial	1,706	—	1,706
Construction, development, land	175	—	175
Total real estate loans	6,743	1,147	7,890
Commercial and industrial	1,146	3,365	4,511
Consumer and other	123	—	123
Total TDRs	$8,012	$4,512	$12,524

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 64% of our TDRs at December 31, 2019 were current pursuant to their modified terms, and about $4,512, or approximately 36% 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 PCI loans. The increase in past due loans reported below between years 2019 and 2018 is primarily due to the acquisition of NCOM. The increase in past due loans reported below between years 2018 and 2017 is primarily due to the acquisitions of Sunshine, Harbor and Charter.

	December 31,				
	2019	2018	2017	2016	2015
Past due loans 30-89 days	$57,311	$36,502	$13,665	$18,826	$14,723
As percentage of total loans	0.48%	0.45%	0.30%	0.58%	0.62%

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,									
	2019		2018		2017		2016		2015	
Real estate loans:										
Residential	$ 4,257	21%	$ 5,518	21%	$ 6,003	22%	$ 5,640	25%	$ 6,015	27%
Commercial	18,552	54%	22,978	55%	19,304	56%	14,713	54%	10,559	53%
Land, development, construction	2,319	8%	1,781	8%	1,179	5%	883	4%	936	4%
Total real estate loans	25,128	83%	30,277	84%	26,486	83%	21,236	83%	17,510	84%
Commercial, industrial & factored receivable loans	11,282	15%	6,414	14%	4,130	15%	3,785	14%	3,212	13%
Consumer and other loans	4,019	2%	2,888	2%	1,914	2%	1,548	3%	1,421	3%
Total	$40,429	100%	$39,579	100%	$32,530	100%	$26,569	100%	$22,143	100%

Bank Premises and Equipment

Bank premises and equipment was $296,706 at December 31, 2019 compared to $227,454 at December 31, 2018, an increase of $69,252 or 30%. The primary component of the increase is $61,295 of branch real estate acquired during 2019 with the purchase of NCOM. In addition, we transferred $6,450 of branch real estate that is no longer in use to bank properties held for sale at estimated fair value less estimated cost to sell. We recognized an impairment charge of $2,107 related to these properties resulting in a net transfer to bank properties held for sale of $4,343. A summary of the activity for 2019 is presented in the table below.

Balance at December 31, 2018	$227,454
Acquisition of NCOM real estate	61,295
Branch real estate transferred to bank properties held for sale	(6,450)
Other additions, net of disposals	28,845
Depreciation	(14,438)
Balance at December 31, 2019	$296,706

At December 31, 2019, we operated from 149 full service banking offices in 47 counties throughout Florida, Georgia and Alabama. We also have two loan production offices of which we own one and lease one. 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, and office spaces for our Mortgage banking division, primarily in Atlanta, Georgia.

At December 31, 2019, we have 27 pieces of bank property held for sale with an aggregate carrying balance of $23,781. Of this total, 11 properties were acquired pursuant to the acquisition of NCOM included in our bank property held for sale with an aggregate carrying balance of $12,436.

Deposits

Total deposits increased $3,659,056, or 39%, to $13,136,392 as of December 31, 2019, compared to $9,477,336 at December 31, 2018. We assumed deposits of approximately $3,486,732 pursuant to the acquisition of NCOM on April 1, 2019 and assumed deposits of approximately $3,796,164 pursuant to the acquisitions of Sunshine and Harbor on January 1, 2018 and Charter on September 1, 2018. 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 17% of our total deposits at December 31, 2019, compared to 19% at December 31, 2018. In addition, our total checking accounts represent approximately 50% of our total deposits at December 31, 2019. Our cost of deposits, including non-interest bearing checking accounts, was approximately 0.68% during the year 2019.

The tables below summarize selected deposit information for the periods indicated.

	December 31,					
	2019		2018		2017	
Non time deposits	$10,879,837	83%	$7,655,376	81%	$4,727,840	85%
Time deposits	2,256,555	17%	1,821,960	19%	832,683	15%
Total deposits	$13,136,392	100%	$9,477,336	100%	$5,560,523	100%

Average Deposit Balance by Type and Average Interest Rates

	2019		2018		2017	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Non-interest bearing demand deposits	$ 3,786,350	— %	$2,918,270	— %	$1,836,080	— %
NOW accounts	2,299,647	0.40%	1,531,007	0.22%	956,331	0.11%
Money market accounts	3,223,763	1.10%	1,900,642	0.56%	1,091,550	0.32%
Savings accounts	748,332	0.18%	703,021	0.12%	472,890	0.10%
Time deposits	2,220,534	1.68%	1,492,683	1.24%	750,644	0.81%
Total	$12,278,626	0.68%	$8,545,623	0.39%	$5,107,495	0.22%

Maturity of Time Deposits of $100,000 or More

	December 31,		
	2019	2018	2017
Three months or less	$ 235,817	$162,283	$ 60,473
Three through six months	426,595	156,980	71,422
Six through twelve months	402,237	345,705	140,235
Over twelve months	225,861	285,949	176,206
Total	$1,290,510	$950,917	$448,336

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, 2019, 2018 and 2017, was approximately $73,314, $54,344 and $43,850, respectively. Interest expense for the same periods was approximately $1,106, $632 and $246, respectively, resulting in an average rate paid of 1.51%, 1.16% and 0.56% for the years ended December 31, 2019, 2018 and 2017, respectively. The following table summarizes the Company's repurchase agreements for the periods presented.

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,					
2019	$93,141	$73,314	1.51%	$93,141	1.30%
2018	$59,751	$54,344	1.16%	$57,772	1.66%
2017	$52,080	$43,850	0.56%	$52,080	0.88%

(1) Consist of securities sold under agreements to repurchase

FHLB Advances and Other Borrowed Funds

From time to time, we borrow on a short-term basis, usually overnight, either through Federal Home Loan Bank ("FHLB") advances, Federal Reserve Bank discount window or Federal Funds Purchased. Included in Federal Funds Purchased are overnight deposits including deposits from correspondent banks. We began accepting correspondent bank deposits in September 2008 pursuant to the initiation of our correspondent banking division. At December 31, 2019, we had $254,193 in overnight correspondent bank deposits and $125,000 in other overnight Federal Funds Purchased. During the year, these deposits had a daily average balance of approximately $286,179. At December 31, 2019, the Company had $150,000 in FHLB advances. During the year, the daily average balance of FHLB advances was $195,069. In addition to Federal Funds Purchased and FHLB advances, the Company had $11,000 in Subordinated notes, which were assumed pursuant to the Sunshine acquisition completed on January 1, 2018. These accounts are included with FHLB 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 FHLB Advances and Other Borrowings (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,					
2019	$753,198	$493,842	2.36%	$578,770	1.82%
2018	$655,360	$530,812	2.16%	$655,360	2.22%
2017	$506,490	$271,311	1.15%	$506,490	1.62%

(1) Consist of FHLB advances, Federal Funds Purchased and Subordinated notes.

Corporate and Subordinated Debentures

We have formed and assumed through various acquisitions seven statutory trust entities and the related corporate debentures as listed in the table below. 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	3 Mo LIBOR + 3.05%	Sep. 2033
Valrico Capital Statutory Trust	2,500	3 Mo LIBOR + 2.70%	Sep. 2034
Federal Trust Statutory Trust I	5,000	3 Mo LIBOR + 2.95%	Sep. 2033
Gulfstream Bancshares Capital Trust II	3,000	3 Mo LIBOR + 1.70%	Mar. 2037
Homestead Statutory Trust I	10,000	3 Mo LIBOR + 1.65%	Jul. 2036
BSA Financial Statutory Trust I	5,000	3 Mo LIBOR + 1.55%	Dec. 2035
MRCB Statutory Trust II	3,000	3 Mo LIBOR + 1.60%	Sep. 2036

In January 2018, the Company assumed BSA Financial Statutory Trust I ("BSA") and MRCB Statutory Trust II ("MRCB") from its acquisition of HCBF. The issued floating rate corporate debentures related to BSA and MRCB were in the amount of $5,000 and $3,000, respectively.

In September 2018, the Company assumed CBS Financial Capital Trust I ("CBS Trust I") & CBS Financial Capital Trust II ("CBS Trust II") from its acquisition of Charter, in the amounts of $4,000 and $5,000, respectively. CBS Trust I and CBS Trust II were subsequently redeemed in December 2018 at par value with no gains or losses realized on the extinguishments of debt.

On April 1, 2019, the Company acquired all the assets and assumed all the liabilities of NCOM pursuant to the merger agreement, including NCOM's subordinated debt obligations as listed in the table below. Each subordinated debenture bears interest at a fixed rate.

	Amount	Interest Rate	Maturity
National Commerce Corporation	$25,000	6.00%	Jun. 2026
Landmark Bancshares	$13,000	6.50%	Jun. 2027

See Note 14 of our "Notes to Consolidated Financial Statements" for further information describing these trust preferred securities and subordinated debt obligations.

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.

Liquidity risk is the risk that the Bank's financial condition or overall safety and soundness is adversely affected by an inability (or perceived inability) to meet its obligations. 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.

We define interest rate risk as the risk to earnings and equity arising from the behavior of interest rates. These behaviors include increases and decreases in interest rates as well as continuation of the current interest rate environment.

Our interest rate risk principally consists of reprice, option, basis, and yield curve risk. Reprice risk results from differences in the maturity or repricing characteristics of asset and liability portfolios. Option risk arises from embedded options in the investment and loan portfolios such as investment securities calls and loan prepayment options. Option risk also exists since deposit customers may withdraw funds at their discretion in response to general market conditions, competitive alternatives to existing accounts or other factors. The exercise of such options may result in higher costs or lower revenue. Basis risk refers to the potential for changes in the underlying relationship between market rates or indices, which subsequently result in narrowing spreads on interest-earning assets and interest-bearing liabilities. Basis risk also exists in administered rate liabilities, such as interest-bearing checking accounts, savings accounts and money market accounts where the price sensitivity of such products may vary relative to general markets rates. Yield curve risk refers to the adverse consequences of nonparallel shifts in the yield curves of various market indices that impact our assets and liabilities.

We use simulation analysis as a primary method to assess earnings at risk and equity at risk due to assumed changes in interest rates. Management uses the results of its various simulation analyses in combination with other data and observations to formulate strategies designed to maintain interest rate risk within risk tolerances.

Earnings at risk is defined as the percentage change in net interest income due to assumed changes in interest rates. Earnings at risk is generally used to assess interest rate risk over relatively short time horizons. We compute earnings at risk on a quarterly basis over one and two-year time horizons.

Equity at risk is defined as the percentage change in the net economic value of assets and liabilities due to changes in interest rates compared to a base net economic value. The discounted present value of all cash flows represents our economic value of equity. Equity at risk is generally considered a measure of the long-term interest rate exposures of the balance sheet at a point in time. We compute equity at risk on a quarterly basis.

We conduct scenario analyses across a range of ramped, parallel, and sustained interest rate shocks and measure the percent of change in earnings and equity relative to a base case scenario assuming no change in interest rates. The range of interest rate shocks includes upward and downward movements of rates through 300 basis points in 100 basis point increments, subject to market conditions that may render certain rate shocks impracticable. This series of scenario analysis is referred to as the Core Scenarios. The size and composition of the balance sheet is held constant for the Core Scenarios. 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.

Measures of earnings at risk computed over a one-year time horizon and equity at risk produced from the Core Scenarios are defined as key risk indicators and are compared to risk tolerances established by the Asset/ Liability Committee ("ALCO") and the Board. The ALCO also considers the analysis of earnings at risk over a two-year time horizon.

Simulation analysis involves the use of several assumptions including, but not limited to, the timing of cash flows such as investment security calls, loan prepayment speeds, deposit attrition rates, the interest rate sensitivity of loans and deposits relative to general market rates, and the behavior of interest rates and spreads. Furthermore, equity at risk simulation uses assumptions regarding discount rates that value cash flows. Simulation analysis is highly dependent on model assumptions that may vary from actual outcomes. For example, higher levels of interest rate sensitivity of deposits to upward movements in interest rates may adversely impact net interest income. Additionally, slower prepayment speeds of loans may adversely impact the economic value of equity in a rising interest rate environment. Key simulation assumptions are subject to stress testing to assess the impact of assumption changes on earnings at risk and equity at risk.

The table below summarizes the results of the Core Analysis as of December 31, 2019.

Ramped Change of Interest Rates	% Change in Baseline Net Interest Income 1-12 Months	% Change in Baseline Net Interest Income 13-24 Months	% Change in Economic Value of Equity
+ 300 bps	4.68%	13.73%	(11.44)%
+200 bps	3.31%	9.25%	(7.87)%
+100 bps	1.67%	4.68%	(3.94)%
-100 bps	(1.40)%	(5.29)%	2.32%
-200 bps	(2.86)%	(10.22)%	4.49%
-300 bps	(4.22)%	(12.63)%	4.39%

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, 2019				
	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	$13,136,392	$12,776,118	$281,231	$78,166	$ 877
Securities sold under agreements to repurchase	93,141	93,141	—	—	—
Federal Home Loan Bank advances and other borrowings	161,000	150,000	11,000	—	—
Corporate and subordinated debenture	71,343	—	—	—	71,343
Federal funds purchased	379,193	379,193	—	—	—
Deferred compensation	66,778	35,263	3,361	3,812	24,342
Operating lease obligations	34,485	7,435	11,352	7,190	8,508
Total	$13,942,332	$13,441,150	$306,944	$89,168	$105,070

Primary Sources and Uses of Funds

Our primary sources and uses of funds during the year ended December 31, 2019 are summarized in the table below.

Sale of investments	$ 276,579
Net cash from acquisitions	268,504
Mortgage-backed securities pay-downs	314,492
Proceeds from the sale of OREO	9,345
Proceeds from maturities of securities	295
Proceeds from sale of bank property held for sale	18,748
Proceeds from sale of bank premises and equipment, net	92
Proceeds from calls of securities	10,870
Net cash from operations	153,337
Net increase in deposits	176,161
Proceeds from stock options exercised	3,101
Net increase in repurchase agreements	16,536
Net increase in federal funds purchased	84,833
Total sources of funds	$1,332,893
Purchases of investments	$ 523,208
Increase in loans, net	266,141
Net increase in cash and cash equivalents	122,725
Purchase equipment	23,814
Net decrease in other borrowings	200,000
Net decrease in payable to shareholders for acquisitions	63
Stock repurchase	132,077
Cash dividends paid on common stock	52,400
Purchase of noncontrolling interest	11,400
Cash distribution paid to noncontrolling interest	1,065
Total uses of funds	$1,332,893

Capital Resources

Total shareholders' equity at December 31, 2019 was $2,896,718, or 17% of total assets compared to $1,971,344, or 16% of total assets at December 31, 2018. The $925,374 increase was the result of the following items: net income of $226,598, plus $831,676 stock issued pursuant to the acquisition of NCOM, including the fair value of assumed stock options converted to CenterState stock options, plus $45,435 net change in unrealized gain in securities available for sale, restricted stock awards and plus noncontrolling interest assumed from the NCOM acquisition of $12,002 and plus $9,050 stock based compensation, including stock options exercised and, less $132,077 in stock repurchases, less $52,400 cash dividends paid on our common stock, less $13,204 distribution paid to and purchase of noncontrolling interest previously assumed from the NCOM transaction, less $1,093 cumulative adjustment pursuant to the adoption of ASU 842, and less $613 net change in unrealized losses in our cash flow hedge.

The bank regulatory agencies have established risk-based and leverage capital requirements for banks that are applicable to the Company and the Bank. Under these requirements, the Company and the Bank are required to maintain certain capital standards based on ratios of capital to total assets and capital to risk-weighted assets. Adherence to these requirements has not had an adverse impact on our Company. For more information regarding regulatory capital requirements applicable to us, refer to Part I – "Supervision and Regulation - Capital Requirements."

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.

Mortgage banking derivatives used in the ordinary course of business consist of forward sales contracts and interest rate lock commitments on residential mortgage loans. Forward sales contracts represent future commitments to deliver loans at a specified price and by a specified date and are used to manage interest rate risk on loan commitments and mortgage loans held for sale. Rate lock commitments represent commitments to fund loans at a specific rate and by a specified expiration date. These derivatives involve underlying items, such as interest rates, and are designed to mitigate risk. For additional information, see Note 4 in our "Notes to Consolidated Financial Statements."

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 26 in our "Notes to Consolidated Financial Statements."

Accounting Pronouncements

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

Item 7A. 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 the 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 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, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 are set forth in this Form 10-K beginning at page 79.

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, 2019, 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, 2019, 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, 2019. The effectiveness of the Company’s internal control over financial reporting as of December 31, 2019 has been audited by Crowe 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 Company also has a formal corporate governance policy, related parties' transaction policy and insider trading policy, all of which also apply to our principal executive officer and principal financial officer and are also included on the Company's website. The website also includes a copy of the Company's Audit Committee Charter, Risk Committee Charter, Compensation Committee Charter, Nominating Committee Charter and Culture 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 "Board Leadership Structure and the Board's Role in Risk Oversight," "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 23, 2020, 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 "Board Leadership Structure and the Board's Role in Risk Oversight" and "Director Compensation," under "Proposal One – Election of Directors," and the sections captioned "Compensation Discussion and Analysis," 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 Shareholder Matters

Information contained in the section captioned "Management and Principal Stock Ownership" and under the table captioned "Equity Compensation Plan Information" 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 captioned "Director Independence" under "Proposal One – Election of Directors" and the section captioned "Certain Related Transactions" in the Proxy Statement is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information contained in the section captioned "Proposal Three—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, 2019 and 2018
Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2019, 2018 and 2017
Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017
Consolidated Statement of Changes in Shareholders' Equity for the years ended December 31, 2019, 2018 and 2017
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

2.1	–	Agreement and Plan of Merger by and between CenterState Bank Corporation and South State Corporation (Incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed on January 29, 2020)
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 filed on March 4, 2010)
3.5	–	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)
3.6	–	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)
3.7	–	Articles of Amendment to the Articles of Incorporation increasing the number of authorized common shares from 100,000,000 to 200,000,000 (Incorporated by reference to Exhibit 4.7 to the Company's Form S-8 dated May 30, 2018)
3.8	–	Articles of Amendment to the Articles of Incorporation changing the Company's legal name to CenterState Bank Corporation (Incorporated by reference to Exhibit 3.7 to the Company's Form 10K filed on February 27, 2018)
3.9	–	Amended and Restated Bylaws (Incorporated by reference to Exhibit 3.7 to the Company's Form 10-K filed on March 2, 2017)
4.1	–	Specimen Stock Certificate of CenterState Bank Corporation (formerly CenterState Banks, Inc.) (Incorporated by reference to Exhibit 4.8 to the Registration Statement on Form S-8, dated January 2, 2018)
10.1	–	Form of CenterState Bank Corporation (formerly CenterState Banks, Inc.) Split Dollar Agreement (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated January 11, 2006)*
10.2	–	CenterState Bank Corporation (formerly CenterState Banks, Inc.) 2007 Equity Incentive Plan (Incorporated by reference to Appendix D to the Company's Proxy Statement dated March 30, 2007)*
10.3	–	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.)*
10.4	–	Supplemental Executive Retirement Agreements ("SERP") between the Company and John C. Corbett (Incorporated by reference to Exhibits 10.1 to the Company's Form 8-K dated July 14, 2010.)*
10.5	–	Employment Agreements between the Company and John C. Corbett (Incorporated by reference to Exhibits 10.4 to the Company's Form 8-K dated July 14, 2010.)*

10.6	–	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 filed on March 16, 2011.)*
10.7	–	Employment Agreement between the Company and Stephen D. Young, its Chief Operating Officer and Executive Vice President of the Company's subsidiary bank, CenterState Bank, N.A. (Incorporated by reference to Exhibit 10.10 to the Company's Form 10-K filed on March 16, 2011.)*
10.8	–	Employment Agreement between the Company and Ernest S. Pinner, its Chairman of the Board of Directors (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated February 14, 2011.)*
10.9	–	CenterState Bank Corporation (formerly 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 filed on November 3, 2015)*
10.10	–	Employment Agreement between the Company and Jennifer L. Idell, its Chief Financial Officer (Incorporated by reference to Exhibit 10.1 to our Form 8-K, dated May 2, 2016.)*
10.11	–	Amendment to Employment Agreement between the Company and Ernest S. Pinner, its Executive Chairman of the Board (Incorporated by reference to Exhibit 10.1 to our Form 8-K, dated September 12, 2016)*
10.12	–	Employment Agreement between CenterState Bank, N.A. and Mark W. Thompson, the Company's subsidiary bank President (Incorporated by reference to Exhibit 10.1 to our Form 8-K, dated January 2, 2018)*
10.13	–	CenterState Bank Corporation 2018 Equity Incentive Plan (Incorporated by reference to Exhibit 10.1 to the Company's Form S-8 filed on May 30, 2018)*
10.14	–	CenterState Bank Corporation 2018 Equity Incentive Plan (Incorporated by reference to Exhibit 10.1 to the Company's Form S-8 filed on May 30, 2018)*
10.15	–	Employment Agreement by and between CenterState Bank, N.A. and Richard Murray, IV, dated November 23, 2018 (Incorporated by reference to Exhibit 10.1 to CenterState Bank Corporation's Form 8-K filed on November 26, 2018)
10.16	–	Employment Agreement by and between CenterState Bank, N.A. and William E. Matthews, V, dated November 23, 2018 (Incorporated by reference to Exhibit 10.2 to CenterState Bank Corporation's Form 8-K filed on November 26, 2018)
10.17	–	Supplemental Executive Retirement Benefits Agreement by and between National Bank of Commerce and Richard Murray, IV, dated January 1, 2016 (Incorporated by reference to Exhibit 10.1A to National Commerce Corporation's Current Report on Form 8-K (File No. 001-36878) filed on December 22, 2015)*
10.18	–	Supplemental Executive Retirement Benefits Agreement by and between National Bank of Commerce and William E. Matthews, V, dated January 1, 2016 (Incorporated by reference to Exhibit 10.1B to National Commerce Corporation's Current Report on Form 8-K (File No. 001-36878) filed on December 22, 2015)*
10.19	–	Split-Dollar Agreement by and between National Bank of Commerce and Richard Murray, IV, dated January 1, 2016 (Incorporated by reference to Exhibit 10.2A to National Commerce Corporation's Current Report on Form 8-K (File No. 001-36878) filed on December 22, 2015)*

10.20	–	Split-Dollar Agreement by and between National Bank of Commerce and William E. Matthews, V, dated January 1, 2016 (Incorporated by reference to Exhibit 10.2B to National Commerce Corporation's Current Report on Form 8-K (File No. 001-36878) filed on December 22, 2015)*
10.21	–	2018 Supplemental Executive Retirement Benefits Agreement by and between National Bank of Commerce and Richard Murray, IV, entered into and effective as of September 12, 2018 (Incorporated by reference to Exhibit 10.1A to National Commerce Corporation's Current Report on Form 8-K (File No. 001-36878) filed on September 17, 2018)*
10.22	–	2018 Split-Dollar Agreement by and between National Bank of Commerce and Richard Murray, IV, entered into and effective as of September 12, 2018 (Incorporated by reference to Exhibit 10.2A to National Commerce Corporation's Current Report on Form 8-K (File No. 001-36878) filed on September 17, 2018)*
10.23	–	2018 Supplemental Executive Retirement Benefits Agreement by and between National Bank of Commerce and William E. Matthews, V, entered into and effective as of September 12, 2018 (Incorporated by reference to Exhibit 10.1B to National Commerce Corporation's Current Report on Form 8-K (File No. 001-36878) filed on September 17, 2018)*
10.24	–	2018 Split-Dollar Agreement by and between National Bank of Commerce and William E. Matthews, V, entered into and effective as of September 12, 2018 (Incorporated by reference to Exhibit 10.2B to National Commerce Corporation's Current Report on Form 8-K (File No. 001-36878) filed on September 17, 2018)*
10.25	–	Amendment Number One to Supplemental Executive Retirement Benefits Agreement by and between National Bank of Commerce and Richard Murray, IV, dated December 13, 2018 (Incorporated by reference to Exhibit 10.1A to National Commerce Corporation's Current Report on Form 8-K (File No. 001-36878) filed on December 12, 2018)*
10.26	–	Amendment Number One to 2018 Supplemental Executive Retirement Benefits Agreement by and between National Bank of Commerce and Richard Murray, IV, entered into and effective as of December 13, 2018 (Incorporated by reference to Exhibit 10.1B to National Commerce Corporation's Current Report on Form 8-K (File No. 001-36878) filed on December 12, 2018)*
10.27	–	Amendment Number One to Supplemental Executive Retirement Benefits Agreement by and between National Bank of Commerce and William E. Matthews, V, dated December 13, 2018 (Incorporated by reference to Exhibit 10.1C to National Commerce Corporation's Current Report on Form 8-K (File No. 001-36878) filed on December 12, 2018)*
10.28	–	Amendment Number One to 2018 Supplemental Executive Retirement Benefits Agreement by and between National Bank of Commerce and William E. Matthews, V, entered into and effective as of December 13, 2018 (Incorporated by reference to Exhibit 10.1D to National Commerce Corporation's Current Report on Form 8-K (File No. 001-36878) filed on December 12, 2018)*
10.29	–	Amendment Number One to 2016 Split-Dollar Agreement by and between National Bank of Commerce and Richard Murray, IV, dated December 13, 2018 (Incorporated by reference to Exhibit 10.2A to National Commerce Corporation's Current Report on Form 8-K (File No. 001-36878) filed on December 12, 2018)*
10.30	–	Amendment Number One to 2018 Split-Dollar Agreement by and between National Bank of Commerce and Richard Murray, IV, dated December 13, 2018 (Incorporated by reference to Exhibit 10.2B to National Commerce Corporation's Current Report on Form 8-K (File No. 001-36878) filed on December 12, 2018)*

10.31	–	Amendment Number One to 2016 Split-Dollar Agreement by and between National Bank of Commerce and William E. Matthews, V, dated December 13, 2018 (Incorporated by reference to Exhibit 10.2C to National Commerce Corporation's Current Report on Form 8-K (File No. 001-36878) filed on December 12, 2018)*
10.32	–	Amendment Number One to 2018 Split-Dollar Agreement by and between National Bank of Commerce and William E. Matthews, V, dated December 13, 2018 (Incorporated by reference to Exhibit 10.2D to National Commerce Corporation's Current Report on Form 8-K (File No. 001-36878) filed on December 12, 2018)*
10.33	–	Separation Agreement between the Company and Ernest S. Pinner, the Company's Chairman of the Board, dated January 1, 2020
10.34	–	Release Agreement between the Company and Ernest S. Pinner, the Company's Chairman of the Board, dated January 1, 2020
10.35	–	Retention Agreement between the Company and John C. Corbett, the Company's President and Chief Executive Officer, dated January 25, 2020
10.36	–	Retention Agreement between the Company and Steven D. Young, the Company's Chief Operating Officer, dated January 25, 2020
10.37	–	Retention Agreement between the Company and Jennifer L. Idell, the Company's Chief Administrative Officer, dated January 25, 2020
14.1	–	Code of Ethics (Incorporated by reference to Exhibit 14.1 to the Company's December 31, 2003 Form 10-K filed on March 26, 2004)
21.1	–	List of Subsidiaries of CenterState Bank Corporation
23.1	–	Consent of Crowe 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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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
104		Cover Page Interactive Data File (embedded within the Inline XBRL Document)

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

CENTERSTATE BANK CORPORATION and SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders of CenterState Bank Corporation
Winter Haven, Florida

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of CenterState Bank Corporation (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019 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, 2019, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

Basis for Opinions

The Company's management is responsible for these consolidated 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 the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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 unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect 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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Loan Losses – Adjustments to Historical Loss Experience

As disclosed in Notes 1 and 5 to the consolidated financial statements, the Company's allowance for loan losses is a valuation allowance for probable incurred credit losses in its loan portfolio. As of December 31, 2019, the Company recorded an allowance for loan losses of $40,655,000 which consists of three components: the allowance for loans individually evaluated for impairment ("specific reserves"), representing $1,878,000, the allowance for loans collectively evaluated for impairment ("general reserve"), representing $38,551,000, and the allowance for purchase credit-impaired loans, representing $226,000. The general reserve covers loans that are not individually classified as impaired and is based on historical loss experience adjusted for economic factors.

The historical loss experience is the ratio of historical losses by portfolio segment to the balance of each respective portfolio segment. The portfolio segments identified by the Company are residential loans, commercial real estate loans, construction and land development loans, commercial and industrial loans and consumer and other loans. The historical loss experience is adjusted for economic factors based on the risks present for each portfolio segment. Management's determination of the adjustments to historical loss experience relies on a qualitative assessment of risks to determine the quantitative impact on the general reserve. The 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 adjusted historical loss experiences are multiplied by the recorded investment in each loan portfolio segment to estimate the general reserve.

Management's analysis of the economic factors to determine the adjustments to the historical loss experience requires a high degree of subjectivity and judgment and requires the Company to make significant estimates of the risks present for each portfolio segment. Changes in these assumptions could have a material effect on the Company's consolidated financial statements. We identified the testing of the adjustments to historical loss experience to be a critical audit matter, as it involved especially subjective auditor judgment.

The primary procedures we performed to address this critical audit matter included:

Testing the design and operating effectiveness of controls over the estimate of the adjustments to historical loss experience in the general reserve of the allowance for loan losses, including controls addressing:

- The review of the qualitative and quantitative conclusions related to the adjustments to the historical loss experience, and the resulting allocation to the general reserve.
- The accuracy of inputs and mathematical accuracy of the general reserve calculation.

Substantively testing management's process, including evaluating their judgments and assumptions, for developing the estimate of the adjustments to historical loss experience in the general reserve of the allowance for loan losses which included:

- Evaluation of the reasonableness of management's conclusions related to the adjustments to the historical loss experience, and the resulting allocation to the allowance.
- Testing the accuracy of inputs and mathematical accuracy of the allowance for loan losses calculation.
- Performing substantive analytical procedures over the adjustments to historical loss rates year over year.

Business Combination – Fair Value of Acquired Non-Purchased Credit Impaired Loans from the Acquisition of National Commerce Corporation

As described in Notes 1 and 26, the Company acquired 100% of the outstanding common stock of National Commerce Corporation on April 1, 2019. The acquisition was accounted for under the acquisition method of accounting in accordance with ASC Topic 805, Business Combinations. The Company acquired loans with an estimated fair value of $3,327,850,000, which is net of a $61,384,000 discount to the outstanding principal balance. Of the total loans acquired, management identified $18,616,000 of loans with credit deterioration since origination ("PCI loans") and $3,309,234,000 of loans without evidence of credit deterioration since origination ("non-PCI loans"). The non-PCI loans were valued by management using a discounted cash flow model under the income approach.

The determination of the fair value of the acquired non-PCI loans requires a high degree of subjectivity and judgment. The model assumptions and valuation results could have a material effect on the Company's consolidated financial statements. We identified the testing of the model assumptions and valuation results for estimating the fair value of the acquired non-PCI loans to be a critical audit matter, as the overall evaluation involved especially subjective auditor judgment.

The primary procedures we performed to address this critical audit matter included:

Testing the design and operating effectiveness of internal control related the review of the reasonableness of the model assumptions and valuation results.

Substantively testing management's process related to the assessment of model assumptions and valuation results, including evaluating their judgments and assumptions, which included:

- Evaluation of the reasonableness of management's judgments related to the model assumptions. We utilized valuation specialists in our evaluation, which considered the weight of confirming and disconfirming evidence from internal and external sources, loan portfolio performance and third-party credit quality data.

- Utilizing valuation specialists to evaluate the application of the model and overall results.

/s/ Crowe LLP

Crowe LLP

We have served as the Company's auditor since 2006.

Fort Lauderdale, Florida
February 27, 2020

CENTERSTATE BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2019 and 2018
(in thousands of dollars, except per share data)

	2019	2018
ASSETS		
Cash and due from banks	$ 185,255	$ 107,007
Deposits in other financial institutions (restricted cash)	140,913	28,345
Federal funds sold and FRB deposits	163,890	231,981
Cash and cash equivalents	490,058	367,333
Trading securities, at fair value	4,987	1,737
Available for sale debt securities, at fair value	1,886,724	1,727,348
Held to maturity debt securities (fair value of $208,852 and $212,179 at December 31, 2019 and December 31, 2018, respectively)	202,903	216,833
Loans held for sale (see Note 4)	142,801	40,399
Loans, excluding purchased credit impaired	11,848,475	8,181,533
Purchased credit impaired loans	135,468	158,971
Allowance for loan losses	(40,655)	(39,770)
Net Loans	11,943,288	8,300,734
Bank premises and equipment, net	296,706	227,454
Right-of-use operating lease assets	32,163	—
Accrued interest receivable	40,945	33,143
FHLB, FRB and other stock, at cost	100,305	79,584
Goodwill	1,204,417	802,880
Core deposit intangible, net	91,157	66,225
Other intangible assets, net	4,507	2,953
Bank owned life insurance	330,155	267,820
Other repossessed real estate owned ("OREO")	5,092	2,909
Deferred income tax asset, net	28,786	51,462
Bank property held for sale	23,781	25,080
Interest rate swap derivatives, at fair value	273,068	92,475
Prepaid expense and other assets	40,182	31,219
TOTAL ASSETS	$17,142,025	$12,337,588
LIABILITIES AND EQUITY		
Deposits:		
Demand – non-interest bearing	$ 3,929,183	$ 2,923,640
Demand – interest bearing	2,613,933	1,811,006
Savings and money market accounts	4,336,721	2,920,730
Time deposits	2,256,555	1,821,960
Total deposits	13,136,392	9,477,336
Securities sold under agreement to repurchase	93,141	57,772
Federal funds purchased	379,193	294,360
Other borrowed funds	161,000	361,000
Corporate and subordinated debentures	71,343	32,415
Accrued interest payable	3,998	2,627
Interest rate swap derivatives, at fair value	275,033	92,892
Operating lease liabilities	34,485	—
Payables and accrued expenses	90,722	47,842
Total liabilities	14,245,307	10,366,244
Equity:		
Common stock, $.01 par value: 200,000,000 shares authorized; 125,173,597 and 95,679,596 shares issued and outstanding at December 31, 2019 and December 31, 2018, respectively	1,252	957
Additional paid-in capital	2,407,385	1,699,031
Retained earnings	465,680	293,777
Accumulated other comprehensive income (loss)	22,401	(22,421)
Total equity	2,896,718	1,971,344
TOTAL LIABILITIES AND EQUITY	$17,142,025	$12,337,588

See accompanying Notes to the Consolidated Financial Statements

CENTERSTATE BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Years ended December 31, 2019, 2018 and 2017
(in thousands of dollars, except per share data)

	2019	2018	2017
Interest income:			
Loans	$618,125	$405,881	$219,972
Investment securities:			
Taxable	48,432	42,723	22,598
Tax-exempt	6,899	6,399	5,324
Federal funds sold and other	11,876	5,629	3,432
	685,332	460,632	251,326
Interest expense:			
Deposits	83,099	33,260	11,079
Securities sold under agreement to repurchase	1,106	632	246
Federal funds purchased and other borrowings	11,637	11,445	3,108
Corporate and subordinated debentures	3,726	2,213	1,350
	99,604	47,550	15,783
Net interest income	585,728	413,082	235,543
Provision for loan losses	10,585	8,283	4,958
Net interest income after loan loss provision	575,143	404,799	230,585
Non-interest income:			
Correspondent banking capital markets revenue	60,373	28,884	23,520
Other correspondent banking related revenue	4,525	4,504	4,821
Mortgage banking revenue	29,553	12,610	1,511
Small business administration loans revenue	5,136	3,532	775
Service charges on deposit accounts	30,168	22,831	14,986
Debit, prepaid, ATM and merchant card related fees	18,399	16,243	9,035
Wealth management related revenue	3,161	2,657	3,554
Bank owned life insurance income	7,801	5,976	3,293
Gain on sale of deposits	—	611	—
Gain on sale of trust department	—	—	1,224
Net gain (loss) on sale of available for sale debt securities	25	(22)	(7)
Other non-interest income	6,919	7,301	2,463
Total other income	166,060	105,127	65,175
Non-interest expense:			
Salaries, wages and employee benefits	260,234	172,318	109,412
Occupancy expense	28,350	20,897	12,777
Depreciation of premises and equipment	14,438	9,788	7,247
Supplies, stationary and printing	3,234	2,498	1,610
Marketing expenses	7,540	6,235	3,929
Data processing expense	19,605	14,308	8,436
Legal, audit and other professional fees	8,870	6,163	3,644
Amortization of intangibles	16,030	10,018	4,066
Postage and delivery	3,967	2,961	1,938

(Continued)

CENTERSTATE BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Years ended December 31, 2019, 2018 and 2017
(in thousands of dollars, except per share data)

	2019	2018	2017
ATM and debit card and merchant card related expenses	5,501	4,253	2,746
Bank regulatory expenses	5,048	4,885	3,051
Gain on sale of OREO	(428)	(1,933)	(876)
Valuation write down of OREO	395	482	682
(Gain) loss on repossessed assets other than real estate	(25)	138	(23)
Foreclosure related expenses	3,221	2,815	2,252
Merger related expenses	39,257	34,912	13,046
Impairment on bank property held for sale	1,736	2,667	519
Other expenses	29,934	19,062	12,029
Total other expenses	446,907	312,467	186,485
Income before provision for income taxes	294,296	197,459	109,275
Provision for income taxes	67,698	41,024	53,480
Net income	226,598	156,435	55,795
Earnings attributable to noncontrolling interest	1,202	—	—
Net income attributable to CenterState Bank Corporation	$ 225,396	$ 156,435	$ 55,795
Net income	$ 226,598	$ 156,435	$ 55,795
Other comprehensive gain (loss) income, net of tax:			
Unrealized available for sale debt securities holding gain (loss), net of income taxes of $15,302, ($5,233) and $1,765, respectively	45,454	(15,432)	2,806
Unrealized interest rate swap holding loss, net of income taxes of ($204), $0 and $0, respectively	(613)	—	—
Less: reclassified adjustments for (gain) loss included in net income, net of income tax expense (benefit) of $6, ($6) and ($3), respectively	(19)	16	4
Net change in accumulated other comprehensive gain (loss)	44,822	(15,416)	2,810
Total comprehensive income	$ 271,420	$ 141,019	$ 58,605
Comprehensive income attributable to noncontrolling interest	1,202	—	—
Total comprehensive income attributable to CenterState Bank Corporation	$ 270,218	$ 141,019	$ 58,605
Earnings per share:			
Basic	$ 1.88	$ 1.78	$ 0.97
Diluted	$ 1.87	$ 1.76	$ 0.95
Common shares used in the calculation of earnings per share:			
Basic (1)	119,746,949	87,641,220	57,244,698
Diluted (1)	120,603,823	88,758,853	58,340,813

(1) Excludes participating securities.

See accompanying Notes to the Consolidated Financial Statements

CENTERSTATE BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31, 2019, 2018 and 2017
(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)	Noncontrolling interest	Total equity
Balances at January 1, 2017	48,146,981	$ 482	$ 430,459	$130,090	$ (8,574)	$ —	$ 552,457
Net income				55,795			55,795
Unrealized holding gain on available for sale debt securities, net of deferred income tax of $1,765					2,810		2,810
Reclassification of the disproportionate tax effect on unrealized losses on available for sale securities resulting from the change in federal tax rate				1,241	(1,241)		—
Dividends paid – common ($0.24 per share)				(13,878)			(13,878)
Stock grants issued	242,854	2	401				403
Stock based compensation expense			4,586				4,586
Stock options exercised	598,039	6	6,709				6,715
Stock repurchase	(45,236)	(1)	(1,130)				(1,131)
Stock issued pursuant to Platinum Bank acquisition	4,279,255	43	110,790				110,833
Stock issued pursuant to Gateway Bank acquisition	4,244,441	43	107,044				107,087
Stock options acquired and converted pursuant to Gateway acquisition			15,811				15,811
Stock issued pursuant to public offering, net of costs of $529	2,695,000	27	63,235				63,262
Balances at December 31, 2017	60,161,334	$ 602	$ 737,905	$173,248	$ (7,005)	$ —	$ 904,750
Net income				156,435			156,435
Unrealized holding loss on available for sale debt securities, net of deferred income tax of $5,233					(15,416)		(15,416)
Dividends paid – common ($0.40 per share)				(35,906)			(35,906)
Stock grants issued	236,921	3	647				650
Stock based compensation expense			4,193				4,193
Stock options exercised	1,793,339	18	14,689				14,707
Stock repurchase	(38,496)	(1)	(1,026)				(1,027)
Stock issued pursuant to Sunshine acquisition	7,050,645	70	181,343				181,413
Stock options acquired and converted pursuant to Sunshine acquisition			6,432				6,432
Stock issued pursuant to HCBF acquisition	15,051,639	151	387,128				387,279
Stock options acquired and converted pursuant to HCBF acquisition			18,025				18,025
Stock issued pursuant to Charter acquisition	11,424,214	114	349,695				349,809
Balances at December 31, 2018	95,679,596	$ 957	$1,699,031	$293,777	$(22,421)	$ —	$1,971,344
Net income				225,396		1,202	226,598
Unrealized holding gain on available for sale debt securities, net deferred income tax of $15,296					45,435		45,435
Unrealized holding loss on interest rate swap, net of deferred income tax of $204					(613)		(613)
Cumulative adjustment pursuant to adoption of ASU 842 (Note 29)				(1,093)			(1,093)
Dividends paid – common ($0.44 per share)				(52,400)			(52,400)
Stock grants issued	202,709	2	798				800
Stock based compensation expense			5,149				5,149
Stock options exercised	356,366	3	3,098				3,101
Stock repurchase	(5,733,042)	(57)	(132,020)				(132,077)
Stock issued pursuant to NCOM acquisition	34,667,968	347	825,097				825,444
Stock options acquired and converted pursuant to NCOM acquisition			6,232				6,232
Noncontrolling interest from NCOM acquisition						12,002	12,002
Distributions paid to noncontrolling interest						(1,065)	(1,065)
Purchase of noncontrolling interest						(12,139)	(12,139)
Balances at December 31, 2019	125,173,597	$1,252	$2,407,385	$465,680	$ 22,401	$ —	$2,896,718

See accompanying Notes to the Consolidated Financial Statements

CENTERSTATE BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2019, 2018 and 2017
(in thousands of dollars)

	2019	2018	2017
Cash flows from operating activities:			
Net income	$ 226,598	$ 156,435	$ 55,795
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	10,585	8,283	4,958
Depreciation of premises and equipment	14,438	9,788	7,247
Accretion of purchase accounting adjustments	(59,275)	(51,131)	(34,264)
Net amortization of investment securities	11,125	12,449	9,954
Net deferred loan origination fees	1,826	1,873	345
(Gain) loss on sale of available for sale debt securities	(25)	22	7
Trading securities revenue	(99)	(57)	(242)
Purchases of trading securities	(194,799)	(254,555)	(230,074)
Proceeds from sale of trading securities	191,648	259,652	235,922
Repossessed real estate owned valuation write down	395	482	682
Gain on sale of repossessed real estate owned	(428)	(1,933)	(876)
(Gain) loss on repossessed assets other than real estate	(25)	138	(23)
Gain on sale of residential loans held for sale	(29,491)	(10,803)	(1,511)
Residential loans originated and held for sale	(1,157,356)	(403,492)	(93,642)
Proceeds from sale of residential loans held for sale	1,100,207	403,583	77,791
Net change in fair value of residential loans held for sale	(1,174)	(1,081)	—
Gain on disposal of and or sale of fixed assets	(26)	(762)	(225)
Gain on disposal of bank property held for sale	(1,408)	(2,675)	(340)
Impairment on bank property held for sale	1,736	2,667	519
Gain on sale of small business administration loans	(5,136)	(3,532)	(775)
Small business administration loans originated for sale	(52,383)	(35,693)	(12,268)
Proceeds from sale of small business administration loans	57,519	39,225	13,043
Gain on sale of deposits	—	(611)	—
Gain on sale of trust department	—	—	(1,224)
Deferred income taxes	24,241	21,511	31,192
Tax deduction in excess of book deduction for stock awards	(999)	(6,149)	(3,007)
Stock based compensation expense	5,149	4,193	4,586
Bank owned life insurance income	(7,801)	(5,976)	(3,293)
Net cash from changes in:			
Net changes in accrued interest receivable, prepaid expenses, and other assets	31,028	61,575	(48,145)
Net change in accrued interest payable, accrued expense, and other liabilities	(12,733)	(9,988)	10,625
Net cash provided by operating activities	153,337	193,438	22,757
Cash flows from investing activities:			
Available for sale debt securities:			
Purchases of investment securities	(5,084)	(40,788)	(56,673)
Purchases of mortgage-backed securities	(465,051)	(539,807)	(444,146)
Proceeds from pay-downs of mortgage-backed securities	301,745	217,862	123,917
Proceeds from sales of investment securities	66,811	58,768	104,260

(Continued)

CENTERSTATE BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2019, 2018 and 2017
(in thousands of dollars)

	2019	2018	2017
Proceeds from sales of mortgage-backed securities	160,341	296,884	208,432
Proceeds from called investment securities	10,870	1,210	865
Proceeds from maturities of investment securities	295	61,000	1,000
Held to maturity debt securities:			
Purchases of investment securities	—	—	(2,693)
Purchases of mortgage-backed securities	—	—	(1,695)
Proceeds from pay-downs of mortgage-backed securities	12,747	14,232	20,874
Purchases of FHLB, FRB and other stock	(53,073)	(67,115)	(15,919)
Proceeds from sales of FHLB, FRB and other stock	49,427	36,244	5,572
Net increase in loans	(266,141)	(363,401)	(286,110)
Purchase of bank owned life insurance	—	—	(30,000)
Purchases of premises and equipment, net	(23,814)	(24,025)	(10,289)
Proceeds from sale of repossessed real estate	9,345	12,591	6,811
Proceeds from sale of premises and equipment, net	92	2,661	556
Proceeds from sale of bank property held for sale	18,748	16,001	7,437
Net cash from bank acquisitions	268,504	229,689	86,530
Net cash provided by (used in) investing activities	85,762	(87,994)	(281,271)
Cash flows from financing activities:			
Net increase in deposits	176,161	97,083	180,744
Sale of deposits	—	25,341	—
Net increase in securities sold under agreement to repurchase	16,536	5,339	18,084
Net increase (decrease) in federal funds purchased	84,833	(37,130)	69,504
Net (decrease) increase in other borrowings	(200,000)	(77,920)	40,268
Net decrease in payable to shareholders for acquisitions	(63)	(217)	(89)
Termination of corporate debentures	—	(9,000)	—
Stock options exercised	3,101	14,707	6,715
Proceeds from stock offering, net of offering costs	—	—	63,262
Stock repurchased	(132,077)	(1,027)	(1,131)
Dividends paid	(52,400)	(35,906)	(13,878)
Purchase of noncontrolling interest	(11,400)	—	—
Cash distribution paid to noncontrolling interest	(1,065)	—	—
Net cash (used in) provided by financing activities	(116,374)	(18,730)	363,479
Net cash increase in cash and cash equivalents	122,725	86,714	104,965
Cash and cash equivalents, beginning of period	367,333	280,619	175,654
Cash and cash equivalents, end of period	$ 490,058	$ 367,333	$ 280,619
Supplemental noncash disclosures:			
Transfer of loans to other real estate owned	$ 10,620	$ 4,661	$ 3,108
Transfers of bank property to held for sale	6,450	4,302	4,534
New operating right-of-use assets	39,205	—	—
Cash paid during the period for:			
Interest	$ 101,946	$ 48,450	$ 17,493
Income taxes	42,553	16,624	17,818

See accompanying Notes to the Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

(a) Nature of operations and principles of consolidation

The Consolidated Financial Statements of CenterState Bank Corporation (the "Company") include the accounts of the Company, and its wholly owned subsidiaries CenterState Bank, N.A., R4ALL, Inc. and CSFL Insurance Corp. All significant intercompany accounts and transactions have been eliminated in consolidation.

At December 31, 2019, the Company, through its subsidiary bank, operated as a community bank headquartered in the state of Florida, providing traditional retail, commercial, mortgage, wealth management and SBA services throughout its Florida, Georgia and Alabama branch network and customer relationships in neighboring states. 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 over 650 community banks nationwide. The Bank also owns CBI, which in turn owns Corporate Billing, a transaction-based finance company headquartered in Decatur, Alabama that provides factoring, invoicing, collection and accounts receivable management services to transportation companies and automotive parts and services providers throughout the United States and Canada.

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. National Commerce Risk Management, Inc., which was a captive insurance subsidiary pursuant to Section 831(b) of the U.S. Tax Code acquired from the NCOM transaction, was dissolved in December 2019.

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, 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.

(Continued)

(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) Investment Debt 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. Debt 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 on securities are amortized to the earliest call date. 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 an annual 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.

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(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 fair value with changes in fair value recognized in current period earning. 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 accruing or non-accruing 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 non-accrual loans.

A loan is moved to non-accrual 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, excluding factored receivables. For CBI’s factored receivables, which are commercial trade credits rather than promissory notes, the Company’s practice, in most cases, is to charge-off unpaid recourse receivables when they become 90 days past due from the invoice due date and the non-recourse receivables when they become 120 days past due from the statement billing date. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Non-accrual loans and loans past due 90 days still on accrual include

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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 non-accrual 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 non-accrual status before it becomes 90 days past due.

All interest accrued but not received for loans placed on non-accrual 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, but not limited to loans on non-accrual status, loans with insufficient cash flow, past due loans, high loan-to-value ratios, loans in process of foreclosure, or any TDR with loss potential. The Company, as a purchaser, is 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, the Company aggregated the commercial, consumer, and residential loans into pools of loans with common risk characteristics for each 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.

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As frequently as quarterly or as long as annually, 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 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 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 over the life of the pool. 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 over the life of the pool. 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.

(k) Concentration of credit risk

Most of the Company's business activity is with customers located within Southeastern United States largely in Florida, Alabama and Georgia. Therefore, the Company's exposure to credit risk is significantly affected by changes in the economy and the real estate market within Southeast.

(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

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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. 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.

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.

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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, First Southern, Community Bank, First National, Platinum, Gateway, HCBF, Sunshine and NCOM acquisitions that were not PCI loans as individual loan portfolio segments. 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 Gulfstream is allocated between the five portfolio segments described above in Note 5.

(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.

(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

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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), Federal Reserve Bank (FRB) and other 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, FRB and other 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 or acquired through various bank acquisitions. 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.

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As a part of normal business operations, the Company originates residential mortgage loans that have been pre-approved by secondary investors. The terms of the loans are set by the secondary investors, and the purchase price that the investor will pay for the loan is agreed to prior to the commitment of the loan by the Company. Generally within three weeks after funding, the loans are transferred to the investor in accordance with the agreed-upon terms. The Company records gains from the sale of these loans on the settlement date of the sale equal to the difference between the proceeds received and the carrying amount of the loan. The gain generally represents the portion of the proceeds attributed to servicing release premiums received from the investors and the realization of origination fees received from borrowers which were deferred as part of the carrying amount of the loan. Between the initial funding of the loans by the Company and the subsequent reimbursement by the investors, the Company carries the loans on its balance sheet at the lower of cost or market. The fair value of the underlying commitment is not material to the Consolidated Financial Statements. The standard structure of mortgage loan sales provides for the Company to retain a portion of the cash flow from the interest payments received on the loan. Fees for servicing loans for investors are based on the outstanding principal balance of the loans serviced and are recognized as income when earned. This cash flow is commonly known as a servicing spread. The servicing spread is recognized as a servicing asset to the extent the spread exceeds adequate compensation for the servicing function and recorded as a component of Other Intangible Assets in the Consolidated Balance Sheets. The fair value of the servicing asset is measured on a recurring basis at the present value of future cash flows using market-based discount assumptions. The future cash flows for each asset are based on their unique characteristics and market-based assumptions for prepayment speeds, default and voluntary prepayments. Adjustments to fair value are recorded as a component of Mortgage Banking Revenue. The value of our servicing portfolio is periodically independently evaluated.

(t) 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.

(u) 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.

(v) 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

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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.

On December 22, 2017, the U.S. federal government enacted a tax bill, H.R1 ("Tax Act") which reduced the federal corporate tax rates effective January 1, 2018. As a result of this new tax bill, the Company evaluated its deferred tax assets and deferred tax liabilities to account for the future impact of lower corporate tax rates on its deferred tax assets. The reduction in the federal corporate tax rate resulted in a one-time charge to the Company's 2017 earnings and reduction to its net deferred tax assets. See Note 15 for more details regarding Income Taxes.

(w) 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.

(x) Marketing and advertising costs

Marketing and advertising costs are expensed as incurred.

(y) 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 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, stock warrants 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.

(z) 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 and unrealized holding gains and losses on interest rate swaps, which are also recognized as separate components of shareholders' equity.

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(aa) 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.

(ab) Restrictions on cash

Cash on hand or on deposit with the Federal Reserve Bank is generally required to meet regulatory reserve and clearing requirements. Cash is required to be pledged as collateral to the third party dealers for the interest rate swap derivatives.

(ac) Dividend restriction

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

(ad) 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.

(ae) 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, Georgia and Alabama. Accordingly, a reconciliation of reportable segment revenues, expenses and profit to the Company's consolidated total has been presented in Note 25.

(af) 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.

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(ag) 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.

(ah) Effect of new pronouncements

In February 2016, the FASB issued ASU No. 2016-02, "Leases." Under this guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases): 1) a lease liability, which is the present value of a lessee's obligation to make lease payments, and 2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessor accounting under the new guidance remains largely unchanged as it is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. Leveraged leases have been eliminated, although lessors can continue to account for existing leveraged leases using the current accounting guidance. Other limited changes were made to align lessor accounting with the lessee accounting model and the new revenue recognition standard. All entities will classify leases to determine how to recognize lease-related revenue and expense. Quantitative and qualitative disclosures will be required by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The intention is to require enough information to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an entity's leasing activities. ASU No. 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018; early adoption is permitted. All entities are required to use a modified retrospective approach for leases. Management is electing the effective date method of the modified retrospective transition approach. Under the effective date method, all lease accounting transitions to ASC 842 as of January 1, 2019 through a one-time recognition of previously off-balance sheet leases as well as a one-time offset to retained earnings for measurement differences. Under the effective date transition approach, all comparative periods presented prior to January 1, 2019 will remain in accordance with legacy lease accounting of ASC 840. The adoption of this standard on January 1, 2019 resulted in the recognition of right-of-use lease assets of $20,311 and lease liabilities of $22,795 on the Company's Consolidated Balance Sheets. The one-time transition reduced retained earnings by $1,093.

In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments." This ASU significantly changes how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. In issuing the standard, the FASB is responding to criticism that today's guidance delays recognition of credit losses. The standard will replace today's "incurred loss" approach with an "expected loss" model. The new model, referred to as the current expected credit loss ("CECL") model, will apply to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. This includes, but is not limited to, loans, leases, held-to-maturity securities, loan commitments, and financial guarantees. The CECL model does not apply to available for sale ("AFS") debt securities. For AFS debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. As a result, entities will recognize improvements

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to estimated credit losses immediately in earnings rather than as interest income over time, as they do today. The ASU also simplifies the accounting model for purchased credit-impaired debt securities and loans. ASU 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for loan and lease losses. In addition, entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. ASU No. 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2019; early adoption is permitted for interim and annual reporting periods beginning after December 15, 2018. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach). The Company formed a CECL committee to assist with the implementation process. It selected a third-party vendor to assist with the allowance for credit loss methodology as well as advisory services related to the implementation of the amendments of ASU 2016-13. Management decided on a discounted cash flow model, worked on internal controls and built a qualitative framework. Effective January 1, 2020, the Company adopted ASU Topic 326. Based on the most recent analysis, we expect the allowance to loans ratio to increase by approximately 55 bps to 70 bps, which equates to a $65 to $84 million increase to the allowance, as a result of the adoption of CECL. This increase includes the reclassification of the credit mark on PCD loans from loan discount to ACL. Excluding the reclassification of the credit mark on PCD loans, the increase to the allowance is estimated to be $48 to $67 million. In addition, the Company estimates a reserve for potential losses on unfunded commitments to be in the range of $5 to $10 million, which will be recorded as a liability. Based on these ranges, the impact to retained earnings, net of deferred taxes, for the increase in ACL, reserve for the unfunded commitments and expected credit losses on debt securities is estimated to be in the range of $40 to $58 million. The estimates on the potential impact of the adoption of CECL on the Company's financial statements are based on ongoing analyses, current expectations and forecasted economic conditions. These estimates are contingent upon continued refinement of assumptions, methodologies and judgments, which the Company will finalize in the first quarter 2020. The standard will add new disclosures starting with the March 31, 2020 10Q related to factors that influenced management's estimate, including current expected credit losses, the changes in those factors, and reasons for the changes as well as the method applied to revert to historical credit loss experience.

In January 2017, the FASB issued ASU No. 2017-04, "Simplifying the Test for Goodwill Impairment," to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, under the amendments in this update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable.

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FASB also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. Therefore, the same impairment assessment applies to all reporting units. An entity is required to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendments in this update become effective for annual periods and interim periods within those annual periods beginning after December 15, 2019. The Company is currently evaluating the impact of adopting the new guidance on the Consolidated Financial Statements, but it is not expected to have a material impact.

In June 2018, the FASB issued ASU No. 2018-07, "Compensation – Stock Compensation (Topic 718) – Improvements to Nonemployee Share-Based Payment Accounting," to include share based payment transactions for acquiring goods and services from nonemployees. An entity should apply the requirements of Topic 718 to nonemployee awards except for specific guidance on inputs to an option pricing model and the attribution of cost (that is, the period of time over which share-based payment awards vest and the pattern of cost recognition over that period). The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, Revenue from Contracts with Customers. The amendments in this update become effective for annual periods and interim periods within those annual periods beginning after December 15, 2018 but no earlier than an entity's adoption date of Topic 606. The Company evaluated the impact of adopting the new guidance on the Consolidated Financial Statements, but it does not have a material impact.

In August 2018, the FASB issued ASU No. 2018-13, "Fair Value Measurement (Topic 820)—Changes to the Disclosure Requirements for Fair Value Measurement," to modify the disclosure requirements on fair value measurements in Topic 820 based on the concepts in the Concepts Statement, including the consideration of costs and benefits. The following disclosure requirements were removed from Topic 820: (1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; (2) the policy for timing of transfers between levels; (3) the valuation processes for Level 3 fair value measurements; and (4) for nonpublic entities, the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. The following disclosure requirements were modified in Topic 820: (1) in lieu of a rollforward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities; (2) for investments in certain entities that calculate net asset value, an entity is required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse only if the investee has communicated the timing to the entity or announced the timing publicly; and (3) the amendments clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date. The following disclosure requirements were added to Topic 820: (1) the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period; (2) the range and weighted average of significant unobservable inputs used to develop Level 3

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(Dollar amounts in thousands, except per share data)

fair value measurements. For certain unobservable inputs, an entity may disclose other quantitative information (such as the median or arithmetic average) in lieu of the weighted average if the entity determines that other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements. The amendments in this update are effective for annual periods and interim periods within those annual periods beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted upon issuance of this update. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this update and delay adoption of the additional disclosures until their effective date. The Company is currently evaluating the impact of adopting the new guidance on the Consolidated Financial Statements, but it is not expected to have a material impact.

(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 2019 and 2018 is summarized below.

	2019	2018
Beginning balance	$ 1,737	$ 6,777
Purchases	194,799	254,555
Proceeds from sales	(191,648)	(259,652)
Net realized gain on sales	96	20
Net unrealized gains	3	37
Ending balance	$ 4,987	$ 1,737

(3) Investment Debt Securities

Available for Sale Debt Securities

All of the mortgage-backed securities ("MBS") listed below are residential FNMA, FHLMC, and GNMA MBSs.

(Dollar amounts in thousands, except per share data)

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, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate debt securities	$ 5,504	$ 153	$ —	$ 5,657
Obligations of U.S. government sponsored entities and agencies	20,000	—	70	19,930
Mortgage-backed securities	1,742,221	26,403	1,382	1,767,242
Municipal securities	88,301	5,594	—	93,895
Total available for sale debt securities	$1,856,026	$32,150	$ 1,452	$1,886,724

	December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate debt securities	$ 6,265	$ 162	$ —	$ 6,427
Obligations of U.S. government sponsored entities and agencies	38,794	7	933	37,868
Mortgage-backed securities	1,623,906	3,792	33,423	1,594,275
Municipal securities	88,415	698	335	88,778
Total available for sale debt securities	$1,757,380	$ 4,659	$34,691	$1,727,348

The cost of securities sold is determined using the specific identification method. The securities sold during the second quarter of 2019 were collateralized loan obligation securities ("CLOs") acquired through the NCOM acquisition. The CLOs were marked to fair value at acquisition and subsequently sold resulting in a loss of $5. The securities sold during the first quarter of 2018 include some securities acquired through the acquisitions of Sunshine and Harbor on January 1, 2018. These acquired securities were marked to fair value and subsequently sold after the acquisition date, and no gain or loss was recognized from the sale of these securities. Total sales of available for sale securities were as follows:

	2019	2018	2017
Proceeds	$227,152	$355,652	$312,692
Gross gains	1,132	68	740
Gross losses	1,107	90	747

The tax provisions related to these net realized gains and losses were $6, $(6) and $(3), respectively.

Available for sale debt securities pledged at December 31, 2019 and 2018 had a carrying amount (estimated fair value) of $1,195,664 and $961,721, respectively. These securities were pledged primarily to secure public deposits and repurchase agreements. In addition, the amount at December 31, 2019 includes $361,127 of securities pledged to the third party dealers and clearinghouse exchanges for the Company's

(Continued)

(Dollar amounts in thousands, except per share data)

cash flow hedge interest rate swaps. At year-end 2019 and 2018, 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 shareholders' equity.

The fair value and amortized cost of available for sale debt securities at year end 2019 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	$ 2,216	$ 2,193
Due after one year through five years	4,098	3,973
Due after five years through ten years	35,872	35,206
Due after ten years through thirty years	77,296	72,433
Mortgage-backed securities	1,767,242	1,742,221
Total available for sale debt securities	$1,886,724	$1,856,026

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, 2019 and 2018.

	December 31, 2019					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of U.S. government sponsored entities and agencies	$ 19,930	$ 70	$ —	$ —	$ 19,930	$ 70
Mortgage-backed securities	125,249	388	117,903	994	243,152	1,382
Total temporarily impaired available for sale debt securities	$145,179	$ 458	$117,903	$ 994	$ 263,082	$ 1,452

	December 31, 2018					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of U.S. government sponsored entities and agencies	$ 25,104	$ 332	$ 9,398	$ 601	$ 34,502	$ 933
Mortgage-backed securities	647,923	10,782	635,172	22,641	1,283,095	33,423
Municipal securities	25,031	316	3,381	19	28,412	335
Total temporarily impaired available for sale debt securities	$698,058	$11,430	$647,951	$23,261	$1,346,009	$34,691

Mortgage-backed securities: At December 31, 2019, nearly 100% of the mortgage-backed securities held by the Company were issued by U.S. government-sponsored entities and agencies, primarily Fannie Mae,

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(Dollar amounts in thousands, except per share data)

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, 2019.

Held to Maturity Debt Securities

The following reflects the fair value of held to maturity securities and the related gross unrecognized gains and losses as of December 31, 2019 and 2018.

	December 31, 2019			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Mortgage-backed securities	$ 71,560	$ 456	$ 29	$ 71,987
Municipal securities	131,343	5,522	—	136,865
Total held to maturity debt securities	$202,903	$5,978	$ 29	$208,852

	December 31, 2018			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Mortgage-backed securities	$ 84,983	$ —	$2,462	$ 82,521
Municipal securities	131,850	799	2,991	129,658
Total held to maturity debt securities	$216,833	$ 799	$5,453	$212,179

Held to maturity debt securities pledged at December 31, 2019 and 2018 had a carrying amount of $100,582 and $103,710. These securities were pledged primarily to secure public deposits and repurchase agreements.

At year-end 2019 and 2018, 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 shareholders' equity.

The fair value and amortized cost of held to maturity debt securities at year end 2019 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	$ 2,064	$ 2,031
Due after ten years through thirty years	134,801	129,312
Mortgage-backed securities	71,987	71,560
Total held to maturity debt securities	$208,852	$202,903

The following tables show the Company's held to maturity debt 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, 2019 and 2018.

(Continued)

(Dollar amounts in thousands, except per share data)

	December 31, 2019					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities	$ —	$—	$ 8,445	$ 29	$ 8,445	$ 29
Total temporarily impaired held to maturity debt securities	$ —	$—	$ 8,445	$ 29	$ 8,445	$ 29

	December 31, 2018					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities	$ —	$—	$ 82,521	$2,462	$ 82,521	$2,462
Municipal securities	22,560	203	47,807	2,788	70,367	2,991
Total temporarily impaired held to maturity debt securities	$22,560	$203	$130,328	$5,250	$152,888	$5,453

Mortgage-backed securities: At December 31, 2019, 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, 2019.

(4) Loans Held for Sale

The Company accounts for the loans held for sale under the fair value option with changes in fair value recognized in current period earnings. At the date of funding of the loan, the funded amount of the loan, the relative derivative asset or liability of the associated interest rate lock commitment, less direct costs, becomes the initial recorded investment in the loan held for sale. Such amount approximates the fair value of the loan. Net gains from changes in estimated fair value of mortgage loans held for sale were $1,174 and $1,081 at December 31, 2019 and 2018, respectively. The total unpaid principal balances of loans held for sale were $141,627 and $39,318 at December 31, 2019 and 2018, respectively. No loans held for sale at December 31, 2019 and 2018 were past due or on non-accrual.

(Continued)

(Dollar amounts in thousands, except per share data)

The table below summarizes the activity in mortgage loans held for sale for the years ended December 31, 2019 and 2018.

	December 31,	
	2019	**2018**
Beginning balance	$ 40,399	$ 19,647
Effect from acquisitions	14,588	8,959
Loans originated	1,157,356	403,492
Proceeds from sales	(1,100,207)	(403,583)
Net change in fair value	1,174	1,081
Net realized gain on sales	29,491	10,803
Ending balance	$ 142,801	$ 40,399

As loans are closed, they are typically sold at prices specified in the forward contracts. Gains or losses may arise if the yields of the loans delivered vary from those specified in the forward contracts. Derivative mortgage loan commitments, or interest rate locks, are also utilized and relate to the origination of a mortgage that will be held for sale upon funding. The Company began utilizing these derivative financial instruments on its loans held for sale in 2018 to manage interest rate risk and not for speculative purposes. The table below summarizes the main components of Mortgage Banking Revenue as reported in the Company's Consolidated Statements of Income and Comprehensive Income during the years ended December 31, 2019 and 2018.

	2019	**2018**
Servicing fees and commissions	$ 358	$ 196
Gain on sale of loans held for sale	29,491	10,803
Unrealized gain on loans held for sale	1,174	1,081
Net gain on mortgage derivatives	494	614
Loss on mortgage hedge	(1,731)	(46)
Loss on mortgage servicing assets	(233)	(38)
Mortgage banking revenue	$29,553	$12,610

The table below summarizes the notional amounts for interest rate lock commitments, best efforts forward trades and MBS forward trades pertaining to loans held for sale at December 31, 2019 and 2018.

	Notional at	
	December 31, 2019	**December 31, 2018**
Interest rate lock commitments	$125,409	$ 49,545
Best efforts forward trades	123,638	61,865
MBS forward trades	119,500	30,000
Total derivative instruments	$368,547	$141,410

Mortgage banking derivatives, which are included in Other Assets and Other Liabilities on the Company's Consolidated Balance Sheets, used in the ordinary course of business consist of forward sales contracts and interest rate lock commitments on residential mortgage loans. Forward sales contracts represent future

(Continued)

(Dollar amounts in thousands, except per share data)

commitments to deliver loans at a specified price and by a specified date and are used to manage interest rate risk on loan commitments and mortgage loans held for sale. Rate lock commitments represent commitments to fund loans at a specific rate and by a specified expiration date. These derivatives involve underlying items, such as interest rates, and are designed to mitigate risk. Notional amounts are amounts on which calculations and payments are based, but which do not represent credit exposure, as credit exposure is limited to the amounts required to be received or paid.

(5) Loans

The following table sets forth information concerning the loan portfolio by collateral types as of December 31, 2019 and 2018 are:

	December 31, 2019	December 31, 2018
Loans excluding PCI loans		
Real estate loans		
Residential	$ 2,512,544	$1,702,114
Commercial	6,325,108	4,454,098
Land, development and construction	999,923	635,562
Total real estate	9,837,575	6,791,774
Commercial, industrial & factored receivables	1,759,074	1,183,380
Consumer and other loans	247,307	203,686
Loans before unearned fees and deferred cost	11,843,956	8,178,840
Net unearned fees and costs	4,519	2,693
Total loans excluding PCI loans	11,848,475	8,181,533
PCI loans (note 1)		
Real estate loans		
Residential	45,795	58,804
Commercial	81,576	87,336
Land, development and construction	4,655	7,028
Total real estate	132,026	153,168
Commercial and industrial	3,342	5,594
Consumer and other loans	100	209
Total PCI loans	135,468	158,971
Total loans	11,983,943	8,340,504
Allowance for loan losses for loans that are not PCI loans	(40,429)	(39,579)
Allowance for loan losses for PCI loans	(226)	(191)
Total loans, net of allowance for loan losses	$11,943,288	$8,300,734

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

(Continued)

(Dollar amounts in thousands, except per share data)

The following tables present the activity in the allowance for loan losses by portfolio segment for the years ended December 31, 2019, 2018 and 2017.

	Real Estate Loans					
	Residential	Commercial	Land, Develop., Constr.	Comm., Industrial & Factored Receivables	Consumer & Other	Total
Allowance for loan losses for loans that are not PCI loans:						
Twelve-month ended December 31, 2019						
Beginning of the period	$ 5,518	$22,978	$1,781	$ 6,414	$ 2,888	$ 39,579
Charge-offs	(721)	(567)	(42)	(9,545)	(3,182)	(14,057)
Recoveries	710	1,057	85	1,934	571	4,357
Provision for loan losses	(1,250)	(4,916)	495	12,479	3,742	10,550
Balance at end of period	$ 4,257	$18,552	$2,319	$11,282	$ 4,019	$ 40,429
Twelve-month ended December 31, 2018						
Beginning of the period	$ 6,003	$19,304	$1,179	$ 4,130	$ 1,914	$ 32,530
Charge-offs	(516)	(13)	(126)	(1,474)	(1,706)	(3,835)
Recoveries	1,027	679	39	360	327	2,432
Provision for loan losses	(996)	3,008	689	3,398	2,353	8,452
Balance at end of period	$ 5,518	$22,978	$1,781	$ 6,414	$ 2,888	$ 39,579
Twelve-month ended December 31, 2017						
Beginning of the period	$ 5,640	$14,713	$ 883	$ 3,785	$ 1,548	$ 26,569
Charge-offs	(254)	(74)	—	(677)	(994)	(1,999)
Recoveries	950	662	596	334	217	2,759
Provision for loan losses	(333)	4,003	(300)	688	1,143	5,201
Balance at end of period	$ 6,003	$19,304	$1,179	$ 4,130	$ 1,914	$ 32,530

(Continued)

(Dollar amounts in thousands, except per share data)

	Real Estate Loans					
	Residential	Commercial	Land, Develop., Constr.	Comm., Industrial & Factored Receivables	Consumer & Other	Total
Allowance for loan losses for loans that are PCI loans:						
Twelve-month ended December 31, 2019						
Beginning of the period	$—	$—	$177	$—	$ 14	$ 191
Charge-offs	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Provision for loan losses	—	—	—	—	35	35
Balance at end of period	$—	$—	$177	$—	$ 49	$ 226
Twelve-month ended December 31, 2018						
Beginning of the period	$—	$ 59	$222	$—	$ 14	$ 295
Charge-offs	—	—	—	(10)	—	(10)
Recoveries	—	—	—	75	—	75
Provision for loan losses	—	(59)	(45)	(65)	—	(169)
Balance at end of period	$—	$—	$177	$—	$ 14	$ 191
Twelve-month ended December 31, 2017						
Beginning of the period	$ 54	$ 92	$312	$—	$ 14	$ 472
Charge-offs	—	—	—	—	—	—
Recoveries	—	66	—	—	—	66
Provision for loan losses	(54)	(99)	(90)	—	—	(243)
Balance at end of period	$—	$ 59	$222	$—	$ 14	$ 295

(Continued)

(Dollar amounts in thousands, except per share data)

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, 2019 and 2018. 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, 2019	**Residential**	**Commercial**	**Land, Develop., Constr.**	**Comm., Industrial & Factored Receivables**	**Consumer & Other**	**Total**
Allowance for loan losses:						
Ending allowance balance attributable to loans:						
Individually evaluated for impairment	$ 588	$ 375	$ —	$ 914	$ 1	$ 1,878
Collectively evaluated for impairment	3,669	18,177	2,319	10,368	4,018	38,551
Purchased credit impaired	—	—	177	—	49	226
Total ending allowance balance	$ 4,257	$ 18,552	$ 2,496	$ 11,282	$ 4,068	$ 40,655
Loans:						
Individually evaluated for impairment	$ 6,475	$ 11,445	$ 865	$ 7,232	$ 123	$ 26,140
Collectively evaluated for impairment	2,506,069	6,313,663	999,058	1,751,842	247,184	11,817,816
Purchased credit impaired	45,795	81,576	4,655	3,342	100	135,468
Total ending loan balances	$2,558,339	$6,406,684	$1,004,578	$1,762,416	$247,407	$11,979,424

(Continued)

(Dollar amounts in thousands, except per share data)

As of December 31, 2018	Real Estate Loans: Residential	Real Estate Loans: Commercial	Real Estate Loans: Land, Develop., Constr.	Comm. & Industrial	Consumer & Other	Total
Allowance for loan losses:						
Ending allowance balance attributable to loans:						
Individually evaluated for impairment	$ 331	$ 250	$ —	$ 1,034	$ 1	$ 1,616
Collectively evaluated for impairment	5,187	22,728	1,781	5,380	2,887	37,963
Purchased credit impaired	—	—	177	—	14	191
Total ending allowance balance	$ 5,518	$ 22,978	$ 1,958	$ 6,414	$ 2,902	$ 39,770
Loans:						
Individually evaluated for impairment	$ 6,234	$ 7,496	$ 117	$ 1,708	$ 145	$ 15,700
Collectively evaluated for impairment	1,695,880	4,446,602	635,445	1,181,672	203,541	8,163,140
Purchased credit impaired	58,804	87,336	7,028	5,594	209	158,971
Total ending loan balances	$1,760,918	$4,541,434	$642,590	$1,188,974	$203,895	$8,337,811

The following is a summary of information regarding impaired loans at December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Performing TDRs (these are not included in nonperforming loans (“NPLs”))	$ 8,012	$ 8,475
Nonperforming TDRs (these are included in NPLs)	4,512	1,002
Total TDRs (these are included in impaired loans)	12,524	9,477
Impaired loans that are not TDRs	13,616	6,223
Total impaired loans	$26,140	$15,700

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 $12,524 of TDRs. Of this amount $8,012 are performing pursuant

(Continued)

(Dollar amounts in thousands, except per share data)

to their modified terms, and $4,512 are not performing and have been placed on non-accrual status and included in our non-performing loans ("NPLs").

TDRs as of December 31, 2019 and 2018 quantified by loan type classified separately as accrual (performing loans) and non-accrual (non-performing loans) are presented in the table below.

As of December 31, 2019	Accruing	Non-Accrual	Total
Real estate loans:			
Residential	$4,862	$1,147	$ 6,009
Commercial	1,706	—	1,706
Land, development, construction	175	—	175
Total real estate loans	6,743	1,147	7,890
Commercial and industrial	1,146	3,365	4,511
Consumer and other	123	—	123
Total TDRs	$8,012	$4,512	$12,524

As of December 31, 2018	Accruing	Non-Accrual	Total
Real estate loans:			
Residential	$5,848	$ 386	$6,234
Commercial	1,837	566	2,403
Land, development, construction	77	41	118
Total real estate loans	7,762	993	8,755
Commercial and industrial	577	—	577
Consumer and other	136	9	145
Total TDRs	$8,475	$1,002	$9,477

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 $970, $77 and $265 and partial charge offs of $702, $44 and $72 on TDR loans during the periods ending December 31, 2019, 2018 and 2017, 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 64% of the Company's TDRs are current pursuant to their modified terms, and $4,512, or approximately 36% 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.

(Continued)

(Dollar amounts in thousands, except per share data)

Loans modified as TDRs during the twelve-month periods ending December 31, 2019, 2018 and 2017 were $5,228, $1,830, and $2,258. The Company recorded a loan loss provision of $911, $9 and $14 for loans modified during the twelve-month periods ending December 31, 2019, 2018 and 2017.

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, 2019, 2018 and 2017.

	Period ending December 31, 2019		Period ending December 31, 2018		Period ending December 31, 2017	
	Number of loans	Recorded investment	Number of loans	Recorded investment	Number of loans	Recorded investment
Residential	—	$—	—	$—	—	$—
Commercial real estate	—	—	1	433	1	177
Land, development, construction	—	—	1	49	—	—
Commercial and industrial	—	—	—	—	—	—
Consumer and other	—	—	—	—	—	—
Total	—	$—	2	$482	1	$177

The Company recorded no provision for loan loss expense or partial charge offs during the years ending December 31, 2019 and 2018 on TDR loans that subsequently defaulted as described above. The Company recorded $8 in provision for loan loss expense and $8 in partial charge offs during the year ending December 31, 2017 on TDR loans that subsequently defaulted as described above.

The Company has allocated $494 and $334 of specific reserves to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2019 and 2018. 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, 2019 and 2018 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, 2019	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated
With no related allowance recorded:			
Residential real estate	$ 2,894	$ 2,744	$ —
Commercial real estate	11,031	10,015	—
Land, development, construction	886	865	—
Commercial and industrial	5,522	4,820	—
Consumer, other	99	98	—
With an allowance recorded:			
Residential real estate	3,920	3,731	588
Commercial real estate	1,438	1,430	375
Land, development, construction	—	—	—
Commercial and industrial	2,486	2,412	914
Consumer, other	31	25	1
Total	$28,307	$26,140	$1,878

(Continued)

(Dollar amounts in thousands, except per share data)

As of December 31, 2018	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated
With no related allowance recorded:			
Residential real estate	$ 3,608	$ 3,485	$ —
Commercial real estate	6,447	5,906	—
Land, development, construction	144	117	—
Commercial and industrial	364	353	—
Consumer, other	109	108	—
With an allowance recorded:			
Residential real estate	2,897	2,749	331
Commercial real estate	1,593	1,590	250
Land, development, construction	—	—	—
Commercial and industrial	1,378	1,355	1,034
Consumer, other	53	37	1
Total	$16,593	$15,700	$1,616

December 31, 2019	Average of impaired loans	Interest income recognized during impairment	Cash basis interest income recognized
Real estate loans:			
Residential	$ 6,153	$233	$—
Commercial	9,420	102	—
Land, development, construction	216	8	—
Total real estate loans	15,789	343	—
Commercial and industrial	5,446	59	—
Consumer and other loans	126	8	—
Total	$21,361	$410	$—

December, 31, 2018	Average of impaired loans	Interest income recognized during impairment	Cash basis interest income recognized
Real estate loans:			
Residential	$ 7,492	$308	$—
Commercial	7,876	104	—
Land, development, construction	588	8	—
Total real estate loans	15,956	420	—
Commercial and industrial	2,081	33	—
Consumer and other loans	174	8	—
Total	$18,211	$461	$—

(Continued)

(Dollar amounts in thousands, except per share data)

December, 31, 2017	Average of impaired loans	Interest income recognized during impairment	Cash basis interest income recognized
Real estate loans:			
Residential	$ 7,731	$267	$—
Commercial	8,956	145	—
Land, development, construction	432	18	—
Total real estate loans	17,119	430	—
Commercial and industrial	1,968	29	—
Consumer and other loans	240	10	—
Total	$19,327	$469	$—

The following tables present the recorded investment in non-accrual loans and loans past due over 90 days still on accrual by class of loans as of December 31, 2019 and 2018 excluding purchased credit-impaired loans accounted for pursuant to ASC Topic 310-30:

As of December 31, 2019	Non-accrual	Loans Past Due Over 90 Days Still Accruing
Residential real estate	$13,455	$ —
Commercial real estate	12,141	—
Land, development, construction	2,516	—
Comm., industrial & factored receivables	7,884	1,692
Consumer, other	920	—
Total	$36,916	$1,692

As of December 31, 2018	Non-accrual	Loans Past Due Over 90 Days Still Accruing
Residential real estate	$11,488	$—
Commercial real estate	8,445	—
Land, development, construction	795	—
Commercial and industrial	2,274	—
Consumer, other	565	—
Total	$23,567	$—

(Continued)

(Dollar amounts in thousands, except per share data)

The following tables present the aging of the recorded investment in past due loans as of December 31, 2019 and 2018, excluding purchased credit-impaired loans accounted for pursuant to ASC Topic 310-30:

	Accruing Loans						
As of December 31, 2019	**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**
Residential real estate	$ 2,512,544	$ 7,601	$ 5,928	$ —	$13,529	$ 2,485,560	$13,455
Commercial real estate	6,325,108	7,554	2,577	—	10,131	6,302,836	12,141
Land, development, construction	999,923	1,343	2,349	—	3,692	993,715	2,516
Comm., industrial & factored receivables	1,759,074	14,924	12,465	1,692	29,081	1,722,109	7,884
Consumer	247,307	1,663	907	—	2,570	243,817	920
	$11,843,956	$33,085	$24,226	$1,692	$59,003	$11,748,037	$36,916

	Accruing Loans						
As of December 31, 2018	**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**
Residential real estate	$1,702,114	$ 5,730	$ 5,631	$—	$11,360	$1,679,266	$11,488
Commercial real estate	4,454,098	10,840	4,607	—	15,446	4,430,207	8,445
Land, development, construction	635,562	661	4,022	—	4,683	630,084	795
Comm. & industrial	1,183,380	2,803	878	—	3,681	1,177,425	2,274
Consumer	203,686	1,061	271	—	1,332	201,789	565
	$8,178,840	$21,094	$15,408	$—	$36,502	$8,118,771	$23,567

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.

(Continued)

(Dollar amounts in thousands, except per share data)

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.

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, 2019 and 2018, 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 presented below.

	As of December 31, 2019			
Loan Category	**Pass**	**Special Mention**	**Substandard**	**Doubtful**
Residential real estate	$ 2,455,752	$ 31,189	$ 25,603	$—
Commercial real estate	6,151,309	118,412	55,387	—
Land, development, construction	989,860	6,418	3,645	—
Comm., industrial & factored receivables	1,705,862	35,070	18,142	—
Consumer	245,905	160	1,242	—
Total	$11,548,688	$191,249	$104,019	$—

	As of December 31, 2018			
Loan Category	**Pass**	**Special Mention**	**Substandard**	**Doubtful**
Residential real estate	$1,633,810	$ 41,522	$26,782	$—
Commercial real estate	4,246,687	160,981	46,430	—
Land, development, construction	610,631	20,586	4,345	—
Comm. & industrial	1,137,272	40,836	5,272	—
Consumer	202,701	247	738	—
Total	$7,831,100	$264,172	$83,568	$—

(Continued)

(Dollar amounts in thousands, except per share data)

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, 2019 and 2018:

As of December 31, 2019	Residential	Consumer
Performing	$2,499,089	$246,387
Nonperforming	13,455	920
Total	$2,512,544	$247,307

As of December 31, 2018	Residential	Consumer
Performing	$1,690,626	$203,121
Nonperforming	11,488	565
Total	$1,702,114	$203,686

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, 2019, 2018 and 2017. Contractually required principal and interest payments have been adjusted for estimated prepayments.

	December 31,		
	2019	2018	2017
Contractually required principal and interest	$244,189	$267,815	$248,283
Non-accretable difference	(46,271)	(38,602)	(13,183)
Cash flows expected to be collected	197,918	229,213	235,100
Accretable yield	(62,450)	(70,242)	(70,942)
Carrying value of acquired loans	135,468	158,971	164,158
Allowance for loan losses	(226)	(191)	(295)
Carrying value less allowance for loan losses	$135,242	$158,780	$163,863

The Company recorded $35, ($169) and ($243) in loan loss provision expense (recovery) on PCI loans during the years ending December 31, 2019, 2018 and 2017, 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 $18,450, $22,469 and $4,707 from non-accretable difference to accretable yield during the twelve-month periods ending December 31, 2019, 2018 and 2017, respectively, to reflect the adjusted estimates of future expected cash flows.

(Dollar amounts in thousands, except per share data)

The Company recognized approximately $33,766 of accretion income during the twelve-month period ending December 31, 2019. 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, 2019, 2018 and 2017.

	Dec. 31, 2018	Effect of Acquisitions	Income Accretion	All Other Adjustments	Dec. 31, 2019
Contractually required principal and interest	$267,815	$ 51,527	$ —	$(75,153)	$244,189
Non-accretable difference	(38,602)	(29,187)	—	21,518	(46,271)
Cash flows expected to be collected	229,213	22,340	—	(53,635)	197,918
Accretable yield	(70,242)	(3,724)	33,766	(22,250)	(62,450)
Carry value of acquired loans	$158,971	$ 18,616	$33,766	$(75,885)	$135,468

	Dec. 31, 2017	Effect of Acquisitions	Income Accretion	All Other Adjustments	Dec. 31, 2018
Contractually required principal and interest	$248,283	$122,392	$ —	$(102,860)	$267,815
Non-accretable difference	(13,183)	(58,927)	—	33,508	(38,602)
Cash flows expected to be collected	235,100	63,465	—	(69,352)	229,213
Accretable yield	(70,942)	(7,770)	35,944	(27,474)	(70,242)
Carry value of acquired loans	$164,158	$ 55,695	$35,944	$ (96,826)	$158,971

	Dec. 31, 2016	Effect of Acquisitions	Income Accretion	All Other Adjustments	Dec. 31, 2017
Contractually required principal and interest	$297,821	$31,334	$ —	$(80,872)	$248,283
Non-accretable difference	(18,372)	(7,104)	—	12,293	(13,183)
Cash flows expected to be collected	279,449	24,230	—	(68,579)	235,100
Accretable yield	(93,525)	(4,185)	32,388	(5,620)	(70,942)
Carry value of acquired loans	$185,924	$20,045	$32,388	$(74,199)	$164,158

(Continued)

(Dollar amounts in thousands, except per share data)

(6) Other real estate owned

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

	2019	2018	2017
Beginning of year	$ 404	$ 861	$ 869
Valuation write down of OREO	395	482	682
Sales and/or dispositions	(284)	(939)	(690)
End of year	$ 515	$ 404	$ 861

Expenses related to foreclosed real estate include:

	2019	2018	2017
Gain on sale of OREO	$ (428)	$(1,933)	$ (876)
Valuation write down of repossessed real estate	395	482	682
Operating expenses, net of rental income	3,221	2,815	2,252
Total	$3,188	$ 1,364	$2,058

(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 available for sale debt securities 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 corporate debt securities are calculated using market indicators such as broker quotes (Level 2).

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.

(Continued)

The Company has the rights to service a portfolio of Fannie Mae ("FNMA") and other loans sold on a servicing retained basis. The fair value of mortgage servicing assets are measured when the loan is sold and subsequently measured at fair value on a recurring basis. Management uses a model operated and maintained by a third party to calculate the present value of future cash flows using the third party's market-based assumptions. The future cash flows for each asset are based on the asset's unique characteristics and the third party's market-based assumptions for prepayment speeds, default and voluntary prepayments (Level 2). Adjustments to fair value are recorded as a component of Mortgage Banking Revenue in the Consolidated Statements of Income and Comprehensive Income.

Effective January 1, 2018, the Company elected to account for mortgage loans held for sale under the fair value option with changes in fair value recognized in current period earnings. These loans are intended for sale and the Company believes that the fair value is the best indicator of the resolution of these loans (Level 2). In conjunction with the fair value election on loans held for sale, Mortgage banking uses derivative forward sales contracts and interest rate lock commitments on residential mortgage loans. Fair values of these mortgage derivatives are estimated based on changes in market prices for mortgage forward trades and mortgage interest rates (Level 2) and estimated pull through percentages from the date the interest on the loan is locked (Level 3).

The Company has the rights to service a portfolio of Fannie Mae ("FNMA"), Freddie Mac ("FHLMC") and other government guaranteed loans sold on a servicing retained basis. Mortgage servicing assets are measured at fair value when the loan is sold and subsequently measured at fair value on a recurring basis utilizing Level 2 inputs. Management uses a model operated and maintained by a third party to calculate the present value of future cash flows using the third party's market-based assumptions. The future cash flows for each asset are based on the asset's unique characteristics and the third party's market-based assumptions for prepayment speeds, default and voluntary prepayments. Adjustments to fair value are recorded as a component of Mortgage Banking Revenue in the Consolidated Statements of Income and Comprehensive Income.

The fair value of interest rate swap derivatives is based on valuation models using observable market data as of the measurement date (Level 2). The derivatives are traded in an over-the-counter market where quoted market prices are not always available. Therefore, fair values of derivatives are determined using quantitative models that utilize multiple market inputs. The inputs will vary based on the type of derivative, but could include interest rates, prices and indices to generate continuous yield or pricing curves, prepayment rates, and volatility factors to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services.

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. 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, 2019, the range of capitalization rates utilized to determine the fair value of the underlying collateral ranged from 8% to 13%. Adjustments to comparable sales may be made by the appraiser to reflect local market conditions or other economic factors and may result in changes

(Continued)

(Dollar amounts in thousands, except per share data)

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.

Assets and liabilities measured at fair value on a 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, 2019				
Assets:				
Trading securities	$ 4,987	$—	$ 4,987	$ —
Available for sale debt securities				
Corporate debt securities	5,657	—	5,657	—
Obligations of U.S. government sponsored entities and agencies	19,930	—	19,930	—
Mortgage-backed securities	1,767,242	—	1,767,242	—
Municipal securities	93,895	—	93,895	—
Loans held for sale	142,801	—	142,801	—
Mortgage servicing assets	1,332	—	1,332	—
Mortgage banking derivatives	1,761	—	14	1,747
Interest rate swap derivatives	273,068	—	273,068	—
Liabilities:				
Mortgage banking derivatives	305	—	288	17
Interest rate swap derivatives	275,033	—	275,033	—
at December 31, 2018				
Assets:				
Trading securities	$ 1,737	$—	$ 1,737	$ —
Available for sale debt securities				
Corporate debt securities	6,427	—	6,427	—
Obligations of U.S. government sponsored entities and agencies	37,868	—	37,868	—
Mortgage-backed securities	1,594,275	—	1,594,275	—
Municipal securities	88,778	—	88,778	—
Loans held for sale	40,399	—	40,399	—
Mortgage servicing assets	1,565	—	1,565	—
Mortgage banking derivatives	783	—	—	783
Interest rate swap derivatives	92,475	—	92,475	—
Liabilities:				
Mortgage banking derivatives	169	—	164	5
Interest rate swap derivatives	92,892	—	92,892	—

(Continued)

(Dollar amounts in thousands, except per share data)

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, 2019				
Assets:				
Impaired loans				
Residential real estate	$2,213	$—	$—	$2,213
Commercial real estate	8,177	—	—	8,177
Land, land development and construction	847	—	—	847
Commercial	5,564	—	—	5,564
Consumer	47	—	—	47
Other real estate owned				
Commercial real estate	2,129	—	—	2,129
Land, land development and construction	340	—	—	340
Bank property held for sale	4,160	—	—	4,160
at December 31, 2018				
Assets:				
Impaired loans				
Residential real estate	$1,811	$—	$—	$1,811
Commercial real estate	5,614	—	—	5,614
Land, land development and construction	90	—	—	90
Commercial	1,274	—	—	1,274
Consumer	40	—	—	40
Other real estate owned				
Land, land development and construction	867	—	—	867
Bank property held for sale	5,805	—	—	5,805

Impaired loans measured at fair value had a recorded investment of $18,556 with a valuation allowance of $1,708 at December 31, 2019, and a recorded investment of $8,829, with a valuation allowance of $1,463, at December 31, 2018. The Company recorded a provision for loan loss expense of $2,739 and $1,363 on these loans during the years ending 2019 and 2018, respectively.

Other real estate owned had a decline in fair value of $395 and $482 during the twelve-month periods ending December 31, 2019 and 2018, 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 or acquired through various acquisitions. The real estate was

(Continued)

transferred out of the Bank Premises and Equipment category into Bank Property Held for Sale at the lower of amortized cost or fair value less estimated costs to sell. The fair values were based upon appraisals. The Company recorded an impairment charge of $1,736 and $2,667 during the twelve month periods ending December 31, 2019 and 2018 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, FRB and other stock: It is not practical to determine the fair value of FHLB, FRB and other 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, net: For performing loans, the fair value is determined based on a discounted cash flow analysis (income approach). The discounted cash flow was based on contractual maturity of the loan and market indications of rates, prepayment speeds, defaults and credit risk resulting in Level 3 classification. For non-performing loans, the fair value is determined based on the estimated values of the underlying collateral or individual analysis of receipts (asset approach) resulting in Level 3 classification.

Accrued Interest Receivable: The carrying amount of accrued interest receivable approximates fair value and classified as Level 2 for accrued interest receivable related to investment securities and Level 3 for accrued interest receivable related to loans.

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.

Other Borrowings: The carrying amounts of federal funds purchased, borrowings under repurchase agreements, and other borrowings, approximate their fair values resulting in a Level 2 classification.

Corporate and Subordinated Debentures: The fair values of the Company's corporate and subordinated 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.

(Continued)

(Dollar amounts in thousands, except per share data)

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

		Fair value measurements			
at December 31, 2019	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:					
Cash and cash equivalents	$ 490,058	$ 490,058	$ —	$ —	$ 490,058
Trading securities	4,987	—	4,987	—	4,987
Available for sale debt securities	1,886,724	—	1,886,724	—	1,886,724
Held to maturity debt securities	202,903	—	208,852	—	208,852
Loans held for sale	142,801	—	142,801	—	142,801
Loans, net	11,943,288	—	—	11,925,693	11,925,693
Mortgage servicing assets	1,332	—	1,332	—	1,332
Mortgage banking derivatives	1,761	—	14	1,747	1,761
Interest rate swap derivatives	273,068	—	273,068	—	273,068
Accrued interest receivable	40,945	—	7,547	33,398	40,945
Financial liabilities:					
Deposits - without stated maturities	$10,879,837	$10,879,837	$ —	$ —	$10,879,837
Deposits - with stated maturities	2,256,555	—	2,271,497	—	2,271,497
Securities sold under agreement to repurchase	93,141	—	93,141	—	93,141
Federal funds purchased and other borrowings	540,193	—	540,193	—	540,193
Corporate and subordinated debentures	71,343	—	—	66,964	66,964
Mortgage banking derivatives	305	—	288	17	305
Interest rate swap derivatives	275,033	—	275,033	—	275,033
Accrued interest payable	3,998	—	3,998	—	3,998

(Continued)

(Dollar amounts in thousands, except per share data)

at December 31, 2018	Carrying amount	Fair value measurements Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	$ 367,333	$ 367,333	$ —	$ —	$ 367,333
Trading securities	1,737	—	1,737	—	1,737
Available for sale debt securities	1,727,348	—	1,727,348	—	1,727,348
Held to maturity debt securities	216,833	—	212,179	—	212,179
Loans held for sale	40,399	—	40,399	—	40,399
Loans, net	8,300,734	—	—	8,342,220	8,342,220
Mortgage servicing assets	1,565	—	1,565	—	1,565
Mortgage banking derivatives	783	—	—	783	783
Interest rate swap derivatives	92,475	—	92,475	—	92,475
Accrued interest receivable	33,143	—	8,355	24,788	33,143
Financial liabilities:					
Deposits - without stated maturities	$7,655,376	$7,655,376	$ —	$ —	$7,655,376
Deposits - with stated maturities	1,821,960	—	1,827,299	—	1,827,299
Securities sold under agreement to repurchase	57,772	—	57,772	—	57,772
Federal funds purchased and other borrowings	655,360	—	655,360	—	655,360
Corporate debentures	32,415	—	—	28,621	28,621
Mortgage banking derivatives	169	—	164	5	169
Interest rate swap derivatives	92,892	—	92,892	—	92,892
Accrued interest payable	2,627	—	2,627	—	2,627

(8) Bank Premises and Equipment

A summary of bank premises and equipment as of December 31, 2019 and 2018 is as follows:

	December 31, 2019	2018
Land	$ 89,973	$ 72,487
Land improvements	1,560	1,381
Buildings	174,344	130,424
Leasehold improvements	19,076	13,655
Furniture, fixtures and equipment	68,148	45,056
Construction in progress	10,821	15,491
Subtotal	363,922	278,494
Less: accumulated depreciation	67,216	51,040
Total	$296,706	$227,454

(Continued)

(Dollar amounts in thousands, except per share data)

Rent expense, net of rental income, for the years ended December 31, 2019, 2018 and 2017, was $7,307, $5,642 and $2,996, respectively, and is included in Occupancy Expense in the accompanying Consolidated Statements of Income and Comprehensive Income. Rental income for the years ended December 31, 2019, 2018 and 2017, was $1,792, $1,183, and $930, respectively, and is included in Occupancy Expense.

(9) Goodwill and Intangible Assets

Goodwill

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 December 31, 2019, 2018 and 2017 is as follows:

	2019	2018	2017
Beginning of year	$ 802,880	$257,683	$106,028
Acquired goodwill	401,537	545,197	151,655
Impairment	—	—	—
End of year	$1,204,417	$802,880	$257,683

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, 2019. 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.

Core Deposit and Trust Intangible Assets

Intangible assets consist of core deposit intangibles ("CDI") which are from either whole bank or branch acquisitions. Acquired CDI 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. The Company sold its trust department resulting in the disposal of its related trust intangible asset in 2017.

The change in balance for the CDI and Trust intangible assets during the years 2019, 2018 and 2017 is as follows:

	2019	2018	2017
Beginning of year	$ 66,225	$24,063	$16,209
Acquired CDI	39,900	51,945	12,424
Amortization expense on CDI and Trust	(14,968)	(9,783)	(3,997)
Disposal of Trust intangible asset	—	—	(573)
End of year	$ 91,157	$66,225	$24,063

(Continued)

(Dollar amounts in thousands, except per share data)

CDI intangible assets for years ended December 31, 2019 and 2018 were as follows:

	December 31, 2019		December 31, 2018	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Core deposit intangibles	$133,864	$42,707	$93,964	$27,739
Total acquired intangibles	$133,864	$42,707	$93,964	$27,739

Estimated amortization expense for each of the next five years:

	CDI
2020	$14,423
2021	12,438
2022	11,083
2023	10,688
2024	9,928

Mortgage and Small Business Administration Servicing Assets

Mortgage servicing assets ("MSA") and small business administration ("SBA") servicing assets are either originated by the Company's commercial and retail banking business or obtained from whole bank acquisitions. The Company acquired a total of $1,581 SBA servicing assets through its acquisition of NCOM on April 1, 2019, and a total of $1,828 MSA and SBA servicing assets through its acquisition of Charter on September 1, 2018. As these servicing rights were acquired at fair value as of acquisition date, no impairment charge has currently been assessed on these assets.

Mortgage Servicing Assets

Activity for MSA and the related valuation allowance follows:

	2019	2018
Beginning of year	$1,565	$ —
Effect from acquisitions	—	1,602
Changes in fair value	(233)	(37)
End of year	$1,332	$1,565

Fair value at year-end 2019 was determined using discount rates ranging from 0.4% to 1.1%, prepayment speeds ranging from 6.7% to 13.1%, depending on the stratification of the specific right, and a weighted average default rate of 0.6%.

(Continued)

(Dollar amounts in thousands, except per share data)

Small Business Administration Servicing Assets

During the year ended December 31, 2019, the Company acquired $1,581 of SBA loans serviced for others in the acquisition of NCOM. During the year ended December 31, 2018, the Company acquired $226 of SBA loans serviced for others in the acquisition of Charter (see Note 26 "Business Combinations", for further information). The Company had a total of $52,705, and $35,779 at December 31, 2019 and 2018, respectively of SBA loans sold with servicing assets retained. The Company recorded $1,062 and $235 of amortization on the SBA servicing assets during the years ended December 31, 2019 and 2018, respectively. As the SBA servicing assets from the NCOM and Charter acquisitions were assumed at fair value on April 1, 2019 and on September 1, 2018, no impairment charge has currently been assessed on these assets. SBA servicing assets totaled $3,175 and $1,388 at December 31, 2019 and 2018, respectively.

The risk inherent in SBA servicing assets includes prepayments at different rates than anticipated or resolution of loans at dates not consistent with the estimated expected lives. These events would cause the value of the SBA servicing assets to decline at a faster or slower rate than originally anticipated.

Activity for SBA servicing assets is as follows:

	2019	2018
Beginning of year	$ 1,388	$ 551
Additions	1,268	846
Effect from acquisitions	1,581	226
Amortized to expense	(1,062)	(235)
End of year	$ 3,175	$1,388

(10) Deposits

A detail of deposits at December 31, 2019 and 2018 is as follows:

	December 31,			
	2019	Weighted Average Interest Rate	2018	Weighted Average Interest Rate
Non-interest bearing deposits	$ 3,929,183	—%	$2,923,640	—%
Interest bearing deposits:				
Interest bearing demand deposits	2,613,933	0.4%	1,811,006	0.3%
Savings deposits	811,150	0.3%	704,159	0.1%
Money market accounts	3,525,571	1.0%	2,216,571	0.9%
Time deposits less than $100,000	966,040	1.7%	871,043	1.6%
Time deposits of $100,000 or greater	1,290,515	1.9%	950,917	1.6%
	$13,136,392	0.7%	$9,477,336	0.6%

(Continued)

(Dollar amounts in thousands, except per share data)

The following table presents the amount of certificate accounts at December 31, 2019, maturing during the periods reflected below:

Year	Amount
2020	$1,896,281
2021	216,494
2022	64,737
2023	46,607
2024	31,559
Thereafter	877
Total	$2,256,555

Time deposits that meet or exceed the FDIC insurance limit of $250 at year-end 2019 and 2018 were $647,490 and $397,369, respectively. Total brokered deposits were $323,392 and $328,718 at year-end 2019 and 2018, respectively.

(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, 2019 and 2018, the Company had $93,141 and $57,772 in repurchase agreements. Repurchase agreements are secured by obligations of U.S. government agencies and municipal securities with fair values of $131,394 and $64,706 at December 31, 2019 and 2018, 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, 2019 and 2018.

As of December 31, 2019	MBS Securities	Municipal Securities	Total
Market value of securities pledged	$130,942	$451	$131,394
Borrowings related to pledged amounts	92,953	188	93,141
Market value pledged as a % of borrowings	141%	240%	141%

As of December 31, 2018	MBS Securities	Municipal Securities	Total
Market value of securities pledged	$ 64,269	$437	$ 64,706
Borrowings related to pledged amounts	57,594	178	57,772
Market value pledged as a % of borrowings	112%	246%	112%

(Continued)

(Dollar amounts in thousands, except per share data)

Information concerning repurchase agreements is summarized as follows:

	2019	2018	2017
Average daily balance during the year	$73,314	$54,344	$43,850
Average interest rate during the year	1.51%	1.16%	0.56%
Maximum month-end balance during the year	$93,141	$59,751	$52,080
Weighted average interest rate at year end	1.30%	1.66%	0.88%

(12) Federal Funds Purchased

Federal funds purchased are overnight deposits including deposits from correspondent banks. These borrowings are included in Federal Funds Purchased on the Company's Consolidated Balance Sheets.

Information concerning these deposits is summarized as follows:

	2019	2018
Average daily balance during the year	$286,179	$250,499
Average interest rate during the period	2.29%	2.02%
Maximum month-end balance during the year	$379,193	$294,360
Weighted average interest rate at year end	1.68%	2.07%

(13) Federal Home Loan Bank Advances and Other Borrowed Funds

From time to time, the Company borrows either through Federal Home Loan Bank ("FHLB") advances or one-day borrowings, other than correspondent bank deposits listed in Note 12 above.

At year-end, advances from the FHLB were as follows:

	2019	2018
Fixed rate advances, maturity through 01/28/2019, rates from 2.45% and 2.54%, averaging 2.50%	$ —	$200,000
Floating rate advances, rates from 1.87% and 2.65%, as of December 31, 2019 and 2018, respectively	150,000	150,000
Total	$150,000	$350,000

The floating rate FHLB advance listed above for the year-end 2019 has a one-year term maturing on June 18, 2020. The FHLB advances outstanding as of year-end 2018 were daily rate credit lines. These FHLB advances are collateralized by residential and commercial loans under a blanket lien arrangement and investment securities. Based on this collateral, and the Company's holdings of FHLB stock, the Company is eligible to borrow up to $610,457 at year-end 2019. In addition, the Company had a $160,400 letter of credit issued through the FHLB to support public funds under the Alabama SAFE program.

The Company has $50,000 available in a revolving line of credit, with an interest rate of LIBOR plus 350 basis points ("bps") and scheduled to mature on April 1, 2021. The Company had no revolving line of credit balance outstanding as of December 31, 2019 and 2018.

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On January 1, 2018, the Company acquired all the assets and assumed all the liabilities of Sunshine pursuant to the merger agreement, including Sunshine's debt obligations. In March 2016, Sunshine accepted subscriptions for and sold, at 100% of their principal amount, an aggregate of $11,000 of subordinated notes (the "Notes"), on a private placement basis, to two accredited investors. The Notes bear interest at a fixed interest rate of 5.00% per year. The Notes have a term of five years, and have a maturity date of April 1, 2021. The Notes are redeemable at the option of the Company, in whole or in part, at any time, without penalty or premium, subject to any required regulatory approvals.

The Federal Home Loan Bank Advances, revolving line of credit and Notes are included in Other Borrowed Funds on the Company's Consolidated Balance Sheets.

(14) Corporate and Subordinated 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 ("bps")). 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 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 May 2004, Valrico Bancorp Inc. ("VBI") formed Valrico Capital Statutory Trust ("Valrico Trust") for the purpose of issuing trust preferred securities. On September 8, 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 bps). 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 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")

(Continued)

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 bps). 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 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.

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.

In July 2006, Hometown formed Homestead Statutory Trust I ("Homestead Trust I") for the purpose of issuing trust preferred securities. On July 17, 2006, Hometown issued a floating rate corporate debenture in the amount of $16,000. 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 165 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 March 1, 2016, the Company acquired all the assets and assumed all the liabilities of Hometown by merger, including Hometown's corporate debenture and related trust preferred security. On March 16, 2016, the Company partially redeemed and terminated $6,000 of Homestead Trust I.

In January 2018, the Company assumed BSA Financial Statutory Trust I ("BSA") and MRCB Statutory Trust II ("MRCB") from its acquisition of HCBF. These Trusts were acquired by HCBF in prior acquisitions completed by HCBF. The issued floating rate corporate debentures related to BSA and MRCB were in the amounts of $5,000 and $3,000, respectively. The trust preferred security essentially mirror the corporate debentures, carrying a cumulative preferred dividend at a variable rate equal to the interest rate on the corporate debentures (three month LIBOR plus 155 bps and LIBOR plus 160 bps, respectively). The rates are subject to change quarterly. The corporate debentures and the trust preferred securities each have 30-year lives. The trust preferred securities and the corporate debentures are callable by the Company or the BSA and MRCB trusts, at their respective option, subject to prior approval by the Federal Reserve, if then

(Continued)

(Dollar amounts in thousands, except per share data)

required. The Company is not considered the primary beneficiary of these trusts (variable interest entities), therefore the trusts are not consolidated in the Company's financial statements, but rather the subordinated debentures are shown as a liability. The Company's investments in the common stock of the trusts were $155 and $93, respectively, and are included in Other Assets.

In September 2018, the Company assumed CBS Financial Capital Trust I ("CBS Trust I") and CBS Financial Capital Trust II ("CBS Trust II") pursuant to its acquisition of Charter, in the amounts of $4,000 and $5,000, respectively. CBS Trust I and CBS Trust II were subsequently redeemed in December 2018, at par with no gains or losses realized on the termination of debt, with prior approval by the Federal Reserve.

On April 1, 2019, the Company acquired all the assets and assumed all the liabilities of NCOM pursuant to the merger agreement, including NCOM's debt obligations. On May 19, 2016, NCOM completed the underwritten public offering of $25,000 of its unsecured 6.0% fixed-to-floating rate Notes due June 1, 2026. The Notes bear interest at a fixed rate of 6.0% per year, from, and including, May 19, 2016, to, but excluding, June 1, 2021. On June 1, 2021, the Notes convert to a floating rate equal to three-month LIBOR plus 479 basis points. The Notes may be redeemed by the Company after June 1, 2021. In addition, NCOM, from its Landmark Bancshares, Inc. acquisition, had assumed $13,000 of unsecured 6.5% fixed-to-floating rate Notes due June 30, 2027. The Notes bear interest at a fixed rate of 6.5% per year, to, but excluding, June 30, 2022. On June 30, 2022, the Notes convert to a floating rate equal to three-month LIBOR plus 467 basis points.

As the Company's total assets exceeded $15 billion during the second quarter of 2019, the Company has treated the above mentioned corporate and subordinated debentures as Tier II 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, 2019, 2018 and 2017, is as follows:

	Current	Deferred	Total
December 31, 2019:			
Federal	$34,182	$18,510	$52,692
State	9,275	5,731	15,006
	$43,457	$24,241	$67,698
December 31, 2018:			
Federal	$14,273	$16,843	$31,116
State	5,240	4,668	9,908
	$19,513	$21,511	$41,024
December 31, 2017:			
Federal	$18,243	$29,393	$47,636
State	4,045	1,799	5,844
	$22,288	$31,192	$53,480

(Continued)

(Dollar amounts in thousands, except per share data)

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2019 and 2018, are presented below:

	December 31,	
	2019	2018
Deferred tax assets:		
Allowance for loan losses	$ 10,178	$ 10,079
Stock based compensation	2,242	1,701
Deferred compensation	2,782	2,235
Impairment expenses	2,222	1,334
Net operating loss carryforward	19,812	18,313
Other real estate owned expenses	129	177
Fair value adjustments	6,979	17,929
Nonaccrual interest	2,996	2,890
Unrealized loss on interest rate swap	205	—
Unrealized loss on available for sale debt securities	—	7,611
Other	973	—
Total deferred tax assets	48,518	62,269
Deferred tax liabilities:		
Premises and equipment, due to differences in depreciation methods and useful lives	(8,702)	(8,145)
Deferred loan costs, net	(1,131)	(683)
Unrealized gain on available for sale debt securities	(7,685)	—
Investment in pass-through entity	(184)	—
Prepaid expenses	(2,030)	(1,608)
Like kind exchange	—	(197)
Accretion of discounts on investments	—	(67)
Other	—	(107)
Total deferred tax liabilities	(19,732)	(10,807)
Net deferred tax asset	$ 28,786	$ 51,462

As a result of the acquisition of First Southern on June 1, 2014, the Company obtained net operating loss carryforwards of approximately $57,375 which are subject to an Internal Revenue Code ("IRC") Section 382 annual limitation of approximately $6,487 per year. The Company obtained net operating loss carryforwards of approximately $11,526 and $8,763 as a result of the acquisitions of Community and Hometown, respectively, on March 1, 2016 which are also subject to IRC Section 382 limitations of approximately $1,722 and $507, respectively. The Company obtained net operating loss carryforwards of approximately $22,529 and $14,003 as a result of the acquisitions of Sunshine and HCBF, respectively, on January 1, 2018 which are also subject to IRC Section 382 limitations of approximately $3,682 and $1,101, respectively. On April 1, 2019, the Company acquired approximately $35,712 of net operating loss carryforwards pursuant to its acquisition of NCOM, which are subject to IRC Section 382 annual limitations of varying amounts but all are expected to be utilized by December 31, 2026.

(Continued)

(Dollar amounts in thousands, except per share data)

At December 31, 2019, total net operating losses approximate $79,204, which includes $24,322 of net operating loss carry forwards generated subsequent to December 31, 2017 by institutions acquired by the Company as noted above. Effective January 1, 2018, net operating losses generated on January 1, 2018 and forward are no longer subject to a 20-year carryforward period and are carried indefinitely until fully utilized. Excluding the net operating losses not subject to expiration, the Company had approximately $54,882 of net operating loss carryforwards at December 31, 2019, which will begin to expire as follows:

2027	$ 1,318
2028	4,794
2029	7,060
2030	11,960
2031	5,524
2032	6,841
2033	13,350
2035	759
2036	3,276
	$54,882

As a result of the enactment of the Tax Act on December 22, 2017, the Company evaluated its deferred tax assets and deferred tax liabilities to account for the future impact of lower corporate tax rates on its deferred tax assets. The reduction in the federal corporate tax rate resulted in a one-time charge to the Company's earnings and reduction to its net deferred tax assets of approximately $18,575, which was recorded in 2017. During 2019, the Company recorded a one-time charge to its net deferred tax asset of approximately $987 to reflect a state income tax rate reduction in Florida and Georgia effective January 1, 2019.

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 net deferred tax asset, net of the one-time charge mentioned above, will be realized as of December 31, 2019 and 2018.

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. files a tax return in South Carolina. The Company is no longer subject to examination by taxing authorities for the years before 2016. The Company has not recorded any material interest or penalties on its income tax liabilities for the years 2019, 2018 and 2017.

(Dollar amounts in thousands, except per share data)

A reconciliation between the actual tax expense and the "expected" tax expense, computed by applying the U.S. federal corporate rate of 21 percent for 2019 and 2018 and 35 percent for 2017 is as follows:

	December 31,		
	2019	2018	2017
"Expected" tax expense	$61,550	$41,466	$38,246
Tax exempt interest, net	(3,661)	(3,177)	(4,104)
Bank owned life insurance	(1,834)	(1,167)	(1,251)
State income taxes, net of federal income tax benefits	11,855	7,827	4,077
Stock based compensation	4	17	40
Merger and acquisition related expenses	348	610	1,049
Excess tax benefit from stock based compensation	(838)	(5,095)	(3,007)
Revaluation of net deferred tax asset due to change in federal income tax rate	—	—	18,575
Other, net	274	543	(145)
	$67,698	$41,024	$53,480

(16) Related-Party Transactions

Loans to principal officers, directors, and their affiliates during 2019 and 2018 were as follows:

	2019	2018
Beginning balance	$48,426	$ 30,458
New loans and advances on existing loans	1,605	39,183
Repayments	(4,020)	(21,215)
Ending balance	$46,011	$ 48,426

At December 31, 2019 and 2018 principal officers, directors, and their affiliates had $12,812 and $10,820, respectively, of available lines of credit. Deposits from principal officers, directors, and their affiliates at year-end 2019 and 2018 were approximately $16,198 and $6,739, 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. Under these rules, banks are required to maintain a minimum CET1 ratio of 4.5%, a minimum Tier 1 capital to risk-weighted assets

(Continued)

(Dollar amounts in thousands, except per share data)

of 6%, a total risk-based capital ratio of 8%, and a minimum leverage capital ratio of 4%. In addition, the rules require a capital conservation buffer of up to 2.5% above each of CET1, tier 1, and total risk-based capital which must be met for a bank to be able to pay dividends, engage in share buybacks or make discretionary bonus payments to executive management without restriction. This capital conservation buffer is being phased in over a four-year period starting on January 1, 2016. The capital conservation buffer was 2.5% as of January 1, 2019 and 1.875% in 2018. Fully implemented, a banking organization would need to maintain a CET1 capital ratio of at least 7%, a total Tier 1 capital ratio of at least 8.5% and a total risk-based capital ratio of at least 10.5%. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital.

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 CET1 (as defined in the regulations) to risk-weighted assets. Management believes, as of December 31, 2019, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2019 and 2018, the most recent notifications from the Office of Comptroller of the Currency ("OCC") 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.

A summary of actual, required, and capital levels necessary for capital adequacy purposes for the Company as of December 31, 2019 and 2018, are presented in the table below. The ratios for capital adequacy purposes do not include capital conservation buffer requirements.

	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2019						
Total capital (to risk weighted assets)	$1,672,911	12.2%	$1,097,448	>8.0%	n/a	n/a
Tier 1 capital (to risk weighted assets)	1,555,756	11.3%	823,086	>6.0%	n/a	n/a
Common equity tier 1 capital (to risk weighted assets)	1,555,756	11.3%	617,315	>4.5%	n/a	n/a
Tier 1 capital (to average assets)	1,555,756	9.7%	638,866	>4.0%	n/a	n/a
December 31, 2018						
Total capital (to risk weighted assets)	$1,183,229	12.7%	$ 745,543	>8.0%	n/a	n/a
Tier 1 capital (to risk weighted assets)	1,143,459	12.3%	559,157	>6.0%	n/a	n/a
Common equity tier 1 capital (to risk weighted assets)	1,104,959	11.9%	419,368	>4.5%	n/a	n/a
Tier 1 capital (to average assets)	1,143,459	10.0%	455,561	>4.0%	n/a	n/a

(Continued)

(Dollar amounts in thousands, except per share data)

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, 2019 and 2018, are presented in the table below. The ratios for capital adequacy purposes do not include capital conservation buffer requirements.

	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2019						
Total capital (to risk weighted assets)	$1,670,678	12.2%	$1,097,258	>8.0%	$1,371,572	>10.0%
Tier 1 capital (to risk weighted assets)	1,630,026	11.9%	822,943	>6.0%	1,097,258	>8.0%
Common equity tier 1 capital (to risk weighted assets)	1,630,026	11.9%	617,207	>4.5%	891,522	>6.5%
Tier 1 capital (to average assets)	1,630,026	10.2%	638,628	>4.0%	798,285	>5.0%
December 31, 2018						
Total capital (to risk weighted assets)	$1,177,082	12.6%	$ 745,003	>8.0%	$ 931,254	>10.0%
Tier 1 capital (to risk weighted assets)	1,137,315	12.2%	558,753	>6.0%	745,003	>8.0%
Common equity tier 1 capital (to risk weighted assets)	1,137,315	12.2%	419,064	>4.5%	605,315	>6.5%
Tier 1 capital (to average assets)	1,137,315	10.0%	455,515	>4.0%	569,394	>5.0%

(18) Dividends and Share Repurchases

The Company declared and paid cash dividends on its common stock of $52,400, $35,906 and $13,878 during the years ended December 31, 2019, 2018 and 2017 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. The Company received a $141,000 and $68,000 dividend from its subsidiary bank in 2019 and 2018, respectively. At December 31, 2019, dividends from the subsidiary bank available to be paid to the Company, without prior approval of the Bank's regulatory agency, was $177,208, subject to the Bank meeting or exceeding regulatory capital requirements.

In September 2017, the Company's Board of Directors authorized a repurchase program to acquire up to 3,000,000 shares of its outstanding common stock. In May 2019, the Board of Directors approved and reset the number of shares available to be repurchased under the 2017 stock repurchase program to 6,500,000 and extended the program for a two-year period ending on April 25, 2021. Under the announced stock repurchase program, the Company repurchased 5,733,042 shares at cost of $132,077 during the year ended December 31, 2019 and 38,496 shares at a cost of $1,027 during the year ended December 31, 2018. The

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Company repurchased 45,236 shares at a cost of $1,131 during the year ended December 31, 2017. In January 2020, the Board of Directors approved a new program to replace the current program and authorizes the Company to repurchase up to 6,500,000 of the its common stock for a two-year period ending on January 16, 2022. The Company is not obligated to repurchase any additional shares under the 2020 Stock Repurchase Program.

(19) Equity-Based Compensation

The Company assumed the obligations of NCOM under various equity incentive plan's pursuant to the closing on April 1, 2019 by CenterState of the merger of NCOM with and into CenterState. All of the NCOM stock options and warrants awarded and outstanding pursuant to the assumed NCOM plans at the merger closing date were converted to stock options and warrants for 487,365 of the Company's common shares with an average exercise price of $10.99 per share. At December 31, 2019, there were options and warrants outstanding for 343,418 shares of the Company's common stock with an average exercise price of $11.32 per share and an average remaining contractual life of approximately 4.7 years.

The Company assumed the obligations of Sunshine under Sunshine's 2015 Equity Incentive Plan ("Sunshine Plan") pursuant to the closing on January 1, 2018 by CenterState of the merger of Sunshine with and into CenterState. All of the Sunshine stock options awarded pursuant to the Sunshine Plan outstanding at the merger closing date were converted to stock options for 590,345 of the Company's common shares with an average exercise price of $14.84 per share. At December 31, 2019, there were options outstanding for 14,240 shares of the Company's common stock with an average exercise price of $15.91 per share and an average remaining contractual life of approximately 6.3 years.

The Company assumed the obligations of HCBF under HCBF's 2010 Amended and Restated Stock Incentive Plan (the "HCBF Plan"), pursuant to the closing on January 1, 2018 by CenterState of the merger of HCBF with and into CenterState. All of the HCBF stock options awarded pursuant to the HCBF Plan outstanding at the merger closing date were converted to stock options for 1,621,543 of the Company's common shares with an average exercise price of $14.80 per share. At December 31, 2019, there were options outstanding for 63,470 shares of the Company's common stock with an average exercise price of $13.96 per share and an average remaining contractual life of approximately 5.3 years.

The Company assumed the obligations of Gateway under the Gateway Officers' and Employees' Stock Option Plan and the Gateway Directors' Stock Option Plan (collectively, the "Gateway Plans") pursuant to the closing on May 1, 2017 by CenterState of the merger of Gateway with and into CenterState. All of the Gateway stock options awarded pursuant to the Gateway Plans outstanding at the merger closing date were converted to stock options for 1,150,517 of the Company's common shares with an average exercise price of $11.32 per share. At December 31, 2019, there were options outstanding for 191,828 shares of the Company's common stock with an average exercise price of $10.53 per share and an average remaining contractual life of approximately 2.7 years.

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

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(Dollar amounts in thousands, except per share data)

the Company's common shares with an average exercise price of $6.99 per share. At December 31, 2019, there were options outstanding for 40,000 shares of the Company's common stock with an average exercise price of $6.15 per share and an average remaining contractual life of approximately 1.9 years.

On April 26, 2018, the Company's shareholders approved the CenterState Bank Corporation 2018 Equity Incentive Plan (the "2018 Plan"). The 2018 Plan replaces the 2013 Plan discussed below. The 2018 Plan authorizes the issuance of up to 2,200,000 shares through the 2028 expiration of the plan. No more than $150 in grants of shares may be issued to any director in any one fiscal year. The Company's Board of Directors froze the Company's 2013 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 2018 Plan. During 2019 the Company did not grant any incentive stock options to its employees. The Company awarded 120,572 shares of Restricted Stock ("RSAs") during 2019 with an average fair value of $26.33 per share at the date of grant. These restricted stock awards vest over periods ranging from two to five years. The Company awarded Performance Share Units ("PSUs") during 2019 pursuant to the Company's Long-Term Incentive Plan as described in the Company's 2019 Proxy Statement. These PSUs will cliff vest on January 1, 2023. The units may be converted into common shares based upon the Company's return on average tangible common equity compared to its peer group and the Company's tangible book value per share growth over a three-year period ending January 1, 2023. The range of the units that may vest in the future is a minimum of 0 and a maximum of 181,402 with an expected target of 120,945 shares. The Company also awarded 84,383 Restricted Share Units ("RSUs") during 2019 with an average fair value of $21.09 per unit at the date of grant. The RSUs will vest at a rate of one third each January 1, 2021, 2022 and 2023. In addition, the Company issued 33,536 shares to non-employee directors in lieu of cash for director fees during 2019. At December 31, 2019, there were a total of 1,644,184 shares available for future grants pursuant to the 2018 Plan, assuming maximum future vesting of PSUs outstanding.

On April 25, 2013, the Company's shareholders approved the CenterState 2013 Equity Incentive Plan (the "2013 Plan"). The 2013 Plan replaced the 2007 Plan. The 2013 Plan authorized the issuance of up to 1,600,000 shares of the Company stock. In 2019, the 2013 Plan was frozen whereby no additional grants and/or awards were awarded pursuant to this plan subsequent to April 2018.

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, authorized 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 periods ended December 31, 2019, 2018 and 2017, the Company recognized total stock-based compensation expense as listed in the table below.

	2019	2018	2017
Stock option expense	$ 19	$ 83	$ 115
RSA expense	3,329	2,922	3,560
RSU Expense	843	538	287
PSU expense	958	650	624
Total stock-based compensation expense	$5,149	$4,193	$4,586

(Continued)

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 $723, $5,373 and $1,545 during the twelve-month periods ending December 31, 2019, 2018 and 2017, respectively. The Company provided an income tax benefit in its tax provision for RSA, RSU and PSU expenses of approximately $1,284, $1,042 and $1,725 during the twelve-month periods ending December 31, 2019, 2018 and 2017, respectively.

As of December 31, 2019, the total remaining unrecognized compensation cost related to non-vested stock options was approximately $22 and will be recognized over the next 3 years. The weighted average period over which this expense is expected to be recognized is approximately 1.4 years.

As of December 31, 2019, the total remaining unrecognized compensation cost related to non-vested RSAs, net of estimated forfeitures, was approximately $3,758 and will be recognized over the next 8 years. The weighted average period over which this expense is expected to be recognized is approximately 1.9 years.

As of December 31, 2019, the total remaining unrecognized compensation cost related to non-vested PSUs, net of estimated forfeitures, was approximately $3,272 and will be recognized over the next 3 years. The weighted average period over which this expense is expected to be recognized is approximately 1.8 years.

As of December 31, 2019, the total remaining unrecognized compensation cost related to non-vested RSUs, net of estimated forfeitures, was approximately $2,533 and will be recognized over the next 3 years. The weighted average period over which this expense is expected to be recognized is approximately 1.8 years.

The Company did not grant any stock options during 2017, 2018 and 2019. However, the Company converted all outstanding Gateway stock options into CenterState options for 1,150,517 shares of common stock on the May 1, 2017 acquisition date pursuant to the Company's agreement to acquire Gateway. The Company also converted all outstanding Sunshine and HCBF stock options into CenterState options for 590,345 and 1,621,543 shares of common stock, respectively, on the January 1, 2018 acquisition date pursuant to the Company's respective agreements to acquire Sunshine and HCBF. The Company also converted all outstanding NCOM stock options and warrants into CenterState options and warrants for 487,365 shares of common stock on the April 1, 2019 acquisition date pursuant to the Company's agreement to acquire NCOM. The estimated fair value of options granted, or assumed in the case of Gateway, Sunshine, HCBF and NCOM, during these periods were calculated as of the grant date, or the acquisition date in the case of Gateway, Sunshine, HCBF and NCOM, using the Black-Scholes option-pricing model.

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. However, with the adoption of ASU 2016-09 in 2017, the Company made an entity-wide accounting policy election to account for forfeitures when they occur.

(Dollar amounts in thousands, except per share data)

The weighted-average estimated fair value of stock options granted, or acquired in the case of NCOM, during the twelve-month period ended December 31, 2019 was $10.99 per share. The table below presents information related to stock option activity for the years ended December 31, 2019, 2018 and 2017:

	2019	2018	2017
Total intrinsic value of stock options exercised	$4,827	$ 1,492	$8,039
Net proceeds from stock options exercised	$3,101	$14,707	$6,715
Gross income tax benefit from the exercise of stock options	$ 723	$ 5,373	$1,545

A summary of stock option and warrant activity for the years ended December 31, 2019, 2018 and 2017 is as follows:

	December 31, 2019		December 31, 2018		December 31, 2017	
	Number of Options and Warrants	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
Outstanding, beginning of period	655,261	$11.26	1,119,483	$11.26	623,490	$12.30
Options assumed pursuant to acquisition of (note 1):						
Gateway	—	—	—	—	1,150,517	11.32
HCBF	—	—	1,621,543	14.80	—	—
Sunshine	—	—	590,345	14.84	—	—
NCOM	487,365	10.99	—	—	—	—
Exercised	(356,366)	10.82	(1,793,339)	13.61	(598,039)	12.11
Forfeited	(102,404)	13.55	(882,771)	15.37	(56,485)	15.00
Outstanding, end of period	683,856	$10.94	655,261	$11.26	1,119,483	$11.26

note 1: Pursuant to the Company's respective agreements to acquire Gateway (on May 1, 2017), Sunshine and HCBF (both on January 1, 2018) and NCOM (on April 1, 2019), all outstanding Gateway, Sunshine, HCBF and NCOM stock options and warrants were converted to CenterState stock options and warrants as of the acquisition date.

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Contractual Term	Aggregate Intrinsic Value
Options outstanding, December 31, 2019	683,856	$10.94	4.0 years	$9,599
Options fully vested and expected to vest, December 31, 2019	681,718	$10.96	4.0 years	$9,561
Options exercisable, December 31, 2019	675,356	$10.99	4.0 years	$9,447

At December 31, 2019, there were restricted stock awards ("RSAs") for 334,779 shares of the Company's common stock outstanding and not vested. Of this amount 32,500 restricted shares have been issued and included in the Company's total common stock outstanding, but have not vested as of December 31, 2019. The remaining 302,279 represent common shares to be issued at the end of their respective vesting period.

(Continued)

(Dollar amounts in thousands, except per share data)

A summary of the RSA activity for the years ended December 31, 2019, 2018 and 2017 is presented in the table below.

	2019				2018				2017			
	Number of RSAs underlying shares not issued	Number of RSAs underlying shares issued	Total number of RSAs	Weighted-average fair value at grant date	Number of RSAs underlying shares not issued	Number of RSAs underlying shares issued	Total number of RSAs	Weighted-average fair value at grant date	Number of RSAs underlying shares not issued	Number of RSAs underlying shares issued	Total number of RSAs	Weighted-average fair value at grant date
Outstanding, beginning period	339,766	50,600	390,366	$19.10	489,424	69,700	559,124	$15.89	572,064	127,901	699,965	$12.20
Granted	120,572	—	120,572	$26.33	67,502	—	67,502	$26.77	148,232	—	148,232	$24.94
Vested	(149,318)	(17,100)	(166,418)	$18.99	(214,847)	(19,100)	(233,947)	$13.65	(226,606)	(58,201)	(284,807)	$11.52
Forfeited	(8,741)	(1,000)	(9,741)	$22.78	(2,313)	—	(2,313)	$18.55	(4,266)	—	(4,266)	$15.76
Outstanding, end of period	302,279	32,500	334,779	$21.65	339,766	50,600	390,366	$19.10	489,424	69,700	559,124	$15.89

In September 2014, the Company initiated a Long-Term Incentive Plan ("LTI") that includes a Performance Share Unit ("PSU") award that could be awarded in PSUs, which can eventually be converted to common stock, based on the Company's relative return on average tangible common equity and tangible book value per share growth as compared to a peer group of similar companies selected by the Company's Compensation Committee over a 39-month period beginning in September of each grant year. The Company awarded similar PSUs in 2017, 2018 and 2019. In 2019, a total of 38,107 PSUs were approved by the Company's Compensation Committee pursuant to the 2015 LTI plan. The PSUs will be issued in the form of common stock at the end of the two-year mandatory hold period which ends in February 2021. The Company expects to recognize an expense of $687, $1,051 and $2,559 over the vesting period for PSUs granted in 2017, 2018 and 2019, respectively. The expense recognized during 2019 for all PSUs awarded pursuant to all LTI plans was $892.

In September 2016, the Company also awarded PSUs pursuant to a productive incentive plan to one of its divisions that could will be converted to the Company's common stock based upon the division's financial performance over three and four year periods ending August 31, 2019 and 2020, respectively. In 2019, a total of 12,000 shares of the Company's common stock were issued pursuant to the vesting of the three-year production incentive plan. The Company expects to recognize a total expense of $192 during the performance periods. The expense recognized during 2019 was $66.

The Company awarded RSUs during September 2017, 2018 and 2019 pursuant to its LTI plans as mentioned above that could eventually be converted into the Company's common stock. The Company expects to recognize an expense of $720, $1,107 and $1,880 for the RSUs awarded in 2017, 2018 and 2019, respectively. Generally, the RSUs will vest at a rate of one third each January 1st beginning two years after each grant year. The expense recognized during 2019 for all RSUs awarded was $843.

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(Dollar amounts in thousands, except per share data)

A summary of the RSU activity for the years ended December 31, 2019, 2018 and 2017 is presented in the table below.

	December 31, 2019		December 31, 2018		December 31, 2017	
	Number of Units	Weighted-average fair value at grant date	Number of Units	Weighted-average fair value at grant date	Number of Units	Weighted-average fair value at grant date
Outstanding, beginning of period	128,447	$20.00	86,817	$17.00	54,376	$14.00
Granted	84,383	21.09	41,630	26.60	32,441	22.19
Vested and issued	(8,547)	12.22	—	—	—	—
Forfeited	(2,622)	23.45	—	—	—	—
Outstanding, end of period	201,661	$21.00	128,447	$20.00	86,817	$17.00

(20) Employee Benefit Plan

Substantially all of the Company's employees are covered under its 401(k) defined contribution retirement plan. Effective January 1, 2019, the Company amended its 401(k) defined contribution retirement plan's participation eligibility requirement to the first month following the date of employment. Prior to the amendment, employees were eligible to participate in the plan after completing six months of continuous employment. The Company contributes an amount equal to a certain percentage of the employees' contributions based on the discretion of the Board of Directors. In addition, the Company may also make additional contributions to the plan each year, subject to profitability and other factors, and based solely on the discretion of the Board of Directors. For the years ended December 31, 2019, 2018 and 2017, the Company's contributions to the plan were $5,598, $3,444 and $2,249, respectively, which are included in Salary, Wages and Employee Benefits on the Consolidated Statements of Income and Comprehensive Income.

In 2008, the Company entered into a salary continuation agreement with its then chief executive officer. Five additional Company executive officers entered into salary continuation agreements during 2010. In 2007, an additional four pre-existing salary continuation agreements with certain Valrico State Bank's executive officers were assumed as part of the acquisition. In 2018, the Company assumed pre-existing supplemental executive retirement plan agreements pursuant to the acquisition of Charter. In 2019, the Company assumed pre-existing supplemental executive retirement plan agreements pursuant to the acquisition of NCOM. The plans are nonqualified deferred compensation arrangements that are designed to provide supplemental retirement income benefits to participants. The Company expensed $1,546, $641 and $568 for the accrual of future salary continuation benefits in 2019, 2018 and 2017, respectively. Other liabilities include salary continuation benefits payable of $10,174, $7,966 and $4,834 at December 31, 2019, 2018 and 2017, respectively.

In 2007, the Company entered into deferred compensation arrangements, through Rabbi Trust agreements, with two Valrico State Bank's executive officers pursuant to the acquisition. The Rabbi Trust asset is included in other assets, and the related deferred compensation payable is included in other liabilities. In 2018, one of the executive officers retired and received the applicable funds from the agreement. The Rabbi

(Continued)

(Dollar amounts in thousands, except per share data)

Trust asset and the related deferred compensation payable at December 31, 2019, 2018 and 2017 were $339, $307 and $1,761, respectively. Earnings from the Rabbi Trust increase the asset and increase the deferred compensation payable. Losses from the Rabbi Trust decrease the asset and decrease the deferred compensation payable. There was no net income statement effect other than the administration expenses of the Trust which approximates $5 per year.

(21) Parent Company Only Financial Statements

Condensed financial statements of CenterState Bank Corporation (parent company only) are as follows:

Condensed Balance Sheet
December 31, 2019 and 2018

	2019	2018
Assets:		
Cash and due from banks	$ 5,168	$ 1,338
Inter-company receivable from bank subsidiary	—	2,340
Investment in wholly-owned bank subsidiary	2,967,040	1,999,963
Investment in other wholly-owned subsidiary	3,431	2,761
Prepaid expenses and other assets	5,850	10,506
Total assets	$2,981,489	$2,016,908
Liabilities:		
Accounts payable and accrued expenses	$ 2,428	$ 2,149
Other borrowings	49,577	11,000
Corporate debenture	32,766	32,415
Total liabilities	84,771	45,564
Stockholders' Equity:		
Common stock	1,252	957
Additional paid-in capital	2,407,385	1,699,031
Retained earnings	465,680	293,777
Accumulated other comprehensive income	22,401	(22,421)
Total stockholders' equity	2,896,718	1,971,344
Total liabilities and stockholders' equity	$2,981,489	$2,016,908

(Continued)

(Dollar amounts in thousands, except per share data)

Condensed Statements of Operations
Years ended December 31, 2019, 2018 and 2017

	2019	2018	2017
Dividend income	$144,209	$ 68,000	$10,000
Other income	—	8	—
Interest expense	(4,374)	(3,415)	(1,363)
Operating expenses	(5,372)	(3,988)	(3,960)
Income before equity in undistributed income of subsidiaries	134,463	60,605	4,677
Equity in undistributed income of subsidiaries	87,898	88,532	48,760
Net income before income tax benefit	222,361	149,137	53,437
Income tax benefit	(3,035)	(7,298)	(2,358)
Net income	$225,396	$156,435	$55,795

(Continued)

(Dollar amounts in thousands, except per share data)

Condensed Statements of Cash Flows
Years ended December 31, 2019, 2018 and 2017

	2019	2018	2017
Cash flows from operating activities:			
Net income	$ 225,396	$156,435	$ 55,795
Adjustments to reconcile net income to net cash used in operating activities:			
Undistributed net earnings of subsidiaries	(87,898)	(88,532)	(48,760)
(Decrease) increase in payables and accrued expenses	(875)	(13,385)	463
Decrease (increase) in other assets	9,783	3,998	(40,369)
Stock based compensation expense	—	—	1,048
Net cash flows provided by (used in) operating activities	146,406	58,516	(31,823)
Cash flows from investing activities:			
Inter-company receivables from subsidiary banks	3,143	(473)	25,145
Net cash from bank acquisition	34,941	(36,037)	(42,601)
Investment in subsidiaries	—	—	(25,000)
Cash payments to shareholders	(84)	19,339	(90)
Net cash flows provided by (used in) investing activities	38,000	(17,171)	(42,546)
Cash flows from financing activities:			
Stock options exercised, net of tax benefit	3,101	14,707	6,715
Stock repurchase	(132,077)	(1,027)	(1,131)
Stock issuance	800	650	—
(Decrease) increase in other borrowings	—	(20,000)	20,000
Proceeds from stock offering, net of offering costs	—	—	63,262
Dividends paid to shareholders	(52,400)	(35,906)	(13,878)
Net cash flows (used in) provided by financing activities	(180,576)	(41,576)	74,968
Net increase (decrease) in cash and cash equivalent	3,830	(231)	599
Cash and cash equivalents at beginning of year	1,338	1,569	970
Cash and cash equivalents at end of year	$ 5,168	$ 1,338	$ 1,569

(22) Credit Commitments

The Company has outstanding at any time a significant number of commitments to extend credit. These arrangements are subject to strict credit control assessments and each customer's credit worthiness is evaluated on a case-by-case basis.

(Continued)

(Dollar amounts in thousands, except per share data)

A summary of commitments to extend credit and standby letters of credit written at December 31, 2019 and 2018, are as follows:

	December 31,	
	2019	**2018**
Standby letters of credit	$ 46,905	$ 28,964
Available lines of credit	2,818,303	1,514,359
Unfunded loan commitments – fixed	257,277	153,680
Unfunded loan commitments – variable	118,291	65,880

Commitments to make loans are generally made for periods of 30 days or less. At December 31, 2019, the fixed rate loan commitments have interest rates ranging from 2.71% to 10.90% and maturities ranging from 1 year to 20 years.

Because many commitments expire without being funded in whole or part, the contract amounts are not estimates of future cash flows.

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. The credit risk amounts are equal to the contractual amounts, assuming that the amounts are fully advanced and that the collateral or other security is of no value.

The Company's policy is to require customers to provide collateral prior to the disbursement of approved loans. The amount of collateral obtained, if it is deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, real estate and income providing commercial properties.

Standby letters of credit are contractual commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Outstanding commitments are deemed to approximate fair value due to the variable nature of the interest rates involved and the short-term nature of the commitments.

(23) Concentrations of Credit Risk

Most of the Company's business activity is with customers located throughout Southeastern United States including Florida, Georgia and Alabama. The majority of commercial and mortgage loans are granted to customers doing business or residing in these areas. Generally, commercial loans are secured by real estate, and mortgage loans are secured by either first or second mortgages on residential or commercial property. As of December 31, 2019, substantially all of the Company's loan portfolio was secured. Although the Company has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent upon the economy of those areas listed above. The Company does not have significant exposure to any individual customer or counterparty.

(24) Basic and Diluted Earnings Per Share

The two-class method is used in the calculation of basic and diluted earnings per share. Under the two-class method, earnings available to common shareholders for the period are allocated between common

(Continued)

(Dollar amounts in thousands, except per share data)

shareholders and participating securities according to dividends declared (or accumulated) and participation rights in undistributed earnings. There were no anti-dilutive stock options for the years ending December 31, 2019, 2018 and 2017.

The following table presents the factors used in the earnings per share computations for the periods indicated.

	2019	2018	2017
Basic			
Net income available to common shareholders	$ 225,396	$ 156,435	$ 55,795
Less: Earnings allocated to participating securities	(88)	(116)	(120)
Net income allocated to common shareholders	$ 225,308	$ 156,319	$ 55,675
Weighted average common shares outstanding including participating securities	119,793,869	87,707,196	57,368,322
Less: Participating securities (1)	(46,920)	(65,976)	(123,624)
Average shares	119,746,949	87,641,220	57,244,698
Basic earnings per common share	$ 1.88	$ 1.78	$ 0.97
Diluted			
Net income available to common shareholders	$ 225,308	$ 156,319	$ 55,675
Weighted average common shares outstanding for basic earnings per common share	119,746,949	87,641,220	57,244,698
Add: Dilutive effects of stock based compensation awards	856,874	1,117,633	1,096,115
Average shares and dilutive potential common shares	120,603,823	88,758,853	58,340,813
Diluted earnings per common share	$ 1.87	$ 1.76	$ 0.95

note 1: Participating securities are restricted stock awards whereby the stock certificates have been issued, are included in outstanding shares, receive dividends and can be voted, but have not vested.

(25) Reportable Segments

The Company's reportable segments represent the distinct product lines the Company offers and are viewed separately for strategic planning purposes by management.

(Continued)

(Dollar amounts in thousands, except per share data)

The tables below are reconciliations of the reportable segment revenues, expenses, and profit as viewed by management to the Company's consolidated total for the year ending December 31, 2019, 2018 and 2017.

	Year ending December 31, 2019				
	Commercial and retail banking	Correspondent banking and capital markets division	Corporate overhead and administration	Elimination entries	Total
Interest income	$ 667,428	$ 17,904	$ —	$ —	$ 685,332
Interest expense	(85,225)	(10,004)	(4,375)	—	(99,604)
Net interest income (expense)	582,203	7,900	(4,375)	—	585,728
Provision for loan losses	(10,277)	(308)	—	—	(10,585)
Non-interest income	101,162	64,898	—	—	166,060
Non-interest expense	(406,187)	(35,348)	(5,372)	—	(446,907)
Net income (loss) before taxes	266,901	37,142	(9,747)	—	294,296
Income tax (provision) benefit	(61,468)	(9,265)	3,035	—	(67,698)
Noncontrolling interest	(1,202)	—	—	—	(1,202)
Net income (loss)	$ 205,433	$ 27,877	$ (6,712)	$ —	$ 226,598
Total assets	$16,364,434	$777,197	$2,981,489	$(2,981,095)	$17,142,025

	Year ending December 31, 2018				
	Commercial and retail banking	Correspondent banking and capital markets division	Corporate overhead and administration	Elimination entries	Total
Interest income	$ 445,688	$ 14,944	$ —	$ —	$ 460,632
Interest expense	(36,853)	(7,282)	(3,415)	—	(47,550)
Net interest income (expense)	408,835	7,662	(3,415)	—	413,082
Provision for loan losses	(7,914)	(369)	—	—	(8,283)
Non-interest income	71,731	33,388	8	—	105,127
Non-interest expense	(286,191)	(22,288)	(3,988)	—	(312,467)
Net income (loss) before taxes	186,461	18,393	(7,395)	—	197,459
Income tax (provision) benefit	(43,662)	(4,660)	7,298	—	(41,024)
Net income (loss)	$ 142,799	$ 13,733	$ (97)	$ —	$ 156,435
Total assets	$11,769,734	$561,885	$2,016,908	$(2,010,939)	$12,337,588

(Continued)

(Dollar amounts in thousands, except per share data)

	Year ending December 31, 2017				
	Commercial and retail banking	Correspondent banking and capital markets division	Corporate overhead and administration	Elimination entries	Total
Interest income	$ 240,583	$ 10,743	$ —	$ —	$ 251,326
Interest expense	(11,431)	(2,989)	(1,363)	—	(15,783)
Net interest income	229,152	7,754	(1,363)	—	235,543
Provision for loan losses	(5,037)	79	—	—	(4,958)
Non-interest income	36,834	28,341	—	—	65,175
Non-interest expense	(161,946)	(20,579)	(3,960)	—	(186,485)
Net income (loss) before taxes	99,003	15,595	(5,323)	—	109,275
Income tax (provision) benefit	(49,823)	(6,015)	2,358	—	(53,480)
Net income (loss)	$ 49,180	$ 9,580	$ (2,965)	$ —	$ 55,795
Total assets	$6,572,636	$506,234	$957,253	$(912,148)	$7,123,975

Commercial and retail banking: The Company's primary business is commercial and retail banking. Currently, the Company operates primarily through the Bank providing traditional retail, commercial, mortgage, wealth management and SBA services throughout its Florida, Georgia and Alabama branch network and customer relationships in neighboring states.

Correspondent banking and capital markets division: Operating as a division of 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 primarily located in Southeastern United States.

Corporate overhead and administration: Corporate overhead and administration is comprised primarily of inter-company management fees, interest on parent company debt, office occupancy and depreciation of parent company facilities, merger related costs and other expenses.

(26) Business Combinations

Acquisition of Sunshine Bancorp, Inc.

On January 1, 2018, the Company completed its acquisition of Sunshine Bancorp, Inc. ("Sunshine") whereby Sunshine merged with and into the Company. Pursuant to and simultaneously with the merger of Sunshine with and into the Company, Sunshine's wholly owned subsidiary bank, Sunshine Bank merged with and into the Company's subsidiary bank, CenterState Bank, N.A.

(Continued)

(Dollar amounts in thousands, except per share data)

The Company's primary reasons for the transaction were to further solidify its market share in the Florida market and expand its customer base to enhance deposit fee income and leverage operating cost through economies of scale. The acquisition increased the Company's total assets and total deposits by approximately 14% and 13%, respectively, as compared with the balances at December 31, 2017, and is expected to positively affect the Company's operating results to the extent the Company earns more from interest earning assets than it pays in interest on its interest bearing liabilities. No acquisition costs related to the Sunshine acquisition were incurred during the twelve-month period ending December 31, 2019. During the twelve-month periods ending December 31, 2018 and 2017, the Company incurred approximately $10,474 and $859, respectively, of acquisition costs related to this transaction. These acquisition costs are reported in Merger Related Expenses on the Company's Consolidated Statements of Income and Comprehensive Income.

The acquisition was accounted for under the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations*. The Company recognized goodwill on this acquisition of $114,228 which is nondeductible for tax purposes as this acquisition is a nontaxable transaction. The goodwill is calculated based on the fair values of the assets acquired and liabilities assumed as of the acquisition date.

The Company acquired 100% of the outstanding common stock of Sunshine. The purchase price consisted of stock plus cash in lieu of fractional shares. Each share of Sunshine common stock was exchanged for 0.89 shares of the Company's common stock. Based on the closing price of the Company's common stock on December 29, 2017, the resulting purchase price was $187,852.

The table below summarizes the purchase price calculation.

Number of shares of Sunshine common stock outstanding at December 31, 2017	7,922,479
Per share exchange ratio	0.89
Number of shares of CenterState common stock less 361 of fractional shares	7,050,645
CenterState common stock price per share on December 29, 2017	$ 25.73
Fair value of CenterState common stock issued	$ 181,413
Cash consideration paid for 361 of fractional shares	7
Total consideration to be paid to Sunshine common shareholders	$ 181,420
Fair value of Sunshine stock options converted to CenterState stock options	6,432
Total Purchase Price for Sunshine	$ 187,852

(Continued)

(Dollar amounts in thousands, except per share data)

The list below summarizes the fair value of the assets purchased, including goodwill, and liabilities assumed as of the January 1, 2018 purchase date.

	January 1, 2018
Assets:	
Cash and cash equivalents	$ 47,056
Loans, held for investment	676,090
Purchased credit impaired loans	8,232
Loans held for sale	430
Investments	93,006
Accrued interest receivable	2,170
Branch real estate	9,375
Furniture and fixtures	916
Bank property held for sale	9,503
FHLB stock	4,875
Bank owned life insurance	23,101
Core deposit intangible	8,525
Goodwill	114,228
Deferred tax asset	11,670
Other assets	6,135
Total assets acquired	$1,015,312
Liabilities:	
Deposits	$ 719,039
Federal Home Loan Bank advances	95,001
Securities sold under agreement to repurchase	353
Subordinated notes	11,000
Accrued interest payable	457
Other liabilities	1,610
Total liabilities assumed	$ 827,460

In the acquisition, the Company acquired $684,322 of loans at fair value, net of $22,657, or 3.2%, estimated discount to the outstanding principal balance, representing 14.3% of the Company's total loans at December 31, 2017. Of the total loans acquired, management identified $8,232 with credit deficiencies. All loans that were on non-accrual status, impaired loans including TDRs and other substandard loans were considered by management to be credit impaired and are accounted for pursuant to ASC Topic 310-30.

(Continued)

(Dollar amounts in thousands, except per share data)

The table below summarizes the total contractually required principal and interest cash payments, management's estimate of expected total cash payments and fair value of the loans as of January 1, 2018 for purchased credit impaired loans. Contractually required principal and interest payments have been adjusted for estimated prepayments.

Contractually required principal and interest	$ 21,598
Non-accretable difference	(12,213)
Cash flows expected to be collected	9,385
Accretable yield	(1,153)
Total purchased credit-impaired loans acquired	$ 8,232

The table below presents information with respect to the fair value of acquired loans, as well as their unpaid principal balance ("Book Balance") at acquisition date.

	Book Balance	Fair Value
Loans:		
Single family residential real estate	$148,342	$146,057
Commercial real estate	375,377	371,323
Construction/development/land	58,530	57,331
Commercial loans	104,811	99,650
Consumer and other loans	1,770	1,729
Purchased credit-impaired	18,149	8,232
Total earning assets	$706,979	$684,322

In its assumption of the deposit liabilities, the Company believed the deposits assumed from the acquisition have an intangible value. The Company applied ASC Topic 805, which prescribes the accounting for goodwill and other intangible assets such as core deposit intangibles, in a business combination. The Company determined the estimated fair value of the core deposit intangible asset totaled $8,525, which will be amortized utilizing an accelerated amortization method over an estimated economic life not to exceed ten years. In determining the valuation amount, deposits were analyzed based on factors such as type of deposit, deposit retention, interest rates and age of deposit relationships.

Acquisition of HCBF Holding Company, Inc.

On January 1, 2018, the Company completed its acquisition of HCBF Holding Company, Inc. ("HCBF") whereby HCBF merged with and into the Company. Pursuant to and simultaneously with the merger of HCBF with and into the Company, HCBF's wholly owned subsidiary bank, Harbor Bank merged with and into the Company's subsidiary bank, CenterState Bank, N.A.

The Company's primary reasons for the transaction were to further solidify its market share in the Florida market and expand its customer base to enhance deposit fee income and leverage operating cost through economies of scale. The acquisition increased the Company's total assets and total deposits by approximately 33% and 32%, respectively, as compared with the balances at December 31, 2017, and is

(Continued)

(Dollar amounts in thousands, except per share data)

expected to positively affect the Company's operating results to the extent the Company earns more from interest earning assets than it pays in interest on its interest bearing liabilities. No acquisition costs related to the Sunshine acquisition were incurred during the twelve-month period ending December 31, 2019. During the twelve-month periods ending December 31, 2018 and 2017, the Company incurred approximately $12,302 and $2,060, respectively, of acquisition costs related to this transaction. These acquisition costs are reported in Merger Related Expenses on the Company's Consolidated Statements of Income and Comprehensive Income.

The acquisition was accounted for under the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations*. The Company recognized goodwill on this acquisition of $233,321 which is nondeductible for tax purposes as this acquisition is a nontaxable transaction. The goodwill is calculated based on the fair values of the assets acquired and liabilities assumed as of the acquisition date.

The Company acquired 100% of the outstanding common stock of HCBF. The purchase price consisted of both cash and stock. Each share of HCBF common stock was exchanged for $1.925 cash and 0.675 shares of the Company's common stock. Based on the closing price of the Company's common stock on December 29, 2017, the resulting purchase price was $448,236.

The table below summarizes the purchase price calculation.

Number of shares of HCBF common stock outstanding at December 31, 2017	22,299,082
Per share exchange ratio	0.675
Number of shares of CenterState common stock less 241 of fractional shares	15,051,639
CenterState common stock price per share on December 29, 2017	$ 25.73
Fair value of CenterState common stock issued	$ 387,279
Number of shares of HCBF common stock outstanding at December 31, 2017	22,299,082
Cash consideration each HCBF share is entitled to receive	$ 1.925
Total Cash Consideration plus $6 for 241 of fractional shares	$ 42,932
Total Stock Consideration	$ 387,279
Total Cash Consideration	42,932
Total consideration to be paid to HCBF common shareholders	$ 430,211
Fair value of HCBF stock options converted to CenterState stock options	$ 18,025
Total Purchase Price for HCBF	$ 448,236

(Continued)

(Dollar amounts in thousands, except per share data)

The list below summarizes the fair value of the assets purchased, including goodwill, and liabilities assumed as of the January 1, 2018 purchase date.

	January 1, 2018
Assets:	
Cash and cash equivalents	$ 77,176
Loans, held for investment	1,290,004
Purchased credit impaired loans	36,031
Loans held for sale	5,694
Investments	585,297
Accrued interest receivable	5,847
Branch real estate	34,035
Furniture and fixtures	3,571
Bank property held for sale	14,140
FHLB and other stock	9,488
Bank owned life insurance	39,089
Other real estate owned	5,144
Core deposit intangible	23,625
Goodwill	233,321
Deferred tax asset	14,071
Other assets	2,536
Total assets acquired	$2,379,069
Liabilities:	
Deposits	$1,755,155
Federal Home Loan Bank advances	157,919
Corporate debentures	5,872
Accrued interest payable	478
Other liabilities	11,409
Total liabilities assumed	$1,930,833

In the acquisition, the Company acquired $1,326,035 of loans at fair value, net of $40,438, or 3.0%, estimated discount to the outstanding principal balance, representing 27.8% of the Company's total loans at December 31, 2017. Of the total loans acquired, management identified $36,031 with credit deficiencies. All loans that were on non-accrual status, impaired loans including TDRs and other substandard loans were considered by management to be credit impaired and are accounted for pursuant to ASC Topic 310-30.

(Continued)

(Dollar amounts in thousands, except per share data)

The table below summarizes the total contractually required principal and interest cash payments, management's estimate of expected total cash payments and fair value of the loans as of January 1, 2018 for purchased credit impaired loans. Contractually required principal and interest payments have been adjusted for estimated prepayments.

Contractually required principal and interest	$ 67,107
Non-accretable difference	(25,951)
Cash flows expected to be collected	41,156
Accretable yield	(5,125)
Total purchased credit-impaired loans acquired	$ 36,031

The table below presents information with respect to the fair value of acquired loans, as well as their unpaid principal balance ("Book Balance") at acquisition date.

	Book Balance	Fair Value
Loans:		
Single family residential real estate	$ 370,611	$ 363,559
Commercial real estate	636,517	627,900
Construction/development/land	149,547	146,639
Commercial loans	113,818	110,630
Consumer and other loans	41,660	41,276
Purchased credit-impaired	54,320	36,031
Total earning assets	$1,366,473	$1,326,035

In its assumption of the deposit liabilities, the Company believed the deposits assumed from the acquisition have an intangible value. The Company applied ASC Topic 805, which prescribes the accounting for goodwill and other intangible assets such as core deposit intangibles, in a business combination. The Company determined the estimated fair value of the core deposit intangible asset totaled $23,625, which will be amortized utilizing an accelerated amortization method over an estimated economic life not to exceed ten years. In determining the valuation amount, deposits were analyzed based on factors such as type of deposit, deposit retention, interest rates and age of deposit relationships.

Acquisition of Charter Financial Corporation

On September 1, 2018, the Company completed its acquisition of Charter Financial Corporation ("Charter") whereby Charter merged with and into the Company. Pursuant to and simultaneously with the merger of Charter with and into the Company, Charter's wholly owned subsidiary bank, CharterBank, merged with and into the Company's subsidiary bank, CenterState Bank, N.A.

The Company's primary reasons for the transaction were to expand its franchise into Georgia and Alabama, further solidify its market share in the Florida market and expand its customer base to enhance deposit fee income and leverage operating cost through economies of scale. The acquisition increased the Company's total assets and total deposits by approximately 24% as compared with the balances at December 31, 2017,

(Continued)

(Dollar amounts in thousands, except per share data)

and is expected to positively affect the Company's operating results to the extent the Company earns more from interest earning assets than it pays in interest on its interest bearing liabilities. During the twelve-month periods ending December 31, 2019 and 2018, the Company incurred approximately $6,162 and $11,987, respectively, of acquisition costs related to this transaction. These acquisition costs are reported in Merger Related Expenses on the Company's Consolidated Statements of Income and Comprehensive Income.

The acquisition was accounted for under the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations*. The Company recognized goodwill on this acquisition of $197,648 which is nondeductible for tax purposes as this acquisition is a nontaxable transaction. The goodwill is calculated based on the fair values of the assets acquired and liabilities assumed as of the acquisition date.

The Company acquired 100% of the outstanding common stock of Charter. The purchase price consisted of both cash and stock. Each share of Charter common stock was exchanged for $2.30 cash and 0.738 shares of the Company's common stock. Based on the closing price of the Company's common stock on August 31, 2018, the resulting purchase price was $389,476.

The table below summarizes the purchase price calculation.

Number of shares of Charter common stock outstanding at August 31, 2018	15,480,776
Per share exchange ratio	0.738
Number of shares of CenterState common stock less 599 of fractional shares	11,424,214
CenterState common stock price per share on August 31, 2018	$ 30.62
Fair value of CenterState common stock issued	$ 349,809
Number of shares of Charter common stock outstanding at August 31, 2018	15,480,776
Cash consideration each Charter share is entitled to receive	$ 2.300
Total Cash Consideration plus $17 for 599 of fractional shares	$ 35,624
Total Stock Consideration	$ 349,809
Total Cash Consideration	35,624
Total consideration to be paid to Charter common shareholders	$ 385,433
Cash out of Charter stock options	4,043
Total Purchase Price for Charter	$ 389,476

(Continued)

(Dollar amounts in thousands, except per share data)

The list below summarizes the fair value of the assets purchased, including goodwill, and liabilities assumed as of the September 1, 2018 purchase date.

	September 1, 2018
Assets:	
Cash and cash equivalents	$ 184,020
Loans, held for investment	1,130,240
Purchased credit impaired loans	11,432
Loans held for sale	2,835
Investments	73,808
Accrued interest receivable	3,684
Branch real estate	27,930
Furniture and fixtures	1,988
Bank property held for sale	1,695
FHLB and other stock	1,483
Bank owned life insurance	54,813
Other real estate owned	257
Servicing asset	1,828
Core deposit intangible	19,795
Goodwill	197,648
Deferred tax asset	3,441
Other assets	17,644
Total assets acquired	$1,734,541
Liabilities:	
Deposits	$1,321,970
Corporate debentures	9,000
Accrued interest payable	1,015
Other liabilities	13,080
Total liabilities assumed	$1,345,065

In the acquisition, the Company acquired $1,141,672 of loans at fair value, net of $23,118, or 2.0%, estimated discount to the outstanding principal balance, representing 23.9% of the Company's total loans at December 31, 2017. Of the total loans acquired, management identified $11,432 with credit deficiencies. All loans that were on non-accrual status, impaired loans including TDRs and some substandard loans were considered by management to be credit impaired and are accounted for pursuant to ASC Topic 310-30.

(Continued)

(Dollar amounts in thousands, except per share data)

The table below summarizes the total contractually required principal and interest cash payments, management's estimate of expected total cash payments and fair value of the loans as of September 1, 2018 for purchased credit impaired loans. Contractually required principal and interest payments have been adjusted for estimated prepayments.

Contractually required principal and interest	$ 33,687
Non-accretable difference	(20,763)
Cash flows expected to be collected	12,924
Accretable yield	(1,492)
Total purchased credit-impaired loans acquired	$ 11,432

The table below presents information with respect to the fair value of acquired loans, as well as their unpaid principal balance ("Book Balance") at acquisition date.

	Book Balance	Fair Value
Loans:		
Single family residential real estate	$ 284,505	$ 280,200
Commercial real estate	567,506	557,730
Construction/development/land	181,128	178,687
Commercial loans	88,308	87,062
Consumer and other loans	26,221	26,561
Purchased credit-impaired	17,122	11,432
Total earning assets	$1,164,790	$1,141,672

In its assumption of the deposit liabilities, the Company believed the deposits assumed from the acquisition have an intangible value. The Company applied ASC Topic 805, which prescribes the accounting for goodwill and other intangible assets such as core deposit intangibles, in a business combination. The Company determined the estimated fair value of the core deposit intangible asset totaled $19,795, which will be amortized utilizing an accelerated amortization method over an estimated economic life not to exceed ten years. In determining the valuation amount, deposits were analyzed based on factors such as type of deposit, deposit retention, interest rates and age of deposit relationships.

Acquisition of National Commerce Corporation

On April 1, 2019, the Company completed its acquisition of NCOM whereby NCOM merged with and into the Company. Pursuant to and simultaneously with the merger of NCOM with and into the Company, NCOM's wholly owned subsidiary bank, National Bank of Commerce, merged with and into the Company's subsidiary bank, CenterState Bank, N.A. As a result of that merger, the Bank acquired a controlling 70% interest in CBI, and its factoring subsidiary, Corporate Billing. Subsequently on September 30, 2019, the Company purchased the 30% noncontrolling interest of CBI for $11,400. The undistributed earnings attributable to the noncontrolling interest at period-end September 30, 2019 payable to the noncontrolling interest were distributed in October 2019.

(Continued)

(Dollar amounts in thousands, except per share data)

The Company's primary reasons for the transaction were to further expand its franchise into Georgia and Alabama, further solidify its market share in the Florida market and expand its customer base to enhance deposit fee income and leverage operating cost through economies of scale. The acquisition increased the Company's total assets and total deposits by approximately 36% and 37% as compared with the balances at December 31, 2018 and is expected to positively affect the Company's operating results to the extent the Company earns more from interest earning assets than it pays in interest on its interest bearing liabilities. During the twelve-month period ending December 31, 2019, the Company incurred approximately $33,095 of acquisition costs related to this transaction. These acquisition costs are reported in merger and acquisition related expenses on the Company's Consolidated Statements of Income and Comprehensive Income.

The acquisition was accounted for under the acquisition method of accounting in accordance with ASC Topic 805, Business Combinations. The Company recognized goodwill on this acquisition of $401,537 which is nondeductible for tax purposes as this acquisition is a nontaxable transaction. The goodwill is calculated based on the fair values of the assets acquired and liabilities assumed as of the acquisition date.

The Company acquired 100% of the outstanding common stock of NCOM. The purchase price consisted of stock plus cash in lieu of fractional shares. Each share of NCOM common stock was exchanged for 1.65 shares of the Company's common stock. Based on the closing price of the Company's common stock on March 29, 2019, the resulting purchase price was $831,696.

The table below summarizes the purchase price calculation.

Number of shares of NCOM common stock outstanding at March 29, 2019	21,011,352
Per share exchange ratio	1.650
Number of shares of CenterState common stock less 763 of fractional shares	34,667,968
CenterState common stock price per share on March 29, 2019	$ 23.81
Fair value of CenterState common stock issued	$ 825,444
Cash Consideration for 763 of fractional shares	$ 20
Total Stock Consideration	$ 825,444
Total Cash Consideration	20
Total consideration to be paid to NCOM common shareholders	$ 825,464
Fair value of NCOM stock options converted to CenterState stock options	5,848
Fair value of NCOM warrants converted to CenterState warrants	384
Total Purchase Price for NCOM	$ 831,696

(Continued)

(Dollar amounts in thousands, except per share data)

The list below summarizes the fair value of the assets purchased, including goodwill, and liabilities assumed as of the April 1, 2019 purchase date.

	April 1, 2019
Assets:	
Cash and cash equivalents	$ 268,524
Loans, held for investment	3,309,234
Purchased credit impaired loans	18,616
Loans held for sale	14,588
Investments	178,488
Accrued interest receivable	11,006
Branch real estate	61,295
Furniture and fixtures	7,204
Bank property held for sale	12,436
FHLB, FRB and other stock	17,076
Bank owned life insurance	55,474
Other real estate owned	875
Servicing asset	1,581
Core deposit intangible	39,900
Goodwill	401,537
Deferred tax asset	16,285
Other assets	23,663
Total assets acquired	$4,437,782
Liabilities:	
Deposits	$3,486,732
Securities sold under agreement to repurchase	18,833
Subordinated debt	38,802
Accrued interest payable	2,095
Other liabilities	47,622
Noncontrolling interest	12,002
Total liabilities assumed and noncontrolling interest	$3,606,086

In the acquisition, the Company acquired $3,327,850 of loans at fair value, net of $61,384, or 1.8%, estimated discount to the outstanding principal balance, representing 39.9% of the Company's total loans at December 31, 2018. Of the total loans acquired, management identified $18,616 with credit deficiencies. All loans that were on non-accrual status including accruing loans that are 90 days or more past due that should be recognized as non-accrual, all substandard loans or all loans with impaired collateral value including TDRs and all loans under litigation were considered by management to be credit impaired and are accounted for pursuant to ASC Topic 310-30. No TDRs were acquired from the NCOM transaction.

(Continued)

(Dollar amounts in thousands, except per share data)

The table below summarizes the total contractually required principal and interest cash payments, management's estimate of expected total cash payments and fair value of the loans as of April 1, 2019 for purchased credit impaired loans. Contractually required principal and interest payments have been adjusted for estimated prepayments.

Contractually required principal and interest	$ 51,527
Non-accretable difference	(29,187)
Cash flows expected to be collected	22,340
Accretable yield	(3,724)
Total purchased credit-impaired loans acquired	$ 18,616

The table below presents information with respect to the fair value of acquired loans, as well as their Book Balance at acquisition date.

	Book Balance	Fair Value
Loans:		
Single family residential real estate	$ 615,296	$ 608,705
Commercial real estate	1,762,480	1,736,653
Construction/development/land	363,005	358,643
Commercial loans	539,698	536,262
Consumer and other loans	70,058	68,971
Purchased credit-impaired	38,697	18,616
Total earning assets	$3,389,234	$3,327,850

In its assumption of the deposit liabilities, the Company believed the deposits assumed from the acquisition have an intangible value. The Company applied ASC Topic 805, which prescribes the accounting for goodwill and other intangible assets such as core deposit intangibles, in a business combination. The Company determined the estimated fair value of the core deposit intangible asset totaled $39,900, which will be amortized utilizing an accelerated amortization method over an estimated economic life not to exceed ten years. In determining the valuation amount, deposits were analyzed based on factors such as type of deposit, deposit retention, interest rates and age of deposit relationships.

(Continued)

(Dollar amounts in thousands, except per share data)

Pro-forma information (supplemental)

Pro-forma information for the twelve-month period ending December 31, 2018 assumes the Charter and NCOM acquisitions occurred at the beginning of 2018. Pro-forma data for the twelve-month period ending December 31, 2019 listed in the table below presents pro-forma information as if the NCOM acquisition occurred at the beginning of 2018.

	Years ended December 31,	
	2019	2018
Net interest income	$620,072	$623,929
Net income available to common shareholders	$257,271	$240,107
EPS—basic	$ 2.01	$ 1.90
EPS—diluted	$ 1.99	$ 1.87

The disclosures regarding the results of operations for Charter and NCOM subsequent to their respective acquisition dates are omitted as this information is not practical to obtain. Although the Company did not convert Charter's core system in the third quarter of 2018 or did not convert NCOM's core system until the third quarter of 2019, the majority of the fixed costs and purchase accounting entries were booked on the Company's core system making it impractical to determine Charter or NCOM's results of operation on a stand-alone basis.

(27) Interest Rate Swap Derivatives

Fair Value Hedge

The Company enters into interest rate swaps in order to provide commercial loan clients the ability to swap from variable to fixed interest rates. Under these agreements, the Company enters into a variable-rate loan with a client in addition to a swap agreement. This swap agreement effectively converts the client's variable rate loan into a fixed 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. At years ended December 31, 2019 and 2018, the notional amount of such arrangements was $10,596,427 and $5,743,283, respectively. The Company pledged $140,913 and $28,345 of cash as collateral to the third party dealers and clearinghouse exchanges at December 31, 2019 and 2018, respectively. The Company also pledged $361,127 of securities to the third party dealers and clearinghouse exchanges at December 31, 2019. As the interest rate swaps with the clients and third parties are not designated as hedges under ASC 815, changes in market values are reported in earnings.

Summary information about the derivative instruments is as follows:

	2019	2018
Notional amount	$10,596,427	$5,743,283
Weighted average pay rate on interest-rate swaps	3.20%	3.64%
Weighted average receive rate on interest rate swaps	3.20%	3.64%
Weighted average maturity (years)	11	11
Fair value of interest rate swap derivatives (asset)	273,068	92,475
Fair value of interest rate swap derivatives (liability)	274,216	92,892

(Continued)

(Dollar amounts in thousands, except per share data)

Cash Flow Hedge

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. Interest rate swaps are utilized to manage interest rate risk associated with the Company's variable rate borrowings entered during the second quarter of 2019. The Company recognizes interest rate swaps as either assets or liabilities at fair value in the Consolidated Balance Sheets.

The interest rate swap contract entered during the second quarter of 2019 on a variable rate borrowing was designated as a cash flow hedge and was negotiated over the counter. The contract was entered into by the Company with a counterparty and the specific agreement of terms were negotiated, including the amount, interest rate and maturity.

The following table reflects the cash flow hedge included in the Condensed Consolidated Balance Sheets as of December 31, 2019:

	December 31, 2019
Notional amount	$150,000
Fair value of interest rate swap derivatives (asset)	—
Fair value of interest rate swap derivatives (liability)	817

The following table presents the net unrealized holding losses recorded in Accumulated Other Comprehensive Income on the Company's Condensed Consolidated Balance Sheet and Condensed Consolidated Statements of Income and Comprehensive Income relating to the cash flow derivative instrument for the nine-month period ended December 31, 2019:

	December 31, 2019		
	Amount of loss recognized in OCI	Amount of gain / (loss) reclassified from OCI to interest income	Location of gain / (loss) reclassified from AOCI to income
Interest rate contracts—pay fixed, receive floating	$(613)	$—	Interest expense: Federal funds purchased and other borrowings

During the year ended December 31, 2019, the derivative position designed as a cash flow hedge was not discontinued and none of the losses reported in Accumulated Other Comprehensive Income were reclassified into earnings as a result of the discontinuance of a cash flow hedge or because of the early extinguishment of the borrowing.

(28) Revenue from Contracts with Customers

On January 1, 2018, the Company adopted 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). ASU 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the

(Continued)

performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company concluded that there is no change to the timing and pattern of revenue recognition for its current revenue streams in scope of Topic 606 or the presentation of revenue as gross versus net. No adjustment to retained earnings was required on the adoption date. Because there is no change to the timing and pattern of revenue recognition, there are no material changes to the Company's processes and internal controls. Expanded disclosures including disaggregation of revenues and descriptions of performance obligations required by ASU 2014-09 are included below. The Company adopted ASU 2014-09 in the first quarter of 2018 under the modified retrospective approach, and management determined during the assessment of the Company's revenue streams that the adoption of ASU 2014-09 did not impact the Consolidated Financial Statements of the Company.

There are two reasons ASU 2014-09 did not have an impact to the Company. First, the majority of revenues are interest earned and gain on sales of loans, investment securities and other financial instruments, all of which are unaffected as they are outside the scope of ASU 2014-09. Secondly, the Company's non-interest income revenue streams such as service charges on deposits, treasury management fees, wealth advisory fees, fixed income sales, and correspondent bank fees, are all within the scope of ASU 2014-09. However, ASC Topic 606 focuses on revenues from contracts earned over time, but all of these in-scope noninterest income revenue streams are governed by agreements that do not have an enforceable, contractual term. Given the cancellable-at-will structure, ASC Topic 606 views these contracts as agreements-at-will without a defined term, the revenues of which are immediately recognized. The revenue recognition timing is identical compared to previous revenue recognition standards.

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within Non-Interest Income. ASU 2014-09 requires disclosure of sufficient information to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. A description of the Company's revenue streams accounted for under ASC 606 as well as an explanation of why they are not impacted are as follows:

Revenues by Operating Segment/Line of Business

Correspondent Banking Capital Markets Revenue - Fixed Income Sales

The company earns commission revenues from the sale of fixed income securities to institutional investors. These revenues are earned and collected at each individual sale, and the sale is the sole performance obligation. There are no minimum orders or future performance obligations or deferred recognition requirements.

Other Correspondent Banking Related Revenue

The company earns revenues from a variety of services to other financial institutions including but not limited to correspondent banking, cash and clearing, safekeeping, wire transfers, international services, bond accounting, and others. Fixed income sales are discussed separately. While there is a significant variety of a la carte services, all (except fixed income sales) are either billed as incurred or are subject to monthly billing, at which point the performance obligation have been fulfilled. Even though a Correspondent agreement may provide for services over an indefinite period of time, the customer is free to end the agreement at will without penalty. This structure is viewed as an at-will agreement under ASC 606, the revenues of which are recognized immediately.

Service Charges on Deposit Accounts

The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include but are not limited to: services such as ATM use fees, stop payment charges, statement rendering, ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Wealth Management Related Revenue - Treasury Management

The Company earns fees for Treasury Management products and services which include but are not limited to online cash management, remote deposit capture, positive pay, and lockboxes. Similar to the above service charges on deposit accounts above, these fees are also recognized at either the time the transaction or at the end of the month in the case where service obligations are provided over the course of each month. Even though a customer's Treasury Management agreement may provide for services over an indefinite period of time, the customer is free to end the agreement at will without penalty. This structure is viewed as an at-will agreement under ASC 606, the revenues of which are recognized immediately.

Wealth Management Related Revenue - Wealth Management & Advisory

The Company has contracted with a third party to provide wealth management and investment brokerage services on behalf of the Company. All fees earned by the Company from Wealth Management and Advisory activities are in the form of a revenue sharing agreement. The Company acts as agent in this agreement, and as such, ASC 606 deems the third party to be the customer of the Company as opposed to those individual and entities receiving the wealth advisory services. The agreed-upon portion of revenues generated by the third party for services provided other entities and individuals are owed and remitted to the Company at the end of each month, at which time all performance obligations of the Company are fulfilled.

Wealth Management Related Revenue - Trust

The Company sold its Trust Department in December 2017. While there would have been ASC Topic 606 revenue recognition timing implications, the sale prior to December 31, 2017 removed these revenues from consideration. Trust revenues are displayed for prior periods only.

Debit, Prepaid, ATM and Merchant Card Related Fees - Prepaid Cards

The Company earns revenues from prepaid card interchange fees and maintenance fees. Interchange fees from cardholder transactions represent a portion of the underlying transaction value and are recognized daily, concurrently with the transaction processing services to the cardholder. Similar to fees from deposits accounts, maintenance fees are earned over the performance obligation period, after which all obligations have been fulfilled.

(Continued)

Debit, Prepaid, ATM and Merchant Card Related Fees - Credit Cards

The Company earns revenues from a revenue sharing agreement with a third party who provides credit card services for Company customers. Similar to the Wealth Management and Advisory revenue sharing agreement discussed above, the Company is the agent and the third party is the customer. The revenue sharing agreement calculates fees owed to the Company based on interchange and application amounts and levels. These share of fees are remitted to the Company each month, at which time the performance obligation is fulfilled.

Debit, Prepaid, ATM and Merchant Card Related Fees - Debit Card Interchange Income

The Company earns interchange fees from debit cardholder transactions through the MasterCard payment network. Interchange fees form cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

Gains/Losses on Sales of Repossessed Real Estate (“OREO”)

The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. There are no ASC 606 implications unless the Company finances the sale of OREO. There are no instances of the Company financing the sale of one of its repossessed OREO properties as of December 31, 2019.

Contract Balances

The Contract Balances disclosure requirement is not relevant, as no revenues are earned over time that would require the monitoring of contract balances. The Performance Obligations disclosure requirements call for a description of when performance obligations are satisfied, significant payment terms, nature of goods or services promised, and obligations for returns, refunds, and warranties.

(29) Leases

In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Subsequently, amendments ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; and ASU No. 2018-11, Targeted Improvements were issued. ASC 842 establishes a right-of-use (“ROU”) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The Company leases certain properties and equipment under operating leases that resulted in the recognition of ROU Lease Assets of $20,311 and Lease Liabilities of $22,795 on the Company’s Condensed Consolidated Balance Sheets. The one-time transition impact to retained earnings from measurement differences was approximately $1,093 as disclosed on the Company’s Condensed Consolidated Statements of Changes in Stockholders’ Equity.

ASC 842 was effective on January 1, 2019. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. The Company chose to use

(Continued)

the effective date approach. As such, all periods presented after January 1, 2019 are under ASC 842 whereas periods presented prior to January 1, 2019 are in accordance with prior lease accounting of ASC 840. Financial information was not updated and the disclosures required under ASC 842 was not provided for dates and periods before January 1, 2019.

ASC 842 provides a number of optional practical expedients in transition. The Company has elected the 'package of practical expedients,' which permits the Company not to reassess under the new standard the prior conclusions about lease identification, lease classification and initial direct costs. The Company also elected the use of the hindsight, a practical expedient which permits the use of information available after lease inception to determine the lease term via the knowledge of renewal options exercised not available as of the leases inception. The practical expedient pertaining to land easements is not applicable to the Company.

ASC 842 also requires certain accounting elections for ongoing application of ASC 842. The Company elected the short-term lease recognition exemption for all leases that qualify, meaning those with terms under twelve months. ROU assets or lease liabilities are not to be recognized for short-term leases. However, since all real estate and equipment leases have terms greater than 12 months, no leases currently meet this exemption. The Company also elected the practical expedient to not separate lease and non-lease components for all leases, the majority of which consist of real estate common area maintenance expenses. However, since these non-lease items are subject to change, they are treated and disclosed as variable payments in the quantitative disclosures below. Consequently, ASC 842's changed guidance on contract components will not significantly affect our financial reporting. Similarly, ASC 842's narrowed definition of initial direct costs will not significantly affect financial reporting.

Lessee Leases

The majority of the Company's lessee leases are operating leases, and consist of leased real estate for branches and operations centers. Options to extend and renew leases are generally exercised under normal circumstances. Advance notification is required prior to termination, and any noticing period is often limited to the months prior to renewal. Variable payments generally consist of common area maintenance and taxes. Rent escalations are generally specified by a payment schedule, or are subject to a defined formula. The Company also elected the practical expedient to not separate lease and non-lease components for all leases, the majority of which consist of real estate common area maintenance expenses. Generally, leases do not include guaranteed residual values, but instead typically specify that the leased premises are to be returned in satisfactory condition with the Company liable for damages. The Company also has other operating leases for various equipment, including copiers, printers, and other small equipment. Equipment lease terms and conditions generally specify a fixed amount and term with options to renew. The Company's equipment leases are typically not renewed, and existing leases are typically assumed from prior bank acquisitions.

For operating leases, the lease liability and ROU asset (before adjustments) are recorded at the present value of future lease payments. ASC 842 requires the use of the lease interest rate; however, this rate is typically not known. As an alternative, ASC 842 permits the use of an entity's fully secured incremental borrowing rate. The Company is electing to utilize the FHLB Atlanta Fixed Rate Advance index, as it is the most actively used institution-specific collateralized borrowing source available to the Company.

(Continued)

(Dollar amounts in thousands, except per share data)

The Company also holds a small number of finance leases assumed in connection to prior acquisitions. These leases are all real estate leases. Terms and conditions are similar to those real estate operating leases described above, but the lease terms are generally longer. Lease classifications from the acquired institution were retained, and were again retained as a result of the election of the package of practical expedients described above.

	December 31, 2019
Amortization of ROU Assets – Finance Leases	$ 196
Interest on Lease Liabilities – Finance Leases	215
Operating Lease Cost (Cost resulting from lease payments)	7,453
Variable Lease Cost (Cost excluded from lease payments)	1,211
Total Lease Cost	$ 9,075
Finance Lease – Operating Cash Flows	294
Finance Lease – Financing Cash Flows	294
Operating Lease – Operating Cash Flows (Fixed Payments)	7,585
Operating Lease – Operating Cash Flows (Liability Reduction)	7,131
New ROU Assets – Operating Leases	39,205
Weighted Average Lease Term (Years) – Finance Leases	10.93
Weighted Average Lease Term (Years) – Operating Leases	7.13
Weighted Average Discount Rate – Finance Leases	5.83%
Weighted Average Discount Rate – Operating Leases	3.33%

A maturity analysis of operating lease liabilities and reconciliation of the undiscounted cash flows to the total operating lease liabilities as of December 31, 2019 is as follows:

	December 31, 2019
Operating lease payments due:	
Within one year	$ 7,577
After one but within two years	6,693
After two but within three years	5,358
After three but within four years	4,419
After four years but within five years	3,723
After five years	11,410
Total undiscounted cash flows	39,180
Discount on cash flows	(4,695)
Total operating lease liabilities	$34,485

(Continued)

(Dollar amounts in thousands, except per share data)

The following is a schedule of future minimum annual rentals under operating leases as of December 31, 2018:

Year ending December 31,	
2019	$ 6,524
2020	5,096
2021	4,411
2022	3,633
2023	2,558
Thereafter	11,088
	$33,310

Lessor Leases

ASC 842 also impacted lessor accounting. ASC 842 changed the criteria in which a lessor lease is classified. A lease is a sales-type lease if any one of five criteria are met, each of which indicate that the lease, in effect, transfers control of the underlying asset to the lessee. If none of those five criteria are met, but two additional criteria are both met, indicating that the lessor has transferred substantially all the risks and benefits of the underlying asset to the lessee and a third party, the lease is a direct financing lease. All leases that are not sales-type or direct financing leases are operating leases.

Similar to the above lessee leases, the Company has elected the 'package of practical expedients,' which allows the Company not to reassess the Company's prior conclusions under ASC 842 about lease identification, lease classification and initial direct costs. The Company also elected the use of the hindsight, a practical expedient which permits the use of information available after lease inception to determine the lease term via the knowledge of renewal options exercised not available as of the leases inception. Lastly, the practical expedient pertaining to land easements is not applicable to the Company.

While ASC 842 identifies common area building maintenance as a non-lease component of our real estate lease contracts, the Company elected to account for the Company's real estate leases and associated common area maintenance service components as a single, combined operating lease component. Consequently, ASC 842's changed guidance on contract components will not significantly affect financial reporting.

Substantially, all of the Company's lessor leases are related to unused real estate office space owned by the Company. Most have defined terms, though some leases have gone month-to-month once the initial term has passed. The impact of subleases is not material. Income from operating leases are reported within Occupancy Expense as an offset to Non-interest Expense in the Company's Condensed Consolidated Statements of Income and Comprehensive Income.

The Company is also the lessor on a few equipment direct finance leases (formerly known as capital leases) with three municipal entities. Interest income from these leases are tax exempt, and is reported within loan interest income. The lessee retains the title to all equipment in each of these finance leases. Each of these leases originated in 2018, and therefore the prior ASC 840 classification was not reassessed due to the election of the package of practical expedients.

(Continued)

(Dollar amounts in thousands, except per share data)

	December 31, 2019
Operating Lease Income from Lease Payments	$1,793
Direct Financing Lease Income	513
Total Lease Income	$2,306
Net Investment in Direct Financing Leases	$1,391
Unguaranteed Residual Assets	—
Deferred Selling Profit on Direct Financing Leases	—
Maturity Analysis of Operating Lease Receivables	
0 – 12 Months	$1,978
13 – 24 Months	1,599
25 – 36 Months	897
37 – 48 Months	188
48 – 60 Months	—
Over 60 Months	—
Maturity Analysis of Finance Lease Receivables	
0 – 12 Months	$ 916
13 – 24 Months	475
25 – 36 Months	—
37 – 48 Months	—
48 – 60 Months	—
Over 60 Months	—

(30) Subsequent Events

Announcement of Merger of Equals between CenterState and South State Corporation

On January 27, 2020, the Company and South State Corporation (“South State”) announced the execution of an Agreement and Plan of Merger, dated as of January 25, 2020 (the “Merger Agreement”), providing for the merger of the Company and South State, subject to the terms and conditions set forth therein. Under the terms of the Merger Agreement, which was unanimously approved by the Boards of Directors of both companies, the Company’s shareholders will receive 0.3001 shares of South State common stock for each share of CenterState common stock they own. The transaction is expected to close in the third quarter of 2020 subject to customary closing conditions, including receipt of all applicable regulatory approvals and shareholder approval of each company. The Company’s primary reason for the transaction is to create a leading Southeastern-based regional bank, which diversifies each company’s geographies into a contiguous six-state footprint, spanning from Florida to Virginia. The transaction will also expand both companies’ customer base which will enhance deposit fee income and leverage operating cost through economies of scale. The combined company will operate under the South State Bank name and will trade under the South State ticker symbol SSB on the Nasdaq stock market. The company will be headquartered in Winter Haven, Florida and will maintain a significant presence in Columbia and Charleston, South Carolina; Charlotte, North Carolina; and Atlanta, Georgia. South State is a bank holding company headquartered in Columbia, South Carolina. South State’s bank subsidiary South State Bank operates 157 banking locations. South State reported total assets of $15,921,092, total loans of $11,370,040 and total deposits of $12,177,096 as of December 31, 2019.

(Continued)

Stock Repurchase Plan

On January 16, 2020, the Company announced that it had approved a new share repurchase program. Under this repurchase program, the maximum number of shares subject to its share repurchase program is 6,500,000 shares of the Company's outstanding common stock, subject to market conditions. The total shares subject to the Company's repurchase plan represent approximately 5% of the Company's outstanding shares as of December 31, 2019. The repurchases will be made from time to time by the Company in the open market as conditions allow throughout the plan period from January 16, 2020 to January 16, 2022, unless shortened or extended by the Company's Board of Directors. The stock repurchase program does not obligate the Company to repurchase any specified number of shares of its common stock. The shares may be purchased in open market or negotiated transactions. Open market purchases will be conducted in accordance with the limitations set forth in Rule 10b-18 of the Securities and Exchange and Commission and other applicable legal requirements. The number, price and timing of the repurchases, if any, will be at the Company's sole discretion and will depend on a number of factors, including market and economic conditions, liquidity needs and other factors and there is no assurance that the Company will purchase any shares under the program. This stock repurchase program replaces the stock repurchase plan authorized on April 25, 2019.

As of February 26, 2020, subsequent to the fourth quarter of 2019, the Company repurchased an additional 1,102,934 common shares pursuant to an ongoing 10b-5 repurchase plan disclosed above at a volume-weighted average price of $23.46. Approximately 5.4 million shares remain under the Company's existing repurchase authorization.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this report to be duly signed on its behalf by the undersigned, thereunto duly authorized, in the City of Winter Haven, State of Florida, on the 27th day of February 2020.

CENTERSTATE BANK CORPORATION

/s/ John C. Corbett

John C. Corbett
President and Chief Executive Officer
(Principal executive officer)

/s/ William E. Matthews, V

William E. Matthews, V
Executive Vice President and Chief Financial Officer
(Principal financial officer and principal accounting officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities shown on February 27, 2020.

Signature	Title
/s/ Ernest S. Pinner Ernest S. Pinner	Chairman of the Board
/s/ James H. Bingham James H. Bingham	Director
/s/ Michael J. Brown, Sr. Michael J. Brown, Sr.	Director
/s/ C. Dennis Carlton C. Dennis Carlton	Director
/s/ Michael F. Ciferri Michael F. Ciferri	Director
/s/ John C. Corbett John C. Corbett	Director President and Chief Executive Officer
/s/ Jody J. Dreyer Jody J. Dreyer	Director
/s/ Griffin A. Greene Griffin A. Greene	Director
/s/ John H. Holcomb III John H. Holcomb III	Director
/s/ Charles W. McPherson Charles W. McPherson	Director

Signature	**Title**
/s/ Richard Murray IV Richard Murray IV	Director
/s/ G. Tierso Nunez II G. Tierso Nunez II	Director
/s/ Thomas E. Oakley Thomas E. Oakley	Director
/s/ G. Ruffner Page, Jr. G. Ruffner Page, Jr.	Director
/s/ William Knox Pou, Jr. William Knox Pou, Jr.	Director
/s/ Daniel R. Richey Daniel R. Richey	Director
/s/ David G. Salyers David G. Salyers	Director
/s/ Joshua A. Snively Joshua A. Snively	Director
/s/ Mark W. Thompson Mark W. Thompson	Director Bank President

Exhibit 31.1

CERTIFICATIONS

I, John C. Corbett, certify, that:

1. I have reviewed this report on Form 10-K of CenterState Bank Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2020

/s/ John C. Corbett

John C. Corbett
President and Chief Executive Officer

Exhibit 31.2

I, William E. Matthews, certify, that:

1. I have reviewed this report on Form 10-K of CenterState Bank Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2020

/s/ William E. Matthews, V

William E. Matthews, V
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

Certification of President and Chief Executive Officer

The undersigned President and Chief Executive Officer of CenterState Bank Corporation does hereby certify, to such officer's knowledge, that this report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this report fairly presents, in all material respects, the financial condition and results of operation of CenterState Bank Corporation .

/s/ John C. Corbett

John C. Corbett
President and Chief Executive Officer

Date: February 27, 2020

Exhibit 32.2

Certification of Executive Vice President and Chief Financial Officer

The undersigned Executive Vice President and Chief Financial Officer of CenterState Bank Corporation does hereby certify, to such officer's knowledge, that this report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this report fairly presents, in all material respects, the financial condition and results of operation of CenterState Bank Corporation.

/s/ William E. Matthews, V

William E. Matthews, V
Executive Vice President and
Chief Financial Officer

Date: February 27, 2020

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CENTERSTATE BANK CORPORATION
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